

Your Guide to AIG Suitability Standards & Processes

AIG annuities are suitable for a variety of people seeking to grow their retirement savings, take income, and/or protect their retirement income. Annuities can ensure against outliving income and, with specifically designed features, protect against erosion of future income by adverse market conditions.

This guide is intended to assist you in making a suitable recommendation and understanding the AIG suitability process,¹ and will help you:

- ✓ Be well prepared throughout the sales process
- ✓ Know what might trigger questions: **Annuity Suitability Guidelines**
- ✓ Be prepared if the AIG Suitability Team requests more information
- ✓ Be aware of what AIG is *unlikely* to approve
- ✓ Know how to ask for help—we can review cases on a pre-sale basis!

Be Well Prepared Throughout the Sales Process

Know what tasks need to be completed, and what information you need to help ensure suitability, before submitting an application:

- **Ensure that you have all appropriate licenses, appointments, and trainings** completed prior to soliciting the sale. We cannot accept applications dated prior to the completion of the required training(s).
- Determine if the new sale or replacement annuity **meets your client's goals**.
- **Set expectations** with the client. Completing the Client Profile Form in its entirety will assist you with this process. Explain that AIG must review the application for suitability and additional information may be needed.
- Using the Owner's Acknowledgment and other approved materials, **discuss the details of the annuity** including any riders, allocations, fees, and potential penalties.
- If replacing an annuity or life insurance, **do not surrender the existing policy or contract in advance**. AIG will complete any necessary requests for funds or advise when the contract is ready to be funded.

¹ A sale must be reviewed under the AIG Annuity Suitability Program, unless AIG has made arrangements to have your firm conduct suitability supervision.

Annuity Suitability Guidelines

The AIG Annuity Suitability Program helps to ensure each client purchases a product that meets his or her specific needs. Key considerations include the client's age, employment status, concentration of assets, financial goals, available liquidity, investment risk profile and other factors that can influence the client's financial circumstances. While not an exhaustive list, below are some common areas that can trigger questions regarding annuity suitability.

✓ 1. Liquidity & Annuity Holdings

When evaluating liquidity and concentration of investments in annuities, AIG measures the client's liquid assets relative to the client's annual income. Of particular concern is when the sale results in a 50% or higher concentration of a client's net worth (excluding primary residence) in annuities.

Consider:

- Does the client have liquid asset reserves in the event of unforeseen liquidity needs?
- If the client is adding to existing annuity holdings, how does this proposed annuity serve the client's goals in a way that is not already being accomplished?

✓ 2. Annuity Replacement

When replacing an existing annuity or annuities,² please provide a clear explanation of how the client benefits from the replacement on the Client Profile Form.

Consider:

- What has changed for the client such that current annuity(ies) will no longer meet his/her goals?
- Is the client willing and able to be subject to a new withdrawal charge period (sometimes called Contingent Deferred Sales Charge or CDSC) and corresponding reduction in their overall liquidity?
- If you are replacing an index annuity with another index annuity, what is the benefit of the exchange? Generally, anticipated performance and availability of crediting strategy(ies) should not be the sole reason for the exchange when a withdrawal charge is involved, and any other impact to the client should also be acknowledged.
- If the client's current annuity(ies) have a living or death benefit that is not available on or different from the new product, how does this replacement better align with the client's current needs?

² Replacements have a 13-month "look-back" period. Any funds that originated in an annuity in the past 13 months, regardless of their current source, are considered to be a replacement.



✓ 3. Other Considerations

It's important to think long-term, because annuities are generally considered long-term investments.

Consider:

- Does the client anticipate accessing the funds, other than for required minimum distributions, prior to the end of the withdrawal charge period?
- If the funds are qualified and the client is under age 59½, does he/she anticipate accessing the funds prior to reaching age 59½, which may result in a tax penalty?
- In most cases, annuitization is required at age 95. While some of our benefits may continue after annuitization, if your client is seeking continued deferral or access to contract value after age 95, is there a strategy for that goal?
- If the client is purchasing a living benefit rider, does the feature align with the client's income goal?

! Three Keys to Avoiding Delays

Most applications are reviewed within 1-2 business days, but incomplete paperwork or inconsistent responses may lead to delays.

Being thorough can help ensure you don't have to go back to the client. A client's initials are required for any updates or changes to the information on the form after the initial submission, and under some circumstances, changes may require the form to be re-signed by the client. These three keys to avoiding delays may help ensure this doesn't happen.

1. Complete all sections of the required paperwork, ensure all data is accurate and obtain client signatures.
2. Provide a thorough explanation where requested; e.g., in the case of a replacement, provide the reason(s) for the replacement.
3. Make sure your response is legible if it is handwritten.

Be Prepared if the AIG Suitability Team Requests More Information

Additional information may be requested to explain why the recommendation is being made and how this purchase will meet the client's goals. You can help the suitability process by explaining the recommendation in an individualized cover letter and being as responsive as possible to any requests for additional information. **Examples of situations that may require additional information can include, but are not limited to:**

- Clients with a household income of \$25k or less
- Annual expenses that are 80% or more of the client's annual income
- Client has liquidity that will not cover expenses in the case of an emergency
- Client anticipates taking distributions that incur a CDSC, exceed living benefit withdrawal requirements, or that may result in pre-59½ withdrawal tax penalty
- If replacing an annuity contract, and income is a goal, we may ask for a statement or other documentation demonstrating the amount of the current income stream available on the existing annuity

Be Aware of What AIG Is Unlikely to Approve

While not all-inclusive, these are examples of cases the AIG Suitability Team generally will not approve:

- Annuity purchases funded by a home equity loan or reverse mortgage
- Replacement purchases that will result in a net cost to the client of 3% or greater (net cost includes withdrawal charge with +/- market value adjustment)
- Less than 6 months of liquid assets to cover household expenses after the purchase of the annuity, unless the totality of the client's circumstances indicates that the client needs more or less available liquid assets
- Premium Enhancements/bonuses offered on new contracts to offset an existing CDSC
- Purchasing an AIG annuity in order to qualify for means-tested government benefit programs
- An aggressive risk tolerance when the type of annuity being purchased is an AIG Index or Fixed Annuity

Know How to Ask for Help

We can review cases on a pre-sale basis!

The AIG Suitability Team is willing to answer your questions for current/pending business, and can even review potential cases on a pre-sale basis. While the final approval will be subject to review of all required documentation and supporting information, we are happy to provide a preliminary review and present any questions or concerns. To submit a case for pre-sale review, simply complete and send us the Client Profile Form. For a pre-sale review, we do not require a signed document.³

Thank you for considering an AIG Index or Fixed Annuity for Your Client! We're happy to assist with Suitability Questions or Pre-Sale Reviews

Email us: SuitabilityReview@aig.com
IMO/BGA (Indirect) Channel: 1-888-438-6933
AIG Wholesaler (Direct) Channel: 1-800-445-7862

³ The approval is not considered final until we receive a signed Client Profile Form with the approved pre-sale information along with the application submission.

Annuities are issued by **American General Life Insurance Company** (AGL) or, in New York, by **The United States Life Insurance Company in the City of New York** (US Life), except the Polaris Platinum Elite and Power Index Elite annuities, which are issued in all states by **The Variable Annuity Life Insurance Company** (VALIC). Variable annuities are distributed by **AIG Capital Services, Inc.** (ACS), Member FINRA, 21650 Oxnard St., Suite 750, Woodland Hills, CA 91367-4997, 1-800-445-7862. AGL, US Life, VALIC and ACS are members of American International Group, Inc. (AIG).

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