

AIG American General Announces 2008 Compensation Schedules

You can count on AIG American General for leading-edge products, a commitment to technology innovation, best-in-class service and a compensation package that is attractive and competitive. Just as you are planning for 2008 at your business, we are doing the same – examining our business holistically to see what’s working and what needs adjustment. We’ve taken a very careful look at field compensation and product pricing to ensure that pricing continues to support our compensation strategy. As a result of this analysis, we will be making a few modifications to the compensation schedules for 2008.

Summary of Compensation Changes

Following is a summary of compensation changes for 2008:

- Producer street-level compensation will be reduced by 5% on all term products and universal life products except for Elite Global IUL, Elite Global IUL-LT and Elite Value Index. Accident & Health and annuity products will not be changed.
- Elite Global IUL/IUL-LT adjustments
 - Renewal comp will be reduced by 1%
 - Producer asset-based trails will be reduced from 15 basis points to 11.25 basis points in policy years 6-20 for Elite Global IUL and in policy years 6+ for Elite Global IUL-LT.

Annualization

The following changes will be made to the annualization program and will affect agencies and/or agents currently on annualization. These changes will help decrease the likelihood of incurring debit balances and will help agencies and agents better manage their business. An FAQ is attached to this communication for your reference.

- Annualization limits will be enforced:
 - \$50,000 maximum advance
 - \$7,500 per policy advance
- A fee on the amount of annualized commissions will be assessed to agencies/agents participating in annualization. The fee will be based on the application date and will be reflected in a line item charge on the agent’s commission statement when annualization takes place. Agents will receive a 1099 for the entire commission amount.
 - **Agents on 50% annualization:** Fee will be 2.5% per policy, based on the commissions generated.
 - **Agents on 75% annualization:** Fee will be 4.0% per policy, based on the commissions generated.

All compensation/commission/annualization changes are effective with applications dated on or after January 1, 2008.

Compensation Schedules

Please consult with your upline to determine how these changes impact you. Individual compensation schedules for 2008, including terms and conditions, will be available January 1, 2008, from your IMO/BGA and on the AIG Life Brokerage Web site (www.aiglifebrokerage.com).

AIG American General is committed to being your carrier of choice. We appreciate the business you have placed with us in 2007 and look forward to earning your business each and every day in 2008.

AIG American General, www.aigag.com, is the marketing name for the insurance companies and affiliates comprising the domestic life operations of American International Group, Inc. (AIG)

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Frequently Asked Questions – Annualization Fees

1. Why am I being charged a fee for having annualization on my commissions?

The purpose of charging this fee is to avoid having to price this service in to our products. It keeps our premiums competitive and affordable for our policyholders. These changes will help decrease the likelihood of incurring debit balances and will help agencies and agents better manage their business.

2. How do I get annualization removed from my contract/commissions?

Submit your request in writing to the Licensing and Commissions department and they will remove the annualization from your record for all policies going forward. You can also avoid the fee by submitting non-monthly, non-PAC business. Semi-annual and quarterly premiums do not generate annualized commissions.

3. How do I get an exception/get this fee waived?

Sorry, there will be no exceptions to this program.

4. I have been on annualization for less than two years. How come I will now be charged a fee?

Paragraph 14 of the annualization agreement states "The Company retains the right to modify this supplement from time to time and both the representative and the sponsor agree to comply with the modifications."

How annualization will be set up starting January 1, 2008:

- Annualization limits will be enforced:
 - \$50,000 maximum advance
 - \$7,500 per policy advance
- A fee on the amount of annualized commissions will be assessed to agencies/agents participating in annualization. The fee will be based on the application date and will be reflected in a line item charge on the agent's commission statement when annualization takes place. Agents will receive a 1099 for the entire commission amount.
 - **Agents on 50% annualization:** Fee will be 2.5% per policy, based on the commissions generated.
 - **Agents on 75% annualization:** Fee will be 4.0% per policy, based on the commissions generated.

Example of how fees will be calculated

Here's an example of how the fee will be calculated on a typical case.

Annualized premium: \$2,700.00

Annualization percentage: 50%

Fee rate: 2.5%

Agent's First-Year Rate: 90%

First, calculate the amount being annualized by multiplying the annualized premium times the annualization percentage: $\$2,700.00 \times 50\% = \$1,350.00$

Next, multiply the annualized amount times the first-year rate: $\$1,350.00 \times 90\% = \$1,215.00$

Finally, multiply that number times the fee rate: $\$1,215.00 \times 2.5\% = \30.38 . The fee is \$30.38.

Effective date

Fees will be effective January 1, 2008, for all applicable new business dated on or after January 1, 2008. Applications already in house or dated before January 1 will not be assessed the fee.