

# CASE STUDY

## LAURA



Not an actual case; for illustrative purposes only

## Annuities Strengthen Retirement® INDEX. TRADITIONAL FIXED. IMMEDIATE INCOME.

### LAURA: Widowed female, age 74

- In excellent health. Both parents lived well into their 90s
- Husband just died leaving \$500,000 life insurance benefit: his pension ended
- Needs easy way to manage finances
- Worried about rising costs and outliving her money
- Her children are concerned about her losing money ... "What if she dies much earlier than her parents?"

### SOLUTION:

## AG Platinum Income Annuity®

Laura wants to be sure she always has an income stream, yet she acknowledges her children's concerns.

- Offer her guaranteed lifetime income payments to give her confidence that she will always have an income stream
- To alleviate her children's concern, add either the Cash Refund or Installment Refund Option. This way, if she dies without having received income payments equaling her premium, her children can receive the balance of the premium paid.
  - Cash Refund Option provides one lump sum premium balance payment
  - Installment Refund Option continues to make the income payments until all premium has been returned

Laura and her children will both be happy, and most importantly secure, with this solution.

**American General**  
Life Companies

## LIFE WEBINAR

### "I'VE GOT A CLIENT<sup>SM</sup> ...

Who needs permanent life insurance.  
Which UL product best meets his needs?"

#### ...WE'VE GOT SOLUTIONS!

Here's your opportunity to learn more about the diversity and competitiveness of American General's Universal Life Portfolio.

Join Vice Presidents Tim Heslin and Mike Murphy for one of the upcoming **All About UL Webinars**

**Dates:** Tuesday, July 13 and Thursday, July 15

**Times:** 12 p.m. ET ■ 11 a.m. CT ■ 10 a.m. MT ■ 9 a.m. PT

Mike and Tim will showcase a number of "I've Got a Client" scenarios, matching the client's need to an American General UL product. They'll also cover features and benefits of the products, arming you with information you'll need to help point your clients in the right direction. Mark your calendar and plan to learn All About UL!

Access information is the same for both meetings.

#### Audio Conference

Dial-in Number: 877-322-9648  
Participant Code: 561351

#### Web Meeting

<https://www.webmeeting.att.com>  
Meeting Number: 8773229648  
Participant Code: 561351

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#### INSURANCE ADVERTISEMENT

Policies issued by American General Life Insurance Company (AGL), 2727-A Allen Parkway, Houston, TX 77019, and The United States Life Insurance Company in the City of New York (USL), 70 Pine Street, New York, NY 10270.

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# Thinking global gets better!

The industry-leading index universal life insurance products, Elite Global Plus® and Elite Global Survivor®, will soon get even better. In mid-July, the insurers of American General Life Companies will be adjusting the compensation structure on these two ground-breaking products.

Based on a unique index-crediting methodology and guaranteed lifetime interest rate, these products are designed for use in:

- Supplemental retirement income scenarios
- Premium financing situations
- Nonqualified deferred compensation plans
- Business applications such as Executive Bonus and Key Man

Elite Global Plus and Elite Global Survivor both offer guaranteed death benefit protection along with an innovative product design and index interest crediting methodology that is unequalled in the marketplace today.

Think global. Think innovation. Watch for our announcement soon.

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Policies issued by: **American General Life Insurance Company**, 2727-A Allen Parkway, Houston, Texas 77019. Elite Global Plus Policy Form Number 08444; Elite Global Survivor Policy Form Number 08414. **The United States Life Insurance Company in the City of New York**, 70 Pine Street, New York, New York 10270. Elite Global Plus Policy Form Number 08444N; Elite Global Survivor Policy Form Number 08414N. The underwriting risks, financial and contractual obligations and support functions associated with products issued by American General Life Insurance Company (AGL) and The United States Life Insurance Company in the City of New York (USL) are the issuing insurer's responsibility. All guarantees are subject to the claims-paying ability of the issuing insurance company. USL is authorized to conduct insurance business in New York. Policies and riders not available in all states. American General Life Companies, [www.americangeneral.com](http://www.americangeneral.com), is the marketing name for the insurance companies and affiliates comprising the domestic life operations of American International Group, Inc., including AGL and USL.

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AGLC104397

## AG Select-a-Term® Insurance

### "I'VE GOT A CLIENT..."

Who wants to provide a source of income for his wife until Social Security survivor benefits begin."

#### WE HAVE THE SOLUTION:

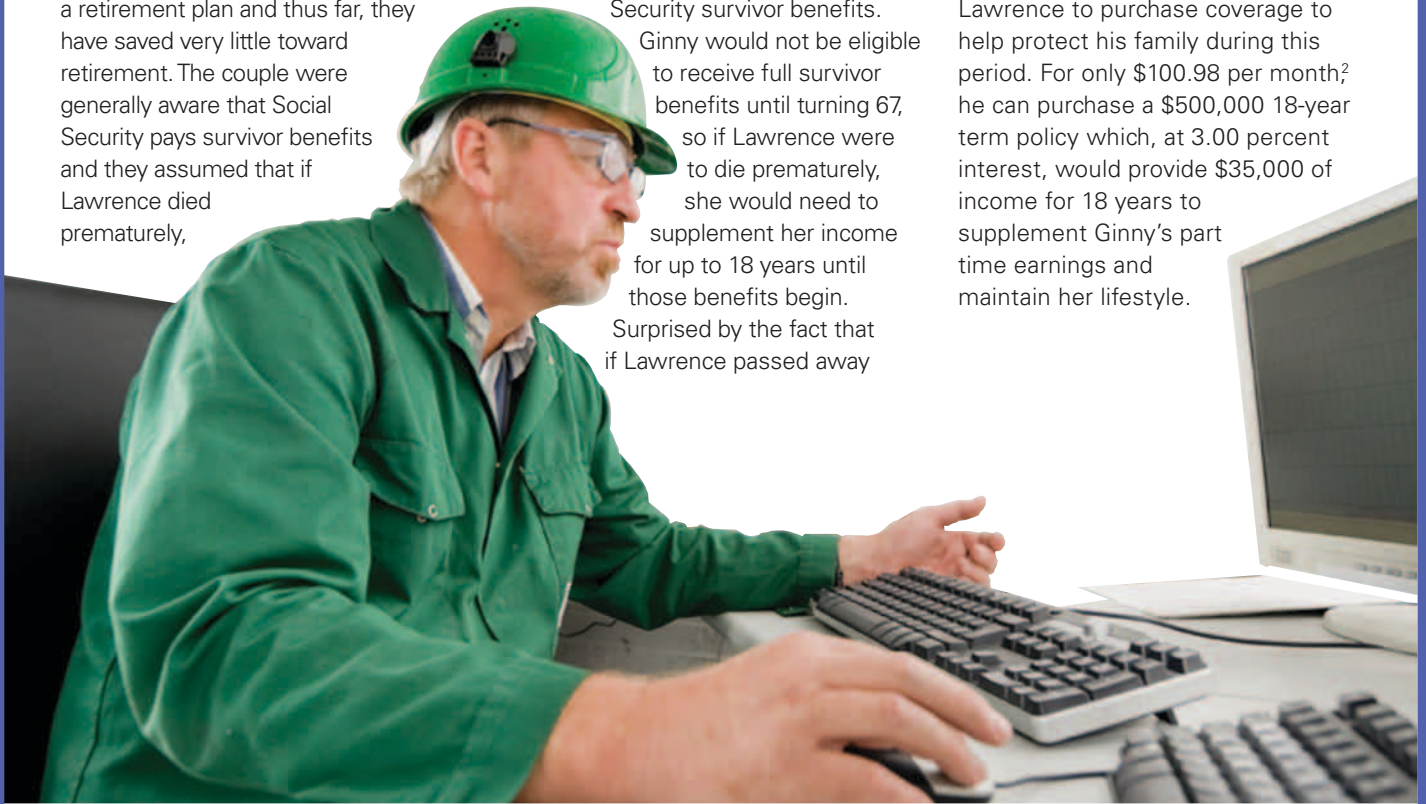
Lawrence, 53 and in good health, works for a petrochemical company as a mid-level manager. Fortunately, his \$50,000 salary has been sufficient for his wife Ginny, 49, to focus on raising their two sons 18 and 20, while occasionally working part time. Lawrence's company does not sponsor a retirement plan and thus far, they have saved very little toward retirement. The couple were generally aware that Social Security pays survivor benefits and they assumed that if Lawrence died prematurely,

Ginny and the boys would begin to receive income payments. When checking more closely however, they were surprised to learn that Ginny would receive only a small lump sum of \$255<sup>1</sup> in the event of Lawrence's death and because both boys are over 18, neither would receive Social Security survivor benefits.

Ginny would not be eligible to receive full survivor benefits until turning 67, so if Lawrence were to die prematurely, she would need to supplement her income for up to 18 years until those benefits begin. Surprised by the fact that if Lawrence passed away

neither the boys nor Ginny would have income except that which she could earn, they want to ensure Ginny has sufficient income to maintain her standard of living until benefits begin.

AG Select-a-Term life insurance provides a cost-efficient way for Lawrence to purchase coverage to help protect his family during this period. For only \$100.98 per month<sup>2</sup> he can purchase a \$500,000 18-year term policy which, at 3.00 percent interest, would provide \$35,000 of income for 18 years to supplement Ginny's part time earnings and maintain her lifestyle.



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For more  
information,  
contact



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<sup>1</sup> Source: SSA Publication No. 05-10084

<sup>2</sup> Preferred Plus underwriting class. For illustrative purposes only. Premium rates current as of 7/1/2010, rates may vary by state. Premiums available for other rate classes, ages and payment plans. Premium charges depend on evidence of insurability. Premiums increase at the end of the guaranteed term if policy is renewed. Death benefit remains level.

## **American General**

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*Policies issued by:*

**American General Life Insurance Company**

2727-A Allen Parkway  
Houston, Texas 77019

AG Select-a-Term Policy Form Number 07007

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

70 Pine Street  
New York, NY 10270

AG Select-a-Term Policy Form Number 09007N

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# COMPLIANCE UPDATE

## Premium Receipt Requirement Reminder Affected States: Alabama

### Summary:

- ▶ Alabama requires producers who collect premium payments to provide the consumer with a receipt.
- ▶ The receipt is a filed, official form.
- ▶ There is no requirement to send a copy of the receipt to the Home Office.

Effective July 1, 2009, Alabama passed legislation which requires that customer premium check payments received by an insurance producer must name the insurer as the payee. Further, the legislation requires the producer to provide a formal receipt for the payment from the insurer.

A copy of the Alabama required receipt is attached to this bulletin.

The receipt is a state-filed form. A copy must be provided to the consumer upon receiving payment. There is no requirement to forward a copy of the receipt to the Home Office, but we advise the agent to retain a copy of it in his or her customer files.

Any questions regarding this communication should be directed to the appropriate Marketing Department.

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**Premium Receipt**

American General Life Insurance Company  
American General Life Insurance Company of Delaware  
The United States Life Insurance Company in the City of New York  
American International Life Assurance Company of New York

P. O. Box 4373 • Houston, TX 77210-4373 • 888-438-6933

(Proposed) Contract or Policy Number: \_\_\_\_\_

(Proposed) Product: \_\_\_\_\_

Product Type:  Life Insurance  Health Insurance  Annuity

Owner Name: \_\_\_\_\_

Premium Payor (complete if other than Owner): \_\_\_\_\_

Relationship to Owner: \_\_\_\_\_

Premium Amount: \$ \_\_\_\_\_

Date of Application/Payment: \_\_\_\_\_

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**ALL PREMIUM CHECKS OR ANNUITY CONSIDERATIONS MUST BE MADE PAYABLE TO THE INSURANCE COMPANY - DO NOT MAKE CHECK PAYABLE TO THE AGENT OR LEAVE THE PAYEE BLANK.**

This completed document represents receipt of the premium paid for the product/ proposed product referenced above.

A copy of this completed document must be retained by the contract owner.

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X \_\_\_\_\_  
OWNER SIGNATURE

\_\_\_\_\_  
DATE

X \_\_\_\_\_  
AGENT SIGNATURE

\_\_\_\_\_  
DATE

# COMPLIANCE UPDATE

## California Disclosure: Notice Regarding Standards for Medi-Cal Eligibility and Recovery

- ▶ New 2010 version of form in Forms Depot; form #DHCS7102 (01/10)
- ▶ Previous year's version of the form will not be accepted after July 7, 2010
- ▶ Applies to all life insurance and annuity products
- ▶ Required to be provided at time of solicitation to California residents age 65 or older
- ▶ Must be signed and dated
  - A copy given to the consumer
  - A copy sent in with the application submission

This bulletin is a reminder that the Medi-Cal eligibility disclosure form (form #DHCS7102) has been updated to the 2010 version. The form is required when an agent sells or offers for sale to a California resident age 65 or older any financial products whose features may trigger a potential change in Medi-Cal program eligibility. Insurance-based financial products are so broadly defined, as partially set forth below, that they include all life insurance and annuity products marketed by us.

- ▶ Any policies with proceeds greater than \$1500 after burial and last illness expenses
- ▶ Any policy or contract's death benefit or withdrawal payment
- ▶ Any policy that does not require the repayment of a loan
- ▶ Any product that produces income like an annuity or pays dividends

**A completed copy of the disclosure form should be given to the senior customer, and a completed copy submitted with the application.**

Please note that form will be updated by the state **annually**, and that we will make the updated form available in Forms Depot by the end of February of each year or as soon as the form is made available to us. To ensure that the consumer is getting the latest Medi-Cal figures, the older version of the form will no longer be accepted by the Home Office after July 7, 2010.

This disclosure requirement is not required for corporate-owned insurance policies since Medi-Cal eligibility only applies to an individual or married resident and their income level.

You will be able to order, view or print the form in Forms Depot. A copy is included with this bulletin for your convenience. You can also find the form on the state Web site:

- ▶ <http://www.dhcs.ca.gov/formsandpubs/forms/Pages/MCEBbyNumber.aspx>

If you have any questions, please contact your profit center's Compliance Department.



## **NOTICE REGARDING STANDARDS FOR MEDI-CAL ELIGIBILITY AND RECOVERY For Distribution by Insurers, Agents, and Brokers**

IF YOU OR YOUR SPOUSE ARE CONSIDERING PURCHASING A FINANCIAL PRODUCT BASED ON ITS TREATMENT UNDER THE MEDI-CAL PROGRAM, READ THIS IMPORTANT MESSAGE!

You or your spouse do not have to use up all of your savings before applying for Medi-Cal.

### **Recovery**

An annuity purchased on or after September 1, 2004, shall be subject to recovery by the state upon the annuitant's death under the regulations of the Medi-Cal Recovery Program. Income derived from the annuity must be used to meet the annuitant's share of costs and, if the annuitant is married, the income derived from the annuity may impact the minimum monthly maintenance needs of the annuitant's community spouse. An annuity purchased by a community spouse on or after September 1, 2004, may also be subject to recovery if that spouse is the recipient of past or future Medi-Cal benefits.

### **Unmarried Resident**

An unmarried resident may be eligible for Medi-Cal benefits if he/she has less than \$2,000 in countable resources.

The Medi-Cal recipient is allowed to keep from his/her monthly income a personal allowance of \$35 plus the amount of any health insurance premiums paid. The remainder of the monthly income is paid to the nursing facility as a monthly share-of-cost.

### **Married Resident**

*Community Spouse Resource Allowance:* If one spouse lives in a nursing facility and the other spouse does not live in a facility, the Medi-Cal program will pay some or all of the nursing facility costs as long as the couple together does not have more than \$109,560 in countable resources.

*Minimum Monthly Maintenance Needs Allowance:* If a spouse is eligible for Medi-Cal payment of nursing facility costs, the spouse living at home is allowed to keep a monthly income of at least his/her individual monthly income, or \$2,739 in monthly income, whichever is greater.

### **Fair Hearings and Court Orders**

Under certain circumstances, an at-home spouse can obtain an order from an administrative law judge or court that will allow the at-home spouse to retain additional resources or income. The order may allow the couple to retain more than \$109,560 in countable resources. The order also may allow the at-home spouse to retain more than \$2,739 in monthly income.

### **Real and Personal Property Exemptions**

Many of your assets may already be exempt. Exempt means that the assets are not counted when determining eligibility for Medi-Cal.

### **Real Property Exemptions**

- *One principal residence.* One property used as a home is exempt. The home will remain exempt in determining eligibility if the applicant intends to return home someday.

The home also continues to be exempt if the applicant's spouse or dependent relative continues to live in it.

Money received from the sale of a home can be exempt for up to six months if the money is going to be used for the purchase of another home.

- *Real property used in a business or trade.* Real estate used in a trade or business is exempt regardless of its equity value and whether it produces income.

### **Personal Property and Other Exempt Assets**

- *IRAs, KEOGHs, and other work-related pension plans.* These funds are exempt if the family member whose name it is in does not want Medi-Cal. If held in the name of a person who wants Medi-Cal, and payments of principal and interest are being received, the balance is considered unavailable and is not counted. It is not necessary to annuitize, convert to an annuity, or otherwise change the form of the assets in order for them to be unavailable.
- *Personal property used in a trade or business.*
- *One motor vehicle.*
- *Irrevocable burial trusts or irrevocable prepaid burial contracts.*

*There may be other assets that may be exempt.*

This is only a brief description of the Medi-Cal eligibility rules. For more detailed information, you should call your county welfare department. Also, you are advised to contact a legal services program for seniors or an attorney that is not connected with the sale of this product.

**Please note:** If you seek Medi-Cal payment for nursing facility services, you may be ineligible for those services if payments from your annuity extend beyond your life expectancy based upon life expectancy tables adopted by the Department of Health Care Services for this purpose. To find out about these tables, you may contact your local county welfare department.

Finally, the Department of Health Care Services is currently refining its policy regarding the treatment of annuities when determining eligibility for nursing facility services. Any regulatory changes will only impact annuities that are purchased after the effective date of any regulatory amendments.

Different rules apply to annuities that are qualified retirement arrangements established pursuant to Title 26, Internal Revenue Code, Subtitle A, Chapter 1, Subchapter D, Part 1. In some circumstances, Medi-Cal does not count funds held in an IRA, Keogh, or other work-related retirement arrangement. To find out if Medi-Cal would count your IRA, Keogh, or work-related retirement arrangements, you may contact your local county welfare department.

I have read the above notice and have received a copy.

\_\_\_\_\_  
Purchaser signature



\_\_\_\_\_  
Spouse's signature



\_\_\_\_\_  
Legal representative signature

