

AARP SERVICES, INC. ANNUAL REPORT 2012

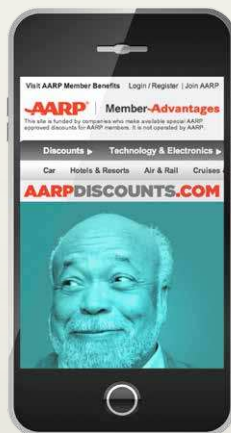
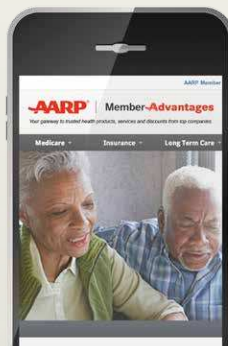




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A handwritten signature in black ink that reads "Darlene T. DeRemer". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Darlene T. DeRemer
*Chair of the AARP Services, Inc.,
Board of Directors*

Letter from the BOARD CHAIR

AARP Services continued to be a champion for people 50+ in the marketplace in 2012. Since 1958, working with outside companies to make available products and services to meet members' needs has been a key strategy for AARP. AARP Services continues this legacy today by fostering positive social change through market innovation and leadership, and by being an ally for consumers.

2012 presented opportunities for AARP Services to engage new demographics, particularly the 50–59 and multicultural segments. Backed by research showing that they were interested in retail shopping, dining, and entertainment, we brought in name

brands over the last two years in each of those categories.

As always, all of the products and services that merit AARP's brand have been researched and carefully evaluated. It's important to us, and to you, that they all meet our high standards of service and quality.

We are pleased that AARP Services performs its quality oversight role, with the strategic objectives of AARP in mind. AARP Services is working with companies to expand in-language, relevant experiences for Hispanic members. An excellent example of this is The Hartford's educational materials on topics such as dementia and older drivers.

At its core, our work remains about AARP's social mission.

An area of concern in recent years has been meeting the needs of millions of older people who are cut off from financial services, beyond costly check-cashing and payday loan options. When research by AARP in 2010 illuminated the extent of this problem for people 50+—particularly among African Americans and Hispanics—the AARP Services Board of Directors responded by approving a pre-paid debit card program through AARP Foundation to enhance financial security among older, lower-income households.

Early in 2012, AARP Foundation Prepaid MasterCard brought to you by Green Dot began serving the unbanked and the under-banked. We can tell it is working by the number of individuals who deposit additional sums of money on the card and use all of its features, instead of loading the card once. The card is helping provide financial support to millions of unbanked or under-banked Americans in a safe, consumer-friendly way.

Also, Genworth launched the first national, direct-to-consumer caregiving program in the U.S. to help support the 42 million caregivers around the country.

In short, we are a unique ally in the corner of consumers age 50+. We're advocates for you and your communities. It isn't just about the discounts. It's also about crafting financial, health care and lifestyle offerings that yield solutions to everyday problems and help people live healthier, happier and more secure lives.

Looking ahead, we will continue to listen and identify ways to help even more people 50+ and their families adapt to their changing world and discover "what's next." On behalf of the AARP Services Board of Directors, we are honored to be part of that mission.



A stylized, handwritten signature in black ink, appearing to read 'John Wider'.

John Wider
President & CEO
AARP Services, Inc.

Letter from THE CEO

When AARP was founded more than a half-century ago, a new life stage was emerging in America. *Retirement* became a desired destination—a time when people could relax and enjoy life. Today, people are living longer, working past traditional retirement age and seeking personal fulfillment and social connection in a myriad of ways. Life at 50+ is now a time of possibility.

We live in a new, more multicultural America, where, by 2030, ethnic minorities will be 42 percent of the U.S. population and one in five Americans age 65 and older will be Hispanic. There is increasingly rapid adoption of everyday technology.

At such moments of historic

change, innovation is spurred—and possibilities expand for people. At AARP Services, we're ready for these demographic and technological shifts, leading efforts to ensure that the marketplace is relevant to a diverse 50+ population. During 2012, our consumer research helped us deliver value to people, where, when and how they wanted it.

For example, we know that more boomers and seniors are on the Internet. A healthy majority of people 65+ go online to get information, find deals and buy everything from breakfast cereal to insurance products. And they're using smartphones to search and make online transactions.

So in 2012, AARP Services rolled out a new suite of technology-related products, services and discounts that helped give members 50+ access to more technology choices. We unveiled offers from Hewlett Packard, Amazon Kindle and Vonage. And because sometimes we all need a little help with our technology, we introduced the Geek Squad concierge.

We made available easy-to-use online or mobile health care tools: a medical provider directory with look-up capability, a health savings calculator and a broader caregiving suite. A commitment to innovation shaped these tools, many of which came out of our working with UnitedHealth Group. Our work

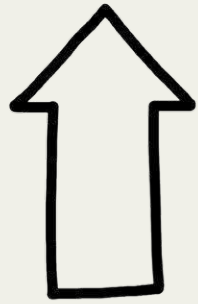
with UnitedHealth continues with the health innovation pilots in the Medicare Supplement arena. These programs put patients with chronic conditions at the center of enhanced, coordinated care.

We continue to put consumer research and innovation to work for members. Because many people prefer face-to-face contact when making complex financial decisions, the number of providers' agents trained and authorized to represent AARP-branded personal insurance products increased from 43,000 in 2011 to nearly 55,000 in 2012. We formally launched AARPDiscounts.com and made it more flexible and robust. In 2012, it generated 28 million discount uses

benefiting 12 million individuals.

We're innovating in terms of how we work at AARP Services. Our business model—listening to the customer, quality assurance and research-driven insights that engage a diverse 50+ population—is proving helpful to meeting members' needs. We're already working to imagine how AARP-branded products and services will matter 10 years from now.

At the end of the day, our work is about AARP being present wherever our members are so AARP can be relevant in their everyday lives. We are grateful for the opportunity to serve in 2012, and we look forward to being an ally for life's possibilities in 2013.



INTRODUCTION: HIGH STANDARDS, QUALITY CONTROL, AND INNOVATION 💡



AARP Services, Inc. is a unique advocate for a marketplace that is more responsive and attentive to the dynamic 50+ population. As a wholly owned taxable subsidiary of AARP, AARP Services, Inc. supports positive social change through market innovation and leadership. Our primary role is to provide quality control on AARP's behalf for AARP-branded offerings made available by third-party providers. These products and services cover a wide range of members' health, financial and lifestyle needs. The royalty income that AARP receives from licensing its brand to these offerings is used to support the Association's social change mission.

AARP Services leads the way in
the marketplace by influencing

companies to make available new and
better choices for Americans 50+.

Our vision: Helping people 50+ live healthier, more secure and happier lives.

Our mission: To inspire new and innovative business practices, guide consumers to make informed choices, and deliver products and services that better fulfill life-stage needs.

AARP Services fulfills this mission in five key ways, by:

- (1) Researching what people 50+ want and need, working with leading companies to develop new products and services for the benefit of AARP members and others 50+.
- (2) Negotiating special features uniquely suited for individuals 50+ as well as differentiated value (not just the lowest price) with market leaders.
- (3) Setting high standards for customer service and product quality by encouraging providers to provide convenient transactions, monitoring providers and improving customers' experiences. This entails oversight of providers' marketing materials and customer service efforts and engaging independent actuaries to annually review premium rates for appropriateness, among other quality measures.

OUR VISION:
Helping people live
**HEALTHIER,
MORE SECURE AND
HAPPIER LIVES.**

- (4) Helping people make more informed decisions, such as by ensuring that providers use plain language, clear descriptions and multiple channels to deliver that information.
- (5) Working continually with providers to listen, learn and improve programs through members' feedback, "Voice of the Customer" information, member satisfaction surveys,

hundreds of mystery shopping efforts and other quality-control tools. These efforts begin with listening intently to AARP members through reports on millions of contacts and tracking hundreds of performance indicators across all major providers. We develop action plans and strive for continuous improvements, helping ensure that providers are responsive to members' needs and requests.

PEACE OF MIND

for MEMBERS & THEIR FAMILIES

THROUGH HEALTH & FINANCIAL SECURITY

Being healthy makes it easier for people to enjoy life and pursue their goals and dreams. As a consumer advocate in the marketplace, AARP Services strives to improve access to quality products and services that help people 50+ be healthier.

At the same time, many people over age 50 struggle to achieve and maintain a middle-class lifestyle.

Their American dream has been compromised by challenging economic conditions. Others who are more secure wish to protect and grow their nest eggs. A wide range of AARP-branded products helped

the diverse 50+ population become more financially secure.

HEALTH PRODUCTS AND SERVICES

For several years, AARP Services has pursued strategic objectives for health care products and services that include:



Being healthy makes it
easier for people to
ENJOY *Life* and
pursue their goals
and dreams.

- Leveraging relationships with providers to help consumers get trustworthy information, tools and guidance about health care;
- Making available offerings that meet broad needs, such as filling gaps in traditional health insurance like hearing, vision, or dental care in addition to traditional Medicare insurance offerings; and
- Fostering a health care system that is more patient-friendly.

Medicare Supplement Plans.

The AARP Medicare Supplement Insurance Plans insured by UnitedHealthcare are the most popular “Medigap” plans in the

United States, in part because they offer added value, outstanding service and rate stability.

The plans lead the nation in the percent of Medigap premium dollars spent on medical care (also known as the “medical loss ratio”), in part because AARP Services contracts with independent actuaries who evaluate the provider’s proposed premiums. Unlike other plans, the AARP-branded Medicare Supplement Insurance Plans (SHIP) from UnitedHealthcare do not increase insurance premiums as plan-holders age (except where not allowed by law). Enhancements to the offerings in 2012 included more consumer-friendly explanation of benefits statements.

Health Innovation Initiatives.

Patient-centered care is the focus of health transformation initiatives that have been undertaken for the past five years by UnitedHealthcare as part of the AARP Medicare SHIP. Particular emphasis has been placed on people with multiple chronic conditions, such as diabetes, high blood pressure and heart disease. The new models focus in part on moving the center of care from hospitals and physicians' offices to home, where people are most comfortable. Enhancements such as technology for remote monitoring of a patient's health status and caregiving support show promise for improving individuals' health. Data-sharing between health providers and insurance plans are a

vital component of these innovation initiatives.

Medicare Prescription Drug

Plans. Prescription drugs can be costly, particularly for people with chronic health conditions. In addition to the AARP MedicareRx Preferred and Enhanced plans that offer \$0 deductible and broad coverage, UnitedHealth introduced a Saver Plus plan that offers lower premiums.

The Preferred Pharmacy Network was also new and available through all three AARP MedicareRx plans. Designed to address the cost of prescription co-pays, it enabled beneficiaries to receive a 30-day supply of Tier 1 medications for as



Giving BACK

HELPING GRANDPARENTS

In October, Aetna employees volunteered to help link grandparents with tips and tools to care for themselves and their grandchildren. The Aetna volunteers teamed up with the AARP Illinois office to assist at the annual college scholarship fair hosted by the 100 Black Men of Chicago. It was just one of the many ways in which companies that made available AARP-branded products and services helped advance AARP's social mission.



low as \$1 when filling a prescription at a retail pharmacy in the Preferred Pharmacy Network.

Pharmacy Discounts. Thanks to a new benefit, all AARP members, their spouses and children under age 27 began saving an average of 30 percent on all FDA-approved prescription drugs not covered by primary prescription insurance plans, through AARP Prescription Discounts, administered by Catamaran (formerly CatalystRx). In 2013, a mobile app enabling participants to get a pharmacy discount by showing an electronic ID card on a smartphone will create more accessibility and support for members to manage their prescription drug needs.

Health Coverage for 50-64 Year-Olds. A free online health and wellness program was one of the 2012 enhancements to AARP Essential Premier Health Insurance, insured by Aetna. The Simple Steps To A Healthier Life® Program featured a health assessment and online wellness coaching programs to help members get in shape, eat healthier, lose weight, quit smoking and cope better with stress.

Retail Drugstore Program. Throughout the year, Walgreens provided a retail drugstore program, offering savings on everyday items, health and wellness educational materials and free health testing at stores in underserved and multicultural

communities. In September, Walgreens launched its national loyalty program, providing AARP members exclusive loyalty-points offers each month. In total, members saved more than \$5 million through these programs. In-store signage in English and Spanish created a welcoming environment in many communities.

Caregiving. Millions of American families struggle to provide daily care to loved ones. In February, a new AARP-branded offering from Genworth began helping consumers make informed plans tailored to their unique needs. AARP Caregiving Help and Advice from Genworth broke new ground by becoming the first service to

integrate care assessment, care planning and provider matching on a national level. Free access to a robust database of more than 90,000 providers was available to everyone, not just AARP members. AARP members had additional access to more detailed information, such as viewing nursing home reports and comparing facilities' Medicare star ratings. The program also offered three levels of service plans available for purchase.

Vision, Hearing, and Dental Care.

Cost and convenience can be major barriers to proper eye care. To promote healthier eyes, the vision discount program from EyeMed expanded beyond discounts on eyewear products to include special

Giving BACK

Not everyone can afford health care, and many people – particularly in rural areas or inner cities – do not have ready access to health providers. Thanks to the Walgreens Way to Well Health Tour with AARP, over 42,000 people in multicultural and underserved communities received more than \$4.2 million worth of health tests in 2012 – free of charge.

Between March and December, four specially-equipped buses travelled through 15 states and Puerto Rico. Visitors received 10 complimentary health tests, such as blood pressure and total cholesterol, along with health education resources in English or Spanish.



Giving BACK

ALLEVIATING HUNGER AMONG OLDER ADULTS

AARP Foundation, a charitable affiliate of AARP, knows that ending older adult hunger is a critical problem facing our nation but believes it is solvable. Through the power of the generosity of sponsors and supporters, AARP Foundation is able to help millions of older Americans not only find a meal but, most importantly, to raise money for long-term solutions to solve the issue.

In thanking its proud sponsors, AARP Foundation saluted AARP Credit Cards from Chase and United Healthcare for helping to lead the way to a world where older Americans do not have to make impossible choices between eating or paying a bill. Both companies have committed to invest a financial contribution of at least \$1 million annually in the fight to end older adult hunger. AARP Foundation said, "We are truly thankful for their commitment."

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values on comprehensive eye examinations and sun protection with Transitions lenses at discounted rates.

HearUSA enhanced its AARP-branded offering with a lower-priced tier of hearing aids and a waterproof wireless device option.

Enhancements to the AARP Dental Insurance Plan administered by Delta Dental included coverage for an additional oral examination (for a total of three per year) and a higher allowance for composite restoration (tooth-colored filling) on back teeth. AARP members in nearly every state could enroll in a plan online.

MULTIPLE CHANNELS TO ACCESS MEMBER BENEFITS

To meet members where they are, products and services offered as AARP member benefits are made available through a variety of channels. Customized digital features made online options more robust, while the agent channel continued to expand. This combination of 24/7 access and personalized guidance helps AARP members make more informed decisions about their financial security.

Online Gateways for Consumers.

Unique websites continued to provide online gateways to trusted products, services and discounts that met members' health, financial and lifestyle needs.

Late in 2011, the launch of a new website—AARPD Discounts.com—expanded access to ongoing and limited-time lifestyle and travel offerings made available as member benefits. This dynamic new platform, funded by providers, also enabled members to find limited-time offers featuring increased savings. In 2012, the site launched a local offers category that used Google-powered mapping functionality to enable people to find offers by ZIP code.

AARPH ealthcare.com featured a collection of products, services and insurance programs available to AARP members. From dental to major medical, the website provided information on a range

of health care coverage products and discounts. Tools and resources also made it easy to find care providers, learn about products for low-income individuals and link to states' departments of insurance. Similarly, AARPF inancial.com featured all AARP-branded financial products and services.

Expanded mobile apps are in development as part of our strategy for providing an even higher level of service to members in 2013.

Agent Distribution Channel. While consumers continue turning to digital sources for insurance quotes and other information, many still prefer personal contact with agents when purchasing more complex

Giving BACK

United Healthcare organized a food-packing event at its office in Greensboro, North Carolina, as part of its support for Drive to End Hunger. In May, 250 employees joined other volunteers from AARP, AARP Foundation, Smithfield and the United Food and Commercial Workers to package 60,000 meals. Senior Resources of Guilford later distributed the meals to several local senior feeding programs.

NASCAR fans packed 4,800 meals for seniors in need at Dover International Speedway in Delaware on Sept. 30, as part of a Chase-sponsored Drive to End Hunger event. The meals were delivered to the Food Bank of Delaware for distribution.

Photo by Brian Berry



Giving BACK

AGENTS PROVIDE PERSONALIZED SERVICE—AND HELP BUILD STRONGER COMMUNITIES

AARP Services encourages agents authorized to offer AARP-branded products to participate in community service, as part of our efforts to make life better for people 50+. Impressively, 40 of the most community-minded agents volunteered an average of 500 hours each during 2012—topping 22,155 hours of service in all.

Organizations they supported through volunteerism included senior centers, food banks, Meals on Wheels, the American Red Cross and the American Cancer Society.



personal insurance products. In 2012, members could turn to professional agents to purchase auto, home and life insurance, in addition to health insurance previously offered through the agent distribution channel.

Agents authorized to offer at least one AARP-branded product must meet the high standards established by AARP Services and the providers of those products. Since the inception of this program in 2007, providers' agents have completed more than 150,000 AARP Services training modules. Training gives each agent a better understanding of AARP's history and current activities, AARP's membership processes, program

information and the specific needs of people 50+.

FINANCIAL PRODUCTS AND SERVICES

Our strategic objectives for helping AARP members achieve their goals and dreams included:

- Expanding and enhancing value-oriented products;
- Developing retirement planning solutions;
- Helping to personalize interactions through expansion of face-to-face agents; and
- Helping people make sound decisions about their futures

through financial education and financial literacy efforts.

Personal Insurance Products.

An enhanced homeowner insurance policy within the AARP Homeowners Insurance Program from The Hartford made available consumer-friendly features. For example, the Home Advantage plan offered assistance following identity theft and a blanket endorsement, which eliminates the need to list certain types of valuable property to be insured.

The AARP Auto Insurance Program from The Hartford made available up to \$500 in discounts for a professional driving-skills evaluation after an insured member

was injured in an auto accident. This new feature was developed after research conducted by The Hartford's gerontology team and the MIT AgeLab found that a driver evaluation following an accident can help families and individuals determine a person's safety on the road. Throughout the year, free guidebooks in English and Spanish designed to foster family conversations with older adults about safe driving were made available by The Hartford's Advance 50 team.

New product features from the AARP Life Insurance Program from New York Life included a pledge never to increase rates for permanent and guaranteed

Giving **BACK**

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To thank them, these top 40 agents were honored by AARP Services with an all-expenses-paid trip to Life@50+ | AARP's National Event & Expo, in New Orleans.

While there, this select group from Aetna, Genworth Financial, United Healthcare and The Hartford continued to give back. They built 10 rocking horses, 6 rocking chairs, and 20 stuffed teddy bears—which were distributed as house-warming gifts to children placed in foster care by Boys Club of America of New Orleans. The activity was part of our second annual Agent Community Engagement and Services (ACES) Recognition Program.



Giving BACK

HELPING VICTIMS OF SUPERSTORM SANDY

After Superstorm Sandy hit seven states in late October, a number of providers of AARP-branded products and services pitched in to help. For example:

Chase donated \$5 million in charitable contributions for relief and recovery efforts in affected areas, and pledged up to \$5 billion in incremental capital for lending to small and mid-size businesses, among other efforts.

UnitedHealth Group made a \$500,000 annual commitment to the American Red Cross Annual Disaster Giving Program, assisted health plan participants who needed access to care or early refills of prescription medications, and opened a free emotional-support line.

The Hartford mobilized its Catastrophe Team to work around the clock to help policyholders recover. To assist customers who were temporarily unable to pay the

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acceptance products. Additional improvements made it easier for members to sign up online and by telephone for coverage.

Financial Guidance. Through AARP Financial Guidance Services provided by Charles Schwab, members received access to expert assistance with planning for a secure future. To help people gain greater financial security, Schwab's website featured a series of educational materials focused on women's finances, retirement income and bonds. Schwab also invited AARP members in eight cities to attend free seminars about getting ready for retirement.

Efforts to give low-income workers

50+ an opportunity to gain financial security were launched jointly by the Charles Schwab Foundation and AARP Foundation. AARP Foundation Finances 50+SM sought to help people over 50 build habits that can improve their financial situation.

First Prepaid Debit Card Tailored to Older Americans. Supported by research and development from AARP Services, the first prepaid debit card tailored to older Americans launched in March. The AARP Foundation Prepaid MasterCard from Green Dot was designed to bring an affordable and high-value financial tool to nearly 20 million vulnerable people 50+, giving them the opportunity to save

and keep track of their money. That said, anyone with a Social Security number and a valid U.S. address can use the card; users do not need to be an AARP member or a certain age.

New Provider for College Savings.

Many consider a college education critical to achieving a middle-class lifestyle. To help people 50+ understand options for saving, the first phase of the AARP College Savings Solutions from TIAA-CREF

launched in Michigan and California in November. The program is designed to provide information and education to members and non-members about saving for a college education for themselves, their children or grandchildren through state-sponsored college savings plans under Section 529 of the Internal Revenue Code. A nationwide rollout of AARP College Savings Solutions from TIAA-CREF is planned for 2013.

Giving BACK

(continued...)

premiums on policies for homeowners, auto and other insurance, The Hartford voluntarily suspended non-payment cancellation.

Foremost established mobile command centers in Pennsylvania and New Jersey to assist its mobile-home insurance policyholders.

Expedia quickly processed refunds as airline flights were being cancelled.

Walgreens diverted one of its Way to Well Health Tour buses to New York to deliver blankets, water and other needed services to hard-hit communities, and provided four tractor-trailers full of bottled water. The company also donated \$250,000 to the American Red Cross Annual Disaster Giving Program.

Green Dot, the provider of the AARP Foundation Prepaid Master Card, reversed one monthly service fee to affected customers.

SAVING PEOPLE "REAL MONEY" *and* HELPING *them* LIVE THEIR BEST LIVES

Throughout 2012, AARP Services helped members and their families save real money through offerings on outstanding products, discounts and services. For example, discounts on groceries and other everyday needs were particularly helpful to members on tight budgets. In addition, a suite of AARP-branded lifestyle benefits offered members expanded opportunities for getting the most from their personal time.

DISCOUNTS

Money-saving offers yielded millions of dollars in savings for AARP members during 2012, enabling members to receive more value from every dollar. Helping people

save money has been a priority for AARP since the Association was founded more than 50 years ago.

For many companies, a relationship with AARP Services helped create



greater engagement with members. For instance, Denny's reported in November that it strengthened its commitment to patrons age 50 and up — who account for more than 45 percent of its guests — through offers of exclusive dining benefits to AARP members. More than 15 million AARP members have engaged with exclusive dining benefits at Denny's since 2010.

New Providers. The number and breadth of offerings in this category grew significantly in 2012.

- Food and dining options created more opportunities for relaxation, convenience and fun through offerings from Dunkin Donuts, Frito-Lay and Papa John's.

- Entertainment options expanded for AARP members through discounts at select Cirque du Soleil performances, discount ticket packages for certain shows from LiveNation and the purchase of classic movies and TV shows on DVD or Blu-Ray from Movies Unlimited. These offerings were in addition to already available discounts, such as at Regal Entertainment Group and MGM Resorts International.

- Home and business discounts were added from Angie's List, Sleepy's and 1800Mattress.com and The UPS Store.



Giving BACK

MORE SECURE FUTURES FOR WOMEN

Events held in collaboration with providers furthered AARP's social mission. Boomer women learned how to plan for a healthy, secure future by participating in "Me and My Makeover" events sponsored by the AARP Decide.Create.Share.™ campaign at the Tanger Outlet Centers in Mebane, North Carolina, and San Marcos, Texas.

TRAVEL

Travel is the top aspirational priority for people 50+, according to research conducted by AARP. Whether to a nearby family gathering or to an exotic location, travel can be an exciting way for members to connect and have fun. But, it can also be complicated to plan. AARP-branded products and services made it a little easier for members to enjoy the discovery, personal growth and joy of traveling—whether near or far.

AARP-branded lodging offerings included more than 60 hotel brands from eight companies. Through an expanded relationship with Hilton Worldwide, members received up to 10 percent off the best available rate

at 3,800 hotels across 88 countries and 10 distinct brands, including Waldorf Astoria, Hilton Hotels and Resorts and Homewood Suites.

Through the AARP Travel Center Powered by Expedia®, members' travel dollars went a little further through hotels and cars from AARP-preferred providers and onboard cruise credits and activities.

Members saved through six car-rental providers (Alamo, Avis, National, Budget, Enterprise, Hertz) and Budget Truck Rental. These offerings included up to 30 percent off daily, weekly and monthly rentals as well as enhanced liability insurance coverage and maximum personal liability of \$5,000.



Members also took advantage of a variety of excursions from providers including Collette Vacations, G Adventures, Grand European Tours, Grand Canyon Railways, Windstar Cruises and Norwegian Cruise Lines.

New Providers. Planning trips and discovering places they have dreamed about with people they love became easier for AARP members in 2012 through the addition of two respected travel providers. G Adventures' tours and adventure travel brought AARP members close to fascinating cultures, customs and wildlife around the world, thanks to exclusive savings. Xanterra Parks and Resorts made available

discounts on its Grand Canyon Railways steamer and on Windstar Cruises, with additional offerings slated for 2013.

TECHNOLOGY

People 50+ form the fastest-growing segment of technology buyers and users. In 2012, a new technology and electronics category of AARP member benefits included products and services that help people strengthen personal connections, conduct business and enjoy shared interests.

Consumer Cellular, the exclusive wireless provider for AARP members, reached a milestone by surpassing 500,000 subscribers within four years of the program



launch. Members saved almost \$7 million through Consumer Cellular, which expanded its offer to AARP members with more robust data and text plans. Consumer Cellular was rated the nation's top wireless provider in the country by *Consumer Reports*.

New Providers:

- Personal connections got stronger, including for many of AARP's multicultural members, who began enjoying savings on a no-contract service from Vonage

for unlimited calls to people in more than 60 countries.

- Technology savings included a discount on the multifunction Kindle Fire tablet and Kindle e-readers, as well as on select HP commercial technology.
- Geek Squad® Tech Support and Guidance for AARP Members by telephone, online and in-store helped take the hassle out of learning about, maintaining and repairing computers, tablets and other tech-related devices.

AARP SERVICES, INC.

2012 BOARD of DIRECTORS



Darlene DeRemer (Board Chair).

Darlene DeRemer joined Donald H. Putnam in 2005 in founding Grail Partners LLC, an advisory merchant bank serving the investment management industry.

Ms. DeRemer has led or participated in a score of advisory transactions. Her current clients include sale and purchase mandates for mutual fund managers in the U.S., as well as restructuring assignments for alternative investment firms that seek to tap public markets in the U.S. and abroad. Prior to becoming an investment banker at Putnam Lovell NBF in 2003, Ms. DeRemer was a leading advisor to the financial services industry for 25 years, specializing in strategic marketing, planning, product design and the implementation of innovative service strategies. She also served as a vice president at State Street Bank and Trust Company and T. Rowe Price and Associates.



Timothy Armour. Tim Armour is now retired after 10 years with Morningstar, Inc. He was its managing director from 2000 to 2008, president from 1999 to 2000

and chief operating officer from 1998 to 1999. From 1992 to 1998, Mr. Armour served as president of Stein Roe & Farnham's mutual fund division. Prior to that, he was senior vice president and director of marketing in Citibank's retail bank division. He began his career in 1975 with General Foods Corporation, where he spent 12 years in product management and planning.



Martha Dally. Martha Dally retired

as senior vice president of customer development from Sara Lee Corporation in 2006. During her 30 years at this consumer packaged goods company, she

held various titles of increasing responsibility, including chief customer officer, senior vice president of business development and executive vice president of personal products. Ms. Dally focused on the largest retailers (including WalMart) in both the U.S. and in Europe, developing strong relationships with their senior management staff. Her board experience includes American Woodmark Corporation, Prism Capital (in an advisory role), the Lookingglass Theatre in Chicago, Illinois and

the American Red Cross of Winston-Salem, North Carolina.



John C. Penn. Jack Penn, MBA, is chairman and CEO of Intek Plastics, Inc. He divides his time between Scottsdale, Arizona, and Spring Green, Wisconsin. He is a member of the AARP Board of

Directors. Previously, Mr. Penn was vice chairman and CEO of Satellite Companies, CEO and president, Centers for Diagnostic Imaging, CEO and president, Benson Optical Co., president, Arctic Enterprises and a consultant with Arthur Andersen and Co. His volunteer work includes service as chairman of the Evangelical Lutheran Good Samaritan Society. Previously, Mr. Penn was director of the Good Samaritan Society Foundation and president of Cross View Lutheran Church.



Jim Phillips. Jim Phillips is a faculty member at Apple University. He joined the faculty at Apple's in-house business school after being a teaching professor of organizational behavior at the

Stanford Graduate School of Business. He has also served as the Claude N. Rosenberg Jr. Director of the Center for Social Innovation, and co-founded and served as Academic Editor for the award-winning *Stanford Social Innovation Review*. Previously, he was a faculty member at

the Yale School of Management, where he received the Alumni Association Award for Excellence in teaching in 1995. Dr. Phillips is also a member of the New Foundry Ventures and Defy Ventures boards.



Carol Raphael. Carol Raphael, MPA, of New York, New York, is an Advanced Leadership Fellow at Harvard University. She also serves as vice chair of the AARP Board of Directors. Ms. Raphael served as

president and CEO of the Visiting Nurse Service of New York from 1989 until her retirement in 2011. Previously, she was a director at Mount Sinai Medical Center and executive deputy commissioner in charge of Medicaid and public assistance programs in New York City. She chairs the New York eHealth Collaborative, the Long Term Quality Alliance and the National Quality Forum Workgroup on Post-Acute and Long Term Care, and has served on numerous commissions including MedPAC and several Institute of Medicine committees.



Addison Barry Rand (ex officio).

Mr. Rand is a dynamic leader and change agent who brings to AARP a proven track record of leading both multibillion-dollar businesses and smaller, private equity-driven businesses. Prior to joining AARP as CEO, Mr. Rand distinguished himself as a leader of social

change in some of the nation's largest corporate and educational institutions. He serves as chairman of the board of Howard University and has served as chairman and chief executive officer of Avis Group Holdings, CEO of Equitant Ltd., and executive vice president for Worldwide Operations at Xerox Corporation. Mr. Rand continues to serve on a number of boards and advisory committees. He holds a B.A. from American University and an MBA from Stanford University, where he was also a Sloan Executive Fellow.



Melvin Stith. Melvin T. Stith is the dean of the Martin J. Whitman School of Management at Syracuse University. Prior to taking this position in 2005, Dr. Stith was the Dean and Jim Moran Professor of Business Administration at Florida State University. He has been a professor of marketing and business since 1977 after serving in the U.S. Army Military Intelligence Command, where he achieved the rank of Captain. Dr. Stith currently serves on the boards of Synovus Financial, a financial services and bank holding company,

and Flowers Foods, a baked foods company. He is also a current or past director of Beta Gamma Sigma, the national honorary society for business schools, the Jim Moran Foundation and the Graduate Management Admissions Council.



Edward A. Watson. Ed Watson is a retired corporate executive from Reno, Nevada, who was elected in 2012 to serve a six-year term on the AARP Board of Directors. Mr. Watson was with Minneapolis-based International Dairy Queen from 1971 to 2007, rising from district manager to chief operating officer and service on its board of directors. Before his foodservice career, Mr. Watson served in the U.S. Army. He currently serves on the board of Best Bath Systems of Coldwell, Idaho. Previous governance experience includes service on the boards of the Children's Miracle Network and Big Brothers Big Sisters of the Greater Twin Cities. His volunteer service includes raising scholarship funds for Nevadans attending the University of Nebraska.

AARP SERVICES, INC. 2012 EXECUTIVE TEAM

John Wider
President and CEO

Jean Alexander
Chief Operating Officer

Linda Caliri
Senior Vice President, Marketing

Scott Frisch
Chief Financial Officer

Angela Jones
*Senior Vice President, Business
Development and Lifestyle*

Frank LoPiccolo
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David Mathis
*Senior Vice President, Health Products and
Services*

Sarah Mika
Senior Vice President and General Counsel

Al Pratico
Senior Vice President, Distribution

Mitch Stevens
*Senior Vice President, Financial Products
and Service*

2012 REVENUE GROWTH SUPPORTS AARP

AARP Services oversees and manages the relationships with the providers of AARP member benefits. These companies often offer specially designed services and price-points for the members of AARP. They develop unique offers, expand into under-served markets and create messages that educate consumers.

AARP receives royalty income from these providers that is crucial to supporting the short- and long-term goals of the Association. Financial resources are used to further its social mission. At AARP Services we know our ultimate goal is to enhance the quality of life for people over 50 and support positive social change through market innovation and leadership.

The products and services offered by AARP-selected branded providers paid \$723.8 million of royalty revenue to AARP in 2012, a year-over-year growth of \$19.2 million, or approximately 2.7 percent.

Established in 1999, AARP Services, Inc. is a wholly owned taxable subsidiary of AARP. AARP Services, Inc. manages relationships with independent providers in the marketplace, selects products and services of high quality and value to carry the AARP name and helps more than 37 million AARP members obtain discounts on a wide range of products, travel, and services. Specific products include Medicare supplemental insurance; credit cards, auto and home, mobile home and motorcycle insurance, life insurance and annuities; member discounts on rental cars, cruises, vacation packages and lodging; special offers on technology and gifts; pharmacy services; legal services; and long term care insurance. AARP Services, Inc. also engages in new product development activities for AARP and provides certain consulting services to outside companies.





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