AIG GLOBAL ECONOMICS
Life Insurance Market in a Changing Economic Environment

By: Katharine Wolchik
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Looking forward

- Developed Market (DM) growth should surprise to the upside
- Residential investment should dominate headlines & numbers
- DM excess slack and deleveraging will help cap inflation
- EM growth to resume after a brief mid cycle slowdown
- Accommodative monetary policy to accelerate globally
- Fiscal retrenchment in DM will not be as large
- Europe will continue in the direction of fiscal union
- Low interest rate environment will continue
- US Housing will finally bottom, but rebound to be very tame
Only 44% US households have life insurance

30% (35 million) households have no life insurance coverage (22% in 2004)

11 million households with children under 18 have no life insurance
World life insurance direct premiums decline by 2.7% in real terms

Advanced Economies (-2.3%)
- US (+2.9%) - Rebound; Variable Annuity products w/ guarantees
- Japan (+6.5%) – Whole Life & Annuities
- Western Europe – decline in in-force life insurance
  - Germany (-7.1%); France (-15.6%); Italy (-20.2%); UK (-3.3%)

Emerging Markets (-5.1%)
- Latin America (9.5%)
  - Brazil (10.2%); Mexico (7.2%)
- South/East Asia (-10.4%)
  - China (-14.8%); India (-8.5%)
- Middle East & Central Asia (9.4%)
- Africa (1.3%)

Source: Swiss Re Sigma No 3/2012
 Savings/Risk Premiums (2010)

USD; Bn

- United States
- Japan
- France
- United Kingdom
- Italy
- Germany

Source: Swiss Re

The 56th AALU Annual Meeting
Washington, DC
April 28 - May 1, 2012
Product Mix

United States

Japan

Germany

UK

Source: Swiss Re
Life

Headwinds

- Premium growth is slow in US/Canada, negative in Europe
- Fragile global economic recovery
- Persistent global low interest rate environment
- Eurozone risk
- Macroeconomic and financial volatility

Tailwinds

- Strong growth in EM in 2012 and 2013 as premiums in China and India pick up.
- Expansion of bancassurance in EM

Outlook

- Stable with downside risks in DM; positive in EMs
- Focus shift from savings with long term guarantees to risk products
# Life Insurance Products/Risks

<table>
<thead>
<tr>
<th>Protection</th>
<th>Accumulation</th>
<th>Savings</th>
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<tbody>
<tr>
<td>Term Life</td>
<td>Whole Life</td>
<td>Deferred fixed</td>
</tr>
<tr>
<td>Group Life</td>
<td>Universal Life</td>
<td>Unit-linked</td>
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<tr>
<td>Disability; Long Term Care</td>
<td>Variable Life</td>
<td>Guaranteed</td>
</tr>
<tr>
<td>Payout/Impaired Annuities</td>
<td>Endowment Products</td>
<td>Defined</td>
</tr>
<tr>
<td>Mortality/Morbidity</td>
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<tr>
<td>Longevity</td>
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<td>Interest rate</td>
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<tr>
<td>Lapse Rates</td>
<td></td>
<td>Equity</td>
</tr>
</tbody>
</table>
Sovereign yields have declined in DM
Implications of low interest rates

- Life insurance policy holders behavior very sensitive to economic environment
- Insurance products are more expensive => demand↓
- Balance Sheet (Asset - Liability) mismatch
- Lower investment return
- Weakened profitability
- Weaker stock price
Demographics
Global Population Growth

Millions of persons

Source: United Nations, AIG Global Economics
# Real Capital Stock Growth

<table>
<thead>
<tr>
<th>Year</th>
<th>G-7</th>
<th>Non G-7</th>
<th>Period Average</th>
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</thead>
<tbody>
<tr>
<td>2010</td>
<td>-0.52</td>
<td>3.62</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>-0.42</td>
<td>3.50</td>
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<tr>
<td>2012</td>
<td>-0.14</td>
<td>3.84</td>
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</tr>
<tr>
<td>2013</td>
<td>0.04</td>
<td>4.12</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>0.07</td>
<td>4.10</td>
<td></td>
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<tr>
<td>2015</td>
<td>0.01</td>
<td>4.00</td>
<td></td>
</tr>
<tr>
<td>2010-2015</td>
<td>-0.16</td>
<td>3.86</td>
<td></td>
</tr>
</tbody>
</table>

Note: Non G-7 includes RUS, BRA, AUS, MEX, IND, CHN, KOR, ESP
Europe includes GBR, FRA, DEU, ITA, ESP

Source: AIG Global Economics forecasts
What’s ahead for the Developed World?

Economic and demographic realities

- Aging demographics
- Slower pace of capital stock growth
- Banking sector and Consumer Deleveraging

Equals Lower Potential Private Sector Growth

- Reduction in household size
- Lack of acceptable immigration
- Increased competition from developing economies for labor and capital
- Debt minimization vs. profit maximization
- Slower pace of credit creation and consumption
# Real GDP Forecast

<table>
<thead>
<tr>
<th>Region</th>
<th>2011</th>
<th>2012F</th>
<th>2013F</th>
<th>2014F</th>
</tr>
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<tbody>
<tr>
<td><strong>G7</strong></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Canada</td>
<td>2.57</td>
<td>1.95</td>
<td>1.76</td>
<td>2.83</td>
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<tr>
<td>France</td>
<td>1.70</td>
<td>-0.02</td>
<td>0.02</td>
<td>1.11</td>
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<tr>
<td>Germany</td>
<td>3.10</td>
<td>0.84</td>
<td>0.72</td>
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<tr>
<td>Italy</td>
<td>0.56</td>
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<td>-1.16</td>
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<td>Japan</td>
<td>-0.54</td>
<td>1.99</td>
<td>0.61</td>
<td>1.97</td>
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<tr>
<td>United Kingdom</td>
<td>0.92</td>
<td>-0.03</td>
<td>0.90</td>
<td>2.08</td>
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<tr>
<td>United States</td>
<td>1.97</td>
<td>1.87</td>
<td>2.18</td>
<td>2.60</td>
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<tr>
<td><strong>Europe (non G7)</strong></td>
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<tr>
<td>Austria</td>
<td>2.66</td>
<td>0.62</td>
<td>0.85</td>
<td>1.72</td>
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<tr>
<td>Ireland</td>
<td>1.42</td>
<td>0.58</td>
<td>0.12</td>
<td>1.91</td>
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<tr>
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<td>1.07</td>
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<td>Norway</td>
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<td>2.98</td>
<td>1.31</td>
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<tr>
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<td>8.50</td>
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<tr>
<td><strong>Asia</strong></td>
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<tr>
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<td>2.45</td>
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<td>2.35</td>
<td>3.29</td>
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<tr>
<td>China</td>
<td>9.29</td>
<td>7.80</td>
<td>8.23</td>
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<td>Hong Kong</td>
<td>4.89</td>
<td>1.30</td>
<td>4.63</td>
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<td>India</td>
<td>7.48</td>
<td>5.37</td>
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<tr>
<td>Indonesia</td>
<td>6.49</td>
<td>6.23</td>
<td>6.22</td>
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<td>Singapore</td>
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<td>2.99</td>
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<td>Taiwan</td>
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<td>3.53</td>
<td>4.83</td>
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<tr>
<td>Thailand</td>
<td>0.08</td>
<td>5.99</td>
<td>5.02</td>
<td>5.39</td>
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</table>
## US Life Insurance Forecasts

**AGE Forecasts as of 6/2012**

<table>
<thead>
<tr>
<th>Year</th>
<th>TL</th>
<th>WL</th>
<th>UL</th>
<th>VL/VUL</th>
<th>Fixed</th>
<th>Variable</th>
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<tbody>
<tr>
<td>2006</td>
<td>2.00%</td>
<td>1.80%</td>
<td>6.60%</td>
<td>10.80%</td>
<td>-1.50%</td>
<td>17.20%</td>
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<tr>
<td>2007</td>
<td>7.90%</td>
<td>4.00%</td>
<td>8.30%</td>
<td>6.10%</td>
<td>-7.00%</td>
<td>14.70%</td>
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<tr>
<td>2008</td>
<td>-1.20%</td>
<td>2.20%</td>
<td>-7.40%</td>
<td>-16.90%</td>
<td>50.10%</td>
<td>-15.40%</td>
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<tr>
<td>2009</td>
<td>-1.10%</td>
<td>6.10%</td>
<td>-19.00%</td>
<td>-50.00%</td>
<td>1.20%</td>
<td>-17.80%</td>
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<tr>
<td>2010</td>
<td>-11.60%</td>
<td>15.90%</td>
<td>9.90%</td>
<td>-7.40%</td>
<td>-25.90%</td>
<td>9.80%</td>
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<tr>
<td>2011</td>
<td>-6.50%</td>
<td>9.10%</td>
<td>3.30%</td>
<td>19.20%</td>
<td>-1.10%</td>
<td>13.40%</td>
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<tr>
<td>2012F</td>
<td>-0.50%</td>
<td>5.60%</td>
<td>-0.30%</td>
<td>9.90%</td>
<td>11.70%</td>
<td>0.60%</td>
</tr>
<tr>
<td>2013F</td>
<td>-0.60%</td>
<td>7.20%</td>
<td>6.90%</td>
<td>3.70%</td>
<td>1.40%</td>
<td>9.20%</td>
</tr>
<tr>
<td>2014F</td>
<td>1.60%</td>
<td>4.60%</td>
<td>10.10%</td>
<td>7.70%</td>
<td>4.10%</td>
<td>11.00%</td>
</tr>
</tbody>
</table>

AGE Forecasts as of 6/2012
The U.S.
Employment growth

Nonfarm Payroll Employment
Mil.

Unemployment Rate
%

Source: AIG Global Economic forecasts as of 1/2013

The 56th AALU Annual Meeting
Washington, DC
April 28 - May 1, 2012
Private Nonfarm Payrolls (ex Construction and Finance) Monthly Change & Totals
Household Survey Results

Employment

Unemployment Rate

Labor Force

The 56th AALU Annual Meeting  Washington, DC  April 28 - May 1, 2012
### Where are the openings?

#### Levels (3) (in thousands)

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</thead>
<tbody>
<tr>
<td>Total</td>
<td>3,540</td>
<td>3,593</td>
<td>3,661</td>
<td>3,547</td>
<td>3,665</td>
<td>3,790</td>
<td>3,617</td>
</tr>
</tbody>
</table>

#### INDUSTRY

| Total private(4)                          | 3,188     | 3,211     | 3,257     | 3,172      | 3,301     | 3,427     | 3,257      |
| Construction                               | 78        | 67        | 81        | 82         | 99        | 89        | 92         |
| Manufacturing                              | 252       | 273       | 257       | 241        | 281       | 281       | 259        |
| Trade, transportation, and utilities(5)    | 574       | 585       | 592       | 592        | 610       | 740       | 673        |
| Retail trade                               | 323       | 334       | 350       | 342        | 374       | 496       | 420        |
| Professional and business services         | 785       | 641       | 761       | 622        | 645       | 632       | 540        |
| Education and health services (6)          | 605       | 689       | 661       | 725        | 681       | 718       | 710        |
| Health care and social assistance          | 552       | 604       | 601       | 654        | 627       | 656       | 640        |
| Leisure and hospitality                    | 441       | 469       | 405       | 366        | 442       | 478       | 461        |
| Arts, entertainment, and recreation        | 44        | 50        | 50        | 54         | 49        | 51        | 61         |
| Accommodation and food services            | 397       | 419       | 355       | 312        | 394       | 427       | 400        |
| Government(7)                              | 352       | 382       | 404       | 375        | 364       | 363       | 360        |
| State and local                           | 301       | 329       | 327       | 306        | 304       | 296       | 299        |

#### REGION(8)

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<tr>
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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Northeast</td>
<td>595</td>
<td>671</td>
<td>681</td>
<td>659</td>
<td>654</td>
<td>679</td>
<td>654</td>
</tr>
<tr>
<td>South</td>
<td>1,443</td>
<td>1,399</td>
<td>1,431</td>
<td>1,325</td>
<td>1,420</td>
<td>1,417</td>
<td>1,322</td>
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<tr>
<td>Midwest</td>
<td>763</td>
<td>759</td>
<td>790</td>
<td>817</td>
<td>849</td>
<td>913</td>
<td>904</td>
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<tr>
<td>West</td>
<td>740</td>
<td>763</td>
<td>758</td>
<td>747</td>
<td>742</td>
<td>782</td>
<td>737</td>
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</table>
Consumer Sector

Source: MacroAdvisers, AIG Global Economics forecasts as of 1/2013

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We have marked down our QE3 expectations, but continue to anticipate no funds rate hikes until the second half of 2015.

- We now assume that QE3 will continue only through the end of this year, rather than through 2014:Q1. We expect QE3 purchases to amount to roughly $1 trillion, instead of close to $1½ trillion.

- Our new QE3 call reflects, in part, our reassessment of FOMC views on the costs and benefits of further asset purchases.
Term Structure

Source: AIG Global Economic forecasts as of 01/2013
World majority: One in every six people in the world is Indian and one in five is Chinese. These economies make up 84% of the world’s population.

Growing economic power: As developing countries transition from export and agriculture-based economies to manufacturing and service-based economies, their share of global wealth is increasing.
Katharine Wolchik | 212-770-2296, Head of Global Economics
Yikai Wang, PhD | 212-770-1307, Senior Economist
Madhavi Bokil, PhD | 212-770-1848, Senior Economist
Ihab Seblani | 212-770-2052, Economist
David Lay | 212-770-0586, Global Risk Assessments
Kathryn Ilgizya Briskie | 212-770-2354, Associate Economist
Increase Sales with Proven Insurance Solutions

By: Jonathan Novak
We’re the world’s largest insurance organization, with more than 88 million customers around the globe. We’re leaders in property casualty insurance, life insurance and retirement services, mortgage insurance, and aircraft leasing.

But we’re more than the sum of our parts.
AIG Key Facts and Figures

$65.7
AIG’s revenue in 2012

90+
Years in operation

$22.7 Billion
Combined positive return received by the Treasury and FRBNY

$6.7M
Donations made by AIG’s Matching Grants Program to match employee’s gifts to charitable organizations in 2012

100%
U.S. government assistance recovered

$27.6B
Claims paid in 2012 by AIG Property Casualty

$115.1M
Average claims paid each business day in 2012 by our property casualty business

98%
Fortune 500 companies AIG serves

52,000+
Families United Guaranty helped keep in their homes in 2012

~63,000
AIG employees

$10,000
Maximum donation made by AIG’s Matching Grants Program, matching up to $5,000 in donations by an AIG employee using a 2:1 match ratio

$34.4 B
Total Net Premium written by AIG Property Casualty in 2012

18M+
Americans AIG helps in planning for retirement

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AIG Overview

AIG Property Casualty is a worldwide market leader, one of the few truly global property casualty insurers.

- Over 70 million commercial and consumer clients worldwide.
- Does business with 98% of Fortune 500, 96% of Fortune 1000, and 90% of Fortune Global 500, and insures 40% of Forbes 400 Richest Americans.
- The Americas: #1 commercial insurer in U.S./Canada, and established and growing position in Latin America.
- Asia: #1 foreign property casualty insurer in Japan and China.
- Europe, Middle East and Africa: largest U.S. based property casualty insurer in Europe, and established and growing position in the Middle East and Africa.

AIG Life and Retirement is a premier provider of protection, investment, and income solutions needed for financial and retirement security.

- One of the largest life insurance organizations in the United States with over 18 million customers.
- Long-standing leader in multiple markets.
- Number one provider of fixed annuities through banks for 16 consecutive years.
- Innovator in guaranteed-income solutions and a top provider of variable annuities.
- Leading retirement-plan provider for education, healthcare, government, and other nonprofit entities.
- Industry-leading life insurance and accident and health products.
- Strong Institutional Markets division, including leading position in structured settlement annuities.
- One of the largest independent broker-dealer networks in the U.S.
AIG Life and Retirement
Our mission is to be the premier provider of protection, investment and income solutions needed for financial and retirement security.
Experience, Strength and Balance

- **Size and scale** – one of the largest life insurance organizations in the U.S. based on admitted assets; serves over 18 million customers
- **Market leader** – long-standing leadership positions
- **Product diversity** – comprehensive portfolio of life insurance, A&H, annuity, mutual fund, group retirement, group benefit and institutional products
- **Multi-channel distribution** – 300,000 financial professionals
- **Experienced senior management team** – average 13 years tenure/28 years industry experience
- **Consistent profitability** – diversified sources of earnings
- **Cash generator** – dividends and distributions to AIG of $2.9 billion in 2012
- **Capital strength** – fleet RBC ratio of 532% and total adjusted statutory capital of $21 billion at year-end 2012 for insurance operating companies
- **Progress with rating agencies** – upgrade by Fitch of Insurer Financial Strength ratings of life insurance subsidiaries to A+ from A, with a stable rating outlook. Revised Issuer Credit Rating outlook by A.M. Best for domestic life companies to positive from stable
Extensive, Multi-Channel Distribution Network

2012 Sales by Channel

- Affiliated: 43%
- Non-affiliated: 57%

Diversified Distribution Network

- Affiliated:
  - VALIC financial advisors
  - AGLA agents
  - Advisor Group
  - AIG Direct

- Non-affiliated:
  - Broker-dealers
  - Banks
  - Independent marketing organizations
  - Benefit Brokers

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The New American General Life Insurance Company

- Creates one of the largest, strongest and most diversified life insurance companies in the industry
- Balanced and extremely diversified book of business – life insurance, A&H, variable annuities, indexed annuities, fixed annuities, immediate income annuities, group benefits, structured settlement annuities and other institutional products
- Makes it easier to do business with us – financial advisors only need to be appointed with American General Life to sell our broad portfolio of products

American General Assurance Co. (Illinois)
American General Life & Accident Insurance Co. (Tennessee)
American General Life Insurance Company of Delaware
SunAmerica Annuity and Life Assurance Company (SAAL) (Arizona)
SunAmerica Life Insurance Company (Arizona)
Western National Life Insurance Company (WNL) (Texas)

American General Life Insurance Company (Texas)

$174.1B Total Admitted Assets
$16.2B Total Adjusted Capital

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Management Structure

Jay Wintrob
President and CEO

Business Leaders
- Fixed Annuities and Group Retirement: Bruce Abrams
- Variable Annuities and Income Solutions: Jana Greer
- Life and A&H: Jim Mallon
- Retail Mutual Funds: Peter Harbeck
- Institutional Markets: Jonathan Novak
- Group Benefits: Curt Olson

Enterprise-Wide Leaders
- Chief Distribution Officer: Steve Maginn
- Chief Operations Officer: Tim Still
- Chief Product Officer: Rob Scheinerman
- Strategy: Tim Schultz

Functional Leaders*
- Actuarial: Bob Beuerlein
- Administration: Evelyn Curran
- Finance: Mary Jane Fortin
- Human Resources: Steve Blake
- Information Technology: Randy Epright
- Investments: Debi Gero
- Legal/Regulatory: Chris Nixon
- Risk Management: Brian Peters (interim)

* Reports to AIG functional leaders

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Institutional Markets
## Business Overview

<table>
<thead>
<tr>
<th>Products</th>
<th>Markets</th>
<th>Distribution</th>
</tr>
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<tbody>
<tr>
<td>Stable Value Wrap</td>
<td>Synthetic Guaranteed Investment Contracts (GICs)</td>
<td>Stable Value Funds</td>
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<tr>
<td>Structured Settlements</td>
<td>Structured Settlements Funding Agreement</td>
<td>Personal Physical Injury Litigation Settlements Workers’ Compensation Environmental Cleanups</td>
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<td>Pension/Terminal Funding</td>
<td>Single Premium Group Annuity Contracts</td>
<td>Terminal Funding, Annuity Buyouts and Liability Carve-Outs for defined benefit pension plan terminations</td>
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<tr>
<td>High Net Worth</td>
<td>Private Placement Variable Universal Life Private Placement Variable Annuity</td>
<td>Ultra high-net worth individuals</td>
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<tr>
<td>Corporate Markets</td>
<td>Group Private Placement Variable Universal Life (PPVUL)</td>
<td>Large COLO and BOLI opportunities</td>
</tr>
<tr>
<td>GICs</td>
<td>Guaranteed Investment Contracts</td>
<td>Currently in run-off</td>
</tr>
</tbody>
</table>
High Net Worth
Financial Challenges of the High Net Worth

- How to invest in high yielding assets
- How to effectively minimize taxation of the accretion of investments and estate
- How to effectively transfer wealth to future generations
- How to protect estate from unwanted predators
Erosion of Wealth

Effects of current tax rates

- High net worth investors are seeing increasing federal and state tax burden
- The 2013 total effective tax rate on a high net worth individual could exceed 50% (depending on state of residency)
- Ordinary federal income tax rate increased to 39.6%, up from 35%
- Increases in state income tax (depending on state of residency)
- “Sideways,” 1970s-style equity markets may generate higher portfolio turnover
Benefits of Private Placement Insurance

- Provides the ability to offer clients core investment options in a tax advantaged structure.
- Provides the opportunity for additional investment assets from existing clients.
- Provides the opportunity for new investment assets from potential clients.
- Addresses potential fiduciary risk related to not providing known tax advantaged strategies.
- Tax advantaged structure can increase compounding of investment returns.
- Tax advantaged structure can create a larger investment asset for greater investment fee revenue.
- Clients tend to buy and hold these tax advantaged structures.
Flexible Private Placement Solutions* From AIG

**PPVUL¹**
- Premier Private Placement Variable Universal Life
- Premier Survivorship Private Placement Variable Universal Life
- Premier Private Placement Variable Annuity
- Premier Group Private Placement Variable Annuity

**PPVA²**
- Global Estate Manager (GEM) Private Placement Variable Annuity
- Global Estate Manager III Private Placement Variable Annuity

*For US taxpayers
1 Onshore product issued by American General Life Insurance Company
2 Offshore product issued by AIG Life of Bermuda, Ltd.

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### What Makes Private Placement Life Insurance Different

<table>
<thead>
<tr>
<th>Traditional Retail Life Insurance</th>
<th>Private Placement Life Insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Death benefit purchase</td>
<td>Investment purchase</td>
</tr>
<tr>
<td>Maximum death benefit</td>
<td>Minimum death benefit</td>
</tr>
<tr>
<td>Small premium deposits over multiple years</td>
<td>Large premium deposits generally from 1 to 7 years</td>
</tr>
<tr>
<td>Minimum guarantees</td>
<td>No guarantees</td>
</tr>
<tr>
<td>Back End Fees</td>
<td>No Back End Fees</td>
</tr>
<tr>
<td>Registered investment options</td>
<td>Non-registered, alternative investment options</td>
</tr>
<tr>
<td>Retail Pricing</td>
<td>Institutional Pricing</td>
</tr>
<tr>
<td>No flexibility</td>
<td>Flexibility</td>
</tr>
<tr>
<td>Limited transparency</td>
<td>Full transparency</td>
</tr>
</tbody>
</table>

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Why You Should Do Business With Us

- 15+ years dedicated to this business
- Entrepreneurial spirit with financial strength
- Extensive experience in implementing custom insurance/investment solutions
- Extensive list of over 60 alternative investment strategies plus access to extensive list of registered subaccount options
- Competitive and flexible pricing
- Reinsurance capacity and leverage to accommodate the largest cases
- Hands-on involvement to ensure smooth compliant transactions
- Dedicated and experienced leadership and servicing team
Corporate Markets
Corporate Markets Overview

- Life insurance products intended for institutional buyers including corporations, banks and insurance companies
  - Company or grantor trust or VEBA owner, premium payer, beneficiary
    - Corporate-Owned Life Insurance (COLI)
    - Bank-Owned Life Insurance (BOLI)
    - Insurance Company-Owned Life Insurance (ICOLI)
    - Trust-Owned Life Insurance or (TOLI)
- Used to informally finance employee and post-employment benefit obligations
  - Tax-deferred asset to offset tax-deferred liabilities
  - Established Federal and state statutes govern product use and taxation
- Institutionally priced
  - Low or no acquisition cost; spreading of up front charges available to be P&L friendly
  - Pricing assumptions reflect institutional buyer behavior (not that of individual purchasers)
  - Economies of scale
## Prevalent COLI Uses

<table>
<thead>
<tr>
<th>Non-qualified Deferred Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Executive deferred compensation</td>
</tr>
<tr>
<td>▪ 401(k) overlay</td>
</tr>
<tr>
<td>▪ ERISA excess plans</td>
</tr>
<tr>
<td>▪ SERP</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>BOLI</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Bank Owned Life Insurance</td>
</tr>
<tr>
<td>▪ Balance sheet enhancement; improved yield on reserves</td>
</tr>
<tr>
<td>▪ OCC/FDIC limit to 25% of Tier 1 Capital</td>
</tr>
<tr>
<td>▪ Subject to limits based on value of accumulated employee benefits</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ICOLI</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Insurance Company-Owned Life Insurance</td>
</tr>
<tr>
<td>▪ Balance sheet enhancement; improved yield on reserves</td>
</tr>
<tr>
<td>▪ Offset to employee benefit obligations</td>
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</table>

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<thead>
<tr>
<th>VEBA funding</th>
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</thead>
<tbody>
<tr>
<td>▪ Funding of non-pension retirement obligations through a segregated trust</td>
</tr>
<tr>
<td>▪ Deductibility of contributions and accumulations governed by IRC 419A</td>
</tr>
<tr>
<td>▪ COLI held as a VEBA asset to help reduce UBTI</td>
</tr>
</tbody>
</table>

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Product Features

- Group Private Placement VUL Policy Form
  - No need for separate PPM, Side Letters, Individual Certificates
- Corporate, Bank or Trust ownership
- Registered and non-registered investment options
  - A line up of name-brand sub-account options for the executive benefits marketplace
  - A selection of alternative asset strategies that provide a unique opportunity for clients to diversify their portfolios, plus, a selection of fixed income managed sub-accounts
- Flexible, all-in M&E pricing
- Flexible compensation structures
- Pooled or experience rated mortality
- IRC compliance warranties available
Ease of Implementation

- Guaranteed Issue - no medical underwriting
  - Actively at work employees only, tobacco use question
  - AG GI amounts among the best in the industry
    - $100,000 times number of insured lives to a maximum of $5MM per insured generally available for aggregately funded COLI or BOLI
    - Amounts may be less for other COLI plan designs or based on the specific census of proposed insured lives
- Electronic consent
  - AG supports web-based collection of consents to minimize paperwork
- Web-enabled cash value reporting and transactions
  - AG works with state of the art COLI third party administrators to facilitate client reporting and asset-liability management
- Dedicated COLI/BOLI department covering all aspects of case design, placement, client service, and policy administration
  - Dedicated case design and sales team
  - Pricing, GI underwriting, dedicated actuarial staff
  - New business placement, application processing
  - Ongoing administration, policy transactions, claims processing
American General’s platform supports over 300 sub-account options representing more than 50 different asset managers, including:

- Fidelity Investments
- JPMorgan
- T. Rowe Price
- PIMCO
- Taylor Advisors
- Vanguard
- MFS Investment Management
- BlackRock
- Goldman Sachs Asset Management
- Titan Investments, LLC
Why You Should Do Business With Us

- AIG / American General has been selling in the corporate and bank market since 1991
  - More than $5BB of in force cash values
  - More than 50K policies in force
- Market commitment, dedicated team, depth of experience in service to an established market, which allows companies to adequately provide for their most valuable employees
- Leading edge product, underwriting, fund and administrative solutions
- Competitive institutional pricing
- Access to a broad array of name brand asset managers
- Contact us for more information
Life insurance opportunities in a changing environment

By: Jeremy Poulton
Helping clients in the changing economic and tax environment

- Clients are also feeling the effects of the constantly changing tax environment
- Those changes create planning opportunities
- Reviews of the impact of such changes on individuals and trusts are critical
- Help alleviate increased tax burden through planning strategies and life insurance
GREAT OPPORTUNITY ABOUNDS –
THE BROAD VIEW

“Clients’ interest heightens even when
tax change does not affect them”
Opportunity 1 - Policy review and audit of all life policies

- For many clients, reduced or no federal estate tax
- For some clients, increased federal estate tax
- For some clients, increased state estate tax
Opportunity 1 – States with Estate or Inheritance tax
Federal estate tax

- 40% rate
- $5,250,000 exemption
- (indexed)

State estate tax

- Some rates as high as 20%
- Some exemptions as low as $675,000
Opportunity 1 - Where client meeting may lead

- Adequacy of survivorship policies
- Need for survivorship policies
- Need for additional single life coverage
- The "economics" of existing coverage
- Review of ownership & beneficiary designation
Opportunity 2 – Survivor income factors

- Increased payroll taxes
- Net Investment Income Tax (NIIT)
- Increased income tax rates
- Increased dividend tax
- Increased capital gains rates
- Decreased interest rates paid on savings
Opportunity 2 – Result

Income is decreased
Taxes are increased

Stocks, bonds & savings income
Grieving widow & children

↓ Income is decreased
↑ Taxes are increased
Opportunity 2 – Where client meeting may lead

- Policy review on adequacy of principal (death benefit) to support spouse and children
- Review of coverage for “Dual Income” (DINC) households (to replace income, pay for child care)

- Widow(er) at work
- Children at home
Opportunity 3 – Higher capital gains rate

Donor (Appreciated asset) → Donate asset → Income → Charitable remainder trust → Asset sold (Deferred tax) → Charity

Donor (Appreciated asset) → Donate asset → Income → Charitable remainder trust → Wealth replacement trust → Tax free → Heirs
Opportunity 3 – Charitable Remainder Trust

- Joint and survivor income (individual or survivorship life insurance)
- Can be one’s own trustee
- More income to client
- Create money to pay premium
- Greater inherited wealth
- Can choose charities
Large life policy sale for wealth replacement

Opportunity 3 - Where the client meeting may lead
Opportunity 4 - Truncated trust tax rates

Trust
Assets

Income over $11,950 taxed at 43.4% (plus state & local tax)
Opportunity 4 – Talking points with client

- Type of trust (Grantor or non-grantor)
- Investment choices in trust
- Terminate trust or decant
- Review funding of all insurance trusts
Opportunity 4 – Where client meeting may lead

- Portfolio review and realignment
- Insurance trust review and modification
- Additional or different coverage and policy
Thank You!

AIG and its subsidiaries look forward to partnering with you in helping your clients plan for tomorrow’s challenges.

“Bring on Tomorrow”