

A Special Publication for CENCO Related Agents

# CENCO STREET JOURNAL

Volume 19, Issue 3

March 2019

## Check Out The Cenco Website:

[www.cencoinsurance.com](http://www.cencoinsurance.com)

You will have access to:

- Quotes
- Forms
- Introduction Kits for Our Core Carriers
- Archived and current issues of the **Cenco Street Journal** and the **Cenco eNews**

## Inside this issue:

<b>Business Solutions - Key Person Insurance</b>	2
<b>Review Individual Federal Tax Returns To Boost Sales</b>	3

## Looking Ahead to Sell More IDI in 2019

### Focus On The Millennial Market

More than one in three American labor force participants (35%) are Millennials. That makes them the largest generation in the workplace. Now aged 22-37, they also have the most spending power, estimated at \$200 billion. That means Millennials will continue to be your largest target market.



Millennials

Two key sales points for Millennials are portability and protection for growing incomes. Unlike prior generations, Millennials don't expect to stay with the same employer for decades. You can appeal to them by emphasizing flexibility. They can purchase an income protection insurance policy and take it with them whenever they change jobs. Another appealing feature is the potential to increase their coverage to keep pace with their incomes with the Future Purchase Option and the Benefit Increase Riders found on most DI policies.

### Find New Markets For Yourself

Explore reaching out to more business owners and women - two groups with a lot to protect.

### An Ongoing Growth Area - Employer-Sponsored Plans

Industry-wide, employer-sponsored plans have grown year after year. Thanks to changes in the tax law, plus record low unemployment, employers are likely to invest more to recruit great talent and retain current staff. General Agents and producers may be able to capitalize on increased interest in Guaranteed Standard Issue (GSI) products.

**Cenco offers many DI carriers to fit your needs. Call us today and let us help you with your next DI sale.**

## Business Solutions - Key Person Insurance

### **BUSINESS SOLUTIONS**

The success of any business depends on smart strategy and planning. Whether your clients own a large company or a small family-operated business, it's important to protect their hard work. Cenco offers business solutions to help ensure that all the effort and money invested in a business won't disappear when the unexpected happens.

### **KEY PERSON LIFE INSURANCE**

Most companies have a person(s) whose skills are vital to the success of the business. A key person may be an owner, partner, or employee without whom your client's business would suffer serious consequences, whether that be a loss of credit, loss of key accounts, diminished earnings, unexpected replacement costs, or even the loss of remaining employee's confidence in the future of the company. Ultimately, every business will be in this position sooner or later, due to a death, disability or a key employee deciding to leave the company.

### **WHY PERMANENT LIFE INSURANCE?**

From modest family operations to multi-billion dollar corporations, the death of a key person can seriously cripple the stability of a business. With life insurance, the business can use the death benefit proceeds to cover the expense of hiring and training a replacement. If the key person becomes disabled or leaves the company, the policy's accumulated cash value could provide a source of income or money to find a replacement. Often, a key person is also an owner of the company. If an owner were to die, a life insurance policy can help to protect remaining owners from a forced sale or loss of control of the business. Life insurance can be a cost-efficient, relatively simple solution, and the proceeds are generally tax-free.

### **WHO CAN BENEFIT?**

Purchasing key person insurance helps to protect business owners from shouldering the financial burden of replacing the deceased employee. Depending on how much the key person's contribution is worth to the business, it can be expensive and difficult to compensate that kind of loss to company operations. Surviving owners may have to borrow the funds necessary to hire and train a replacement at expensive interest rates, which could damage the business. Surviving owners could be forced to use their personal property such as a home or car as collateral on a private loan. If none of these risky options work, the business could lose the confidence of outside investors, customers and employees.

### **HOW IT WORKS**

The key person applies for life insurance coverage and gets approved for a policy. The business purchases the policy on the key employee's life, pays the premiums, and is the beneficiary of the policy. If the key employee dies while the policy is still in force, the company receives the death benefit proceeds to help cover financial losses resulting from the employee's death that could include:

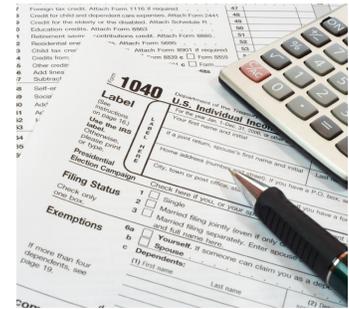
- Loss of managerial skill and experience
- Decrease in sales
- Adverse effects on production
- Restrictions on credit to the company
- Expense of recruiting and training a replacement

Any accumulated cash value from the insurance policy can also be used while the key employee is still alive. If for example, the employee becomes disabled, is terminated, or leaves the company voluntarily, the owner of the policy (the business) could use the cash value to help with the financial impact of the situation. Placing a dollar value on a key employee's worth to a company can be difficult for clients. There are many things to consider, like the employee's current salary, net business profits directly attributed to the key employee and the employee's future value to the company.

**Your clients work hard to be successful in business. Help them plan for the unexpected with one of the variety of life insurance products that Cenco offers.**

## Review Individual Federal Tax Returns to Boost Sales

How many of you have studied federal income tax returns? If you're not asking for copies of tax returns to analyze, then one of your competitors probably is. But it won't do any good to start doing this if you don't know what to look for.



The first place to start in the examination of an individual tax return is the Form W-2 (wage and tax statement). First, see if there is a difference between line one (wages, tips, other compensation) and line three (Social Security wages). If so, this difference indicates that a person could be a participant in a 401(k) plan, a 403(b) plan or a Section 125 plan.

The same section of the W-2 indicates the taxable portion of group term life insurance in excess of \$50,000. The premium attributable to the first \$50,000 of group term insurance is tax-free. This information is important because it raises several questions:

- ◆ Is there a need for additional individual owned life insurance coverage?
- ◆ Is the client's employer a prospect for group and individual life insurance coverage?
- ◆ Could you position yourself to review the employer's existing employee benefit plans?

In addition to the W-2, the Form 1040 must also be assessed in order to provide clients with the highest level of service. When engaged in any type of financial planning you must always request that clients provide copies of tax returns from the last 2 to 3 years so that you can establish a thorough financial plan.

When reviewing the Form 1040 begin by evaluating the tax rate schedules for each filing status, which highlights the difference between marginal and real tax brackets. Remember that taxpayers do not pay taxes on their income at marginal tax rates. Instead, income taxes are paid based upon average tax rates.

Also, on the form 1040 is a section where dependent children of any age are listed. Addressing this section with your clients or prospects is sure to open up some important discussions and create a natural sales opportunity. Several questions should be asked at this point:

- ◆ Are you planning to set up a fund for your children's future education?
- ◆ What happens to your children if you should die or become disabled permanently?
- ◆ Are there dependents that do not live with you due to divorce or separation?
- ◆ If so, where do these dependents live and who is responsible for their care?

If you have never reviewed their tax returns, then you probably don't know everything about your clients from a financial standpoint. But if you will take the time and make the effort, you can uncover many sales opportunities, create the trust necessary for long-term relationships and become an expert at uncovering problems and needs that will make you all the more valuable.

**CENCO  
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**QoL Flex Term  
The ABR Term  
Product Offering  
Competitive Features  
For An Affordable  
Cost  
Details Inside!**

**Non-Medical Underwriting On  
QoL Max Accumulator+**

- Ages 0-50
- Face amounts \$50K to \$499,999
- No lab tests, physical exam or APS required for proposed insured
- All rate classes are available
- Faster processing times using the iGO eApplication, leads to faster commissions for the agent

**The Definitive  
Marketing  
Publication  
For Life &  
Disability  
Insurance**

**For Your Information...**

Check out the new **QoL Master Playbook** on the website **aig.com/QoLMasterPlaybook**.  
**Everything you need is here!**

- ◆ QoL Producer Website
- ◆ QoL Training Playbook
- ◆ QoL IUL Playbook
- ◆ QoL Term Conversion Playbook
- ◆ And more.....





# QoL Flex Term

The ABR term product offering competitive features for an affordable cost



**New, improved rates for \$500,000 and \$1,000,000+ cases!**

QoL Flex Term might not be the only term product offering accelerated benefit riders (ABRs) for chronic, critical and terminal illnesses – there are a handful of others – but it’s the term product that offers the most among peer group competitors in regards to those accelerated benefit riders, including being the only one with guaranteed benefit floors. Along with all of its features and flexibility, a QoL Flex Term policy often costs less than other term products among peer group competitors offering ABRs, sometimes even a lot less.

### Rate comparison

Male, 30, PPNT, 15-year, \$500,000	Monthly Premium <sup>1</sup>	More than QoL
<b>QoL Flex Term</b>	<b>\$16.71</b>	
ANICO Signature Term	17.71	12%
Transamerica Trendsetter LB	18.06	15%
LSW Level Term	21.12	34%
<b>Female, 30, PNT, 20-year, \$1,500,000</b>		
<b>QoL Flex Term</b>	<b>\$52.18</b>	
ANICO Signature Term	57.02	11%
LSW Level Term	63.36	24%
Transamerica Trendsetter LB	65.79	28%
<b>Male, 40, PPNT, 20-year, \$1,000,000</b>		
<b>QoL Flex Term</b>	<b>\$56.53</b>	
ANICO Signature Term	57.02	3%
LSW Level Term	67.32	21%
Transamerica Trendsetter LB	92.02	66%
<b>Female, 50, PPNT, 30-year, \$500,000</b>		
<b>QoL Flex Term</b>	<b>\$103.87</b>	
ANICO Signature Term	116.64	13%
LSW Level Term	146.96	43%
Transamerica Trendsetter LB	150.07	46%
<b>Male, 50, PNT, 30-year, \$1,000,000</b>		
<b>QoL Flex Term</b>	<b>\$320.47</b>	
ANICO Signature Term	329.18	3%
Transamerica Trendsetter LB	414.52	30%
LSW Level Term	414.92	30%
<b>Male, 55, SPNT, 20-year, \$1,500,000</b>		
<b>QoL Flex Term</b>	<b>\$561.75</b>	
ANICO Signature Term	572.83	2%
LSW Level Term	616.44	10%
Transamerica Trendsetter LB	634.68	13%

**CHOOSE WISELY** Choose QoL Flex Term

## Feature comparison

Take a look how favorably QoL Flex Term's features compare against several broadly similar competitive term products with its attractive 18 different durations, Accelerated Benefit Riders that have a maximum lifetime limit up to \$2 million, a guaranteed minimum payout<sup>2</sup>, plus a conversion credit for when your clients upgrade to a permanent QoL Life Insurance policy<sup>3</sup>.

Feature	Americal General Life QoL Flex Term	American National Signature Term	LSW Level Term	Mutual of Omaha Term Life Express	Transamerica Trendsetter LB
Guaranteed Minimum Payout	✓				
Chronic Illness Accelerated Benefit	✓	✓	✓	✓	✓
Critical Illness Accelerated Benefit	✓	✓	✓	✓	✓
Terminal Illness Accelerated Benefit	✓	✓	✓	✓	✓
Lifetime Maximum of All Accelerated Benefits	<ul style="list-style-type: none"> <li>100% of DB up to \$2M</li> </ul>	<ul style="list-style-type: none"> <li>100% of DB up to \$2M (\$1M ages 66+)</li> </ul>	<ul style="list-style-type: none"> <li>Chronic and Terminal Illness: Lesser of 100% of DB or \$1.5M</li> <li>Critical Illness: Lesser of 100% of DB or \$1M</li> </ul>	<ul style="list-style-type: none"> <li>80% of DB up to \$300K</li> </ul>	<ul style="list-style-type: none"> <li>Chronic and Critical Illness: Lesser of 90% of DB or \$1.5M</li> <li>Terminal Illness: Lesser of 100% of DB or \$1.5M</li> </ul>
Maximum Face Amount	No limit	No limit	No limit	\$300K (ages 18-50) \$250K (ages 51-65)	\$2M
Durations	10, 15 to 30, 35	10, 15, 20, 30	10, 15, 20, 30	10, 15, 20, 30	10, 15, 20, 25, 30
Issue Ages <sup>4</sup>	20 to 80	18 to 70	18 to 75	18 to 65	18 to 80
Conversion Credit	✓	✓			

<sup>1</sup> Level term premium data generated on 01/31/19 for the state of Colorado. Every attempt has been made to verify the accuracy of this information, but rates are subject to change at any time. These carriers are peer group competitors of American General Life Companies: American National Insurance Company (Policy Form No. ART18), Life Insurance Company of the Southwest Level Term (Policy Form ICC18-20522(0518)), Mutual of Omaha Term Life Express (Policy Form No. ICC13L116P) and Transamerica Trendsetter<sup>®</sup> LB (Policy Form ICC16 TL23). Transamerica Trendsetter<sup>®</sup> is a registered trademark of Transamerica Life Insurance Company, PNT: Preferred Non-tobacco; PPNT: Preferred Plus Non-tobacco; SPNT: Standard Plus Non-tobacco; SNT: Standard Non-tobacco.

<sup>2</sup> Guaranteed minimum payout is not available on all states. Subject to state variations.

<sup>3</sup> Conversion credit available for the first 8 years on 10-yr term, or first 10-years on 15-year term or longer durations.

<sup>4</sup> The maximum age in the Issue Ages refers to the 10-year duration. The maximum age for other durations will be less for every carrier.

Competitor riders include; Life Insurance Company of the Southwest: Accelerated Benefits Riders Form Series 8052(0798), 8095(0399), and 8165(0703); Transamerica Form ACC-DISC TL21 REV. American National Insurance Company Accelerated Benefit Riders ABR14-TM, ABR14-CT, ABR14-CH. Mutual of Omaha Chronic Illness Rider Form ICC16L142R, Terminal Illness Rider Form ICC16L141R, and Critical Illness Rider Form ICC16L143R.



### Important Consumer Disclosures Regarding Accelerated Benefit Riders

An Accelerated Death Benefit Rider (ABR) is not a replacement for Long Term Care Insurance (LTCI). It is a life insurance benefit that gives you the option to accelerate some of the death benefit in the event the insured meets the criteria for a qualifying event described in the policy. The rider does not provide long-term care insurance subject to California insurance law, is not a California Partnership for Long-Term Care program policy. The policy is not a Medicare supplement.

ABRs and LTCI provide different types of benefits. An ABR allows the insured to access a portion of the life insurance policy's death benefit while living. ABR payments are unrestricted and may be used for any purpose. LTCI provides reimbursement for necessary care received due to the inability to perform activities of daily living or cognitive impairment. LTCI coverage may include reimbursement for the cost of a nursing home, assisted living, home health care, homemaker services, adult day care, hospice services or respite care for the primary caretaker and the benefits may be conditioned on certain requirements or meeting an elimination period or limited by type of service, the number of days or a maximum dollar limit. Some ABRs and all LTCI are conditioned upon the insured not being able to perform two or more of the activities of daily living or being cognitively impaired.

This ABR pays proceeds that are intended to qualify for favorable tax treatment under section 101(g) of the Internal Revenue Code. The federal, state, or local tax consequences resulting from payment of an ABR will depend on the specific facts and circumstances, and consequently advice and guidance should be obtained from a personal tax advisor prior to the receipt of any payments. ABR payments may affect eligibility for, or amounts of, Medicaid or other benefits provided by federal, state, or local government. Death benefits and policy values, such as cash values, premium payments and cost of insurance charges if applicable, will be reduced if an ABR payment is made. ABR payments may be limited by the contract or by outstanding policy loans.

Please visit [qualityoflifeinsurance.com](http://qualityoflifeinsurance.com) for Important Consumer Disclosures regarding Accelerated Benefit Riders. Policies issued by: American General Life Insurance Company (AGL), Houston, TX, Policy Form Numbers ICC16-16901, and Riders ICC15-15602/15602, ICC15-15603, 15603, ICC15-15604/15604. Issuing company AGL is responsible for financial obligations of insurance products and is a member of American International Group, Inc. (AIG). AGL does not solicit business in the state of New York. Products may not be available in all states and product features including rates may vary by state. All guarantees and benefits of the insurance policy are backed by the claims-paying ability of the issuing insurance company. They are not backed by the insurance agency selling the policy, nor by any of their affiliates, and none of them makes any representations or guarantees regarding the claims-paying ability of the issuing insurance company.

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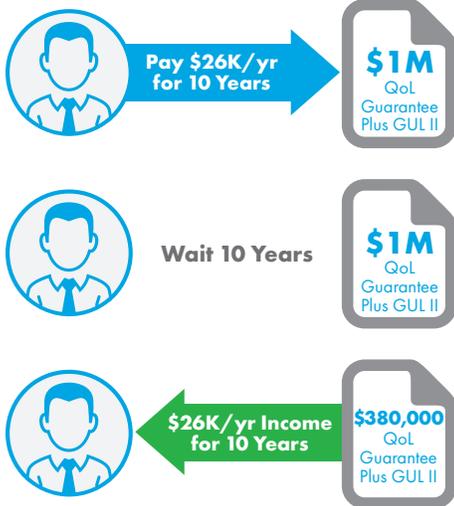
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## QOL GUARANTEE PLUS GUL II

# What if you could knock out three birds with one stone?

One policy can help with life insurance, chronic illness coverage and retirement income.



**FULL Return of Premium  
GUARANTEED  
Over 10 Years**

### THE 10-10-10 PLAN

What if you could buy permanent life insurance, guaranteed to age 100 WITH a chronic illness benefit where you can:

- Pay premiums for 10 YEARS;
- Wait for 10 YEARS; and
- Get your money back over 10 YEARS – as a supplemental retirement benefit.



### BACKGROUND

While term insurance is the most popular form of life insurance policy – mostly because it's inexpensive up front – it only provides temporary coverage. For longer term (permanent) needs, there are a variety of choices – with one of the most secure and economical options being Guaranteed Universal Life (GUL). Often, GUL is a 'no frills' policy – offering few additional benefits. But, the Quality of Life (QoL) Guarantee Plus GUL II provides innovative extras!

### PROBLEM

Let's look at a hypothetical example. A 50 year old male is looking for \$1,000,000 of coverage for his family. He wants to provide life insurance for his spouse well into retirement, but sees that need dropping as he approaches the latter retirement years. He is also concerned about the impact of a chronic illness on his retirement.<sup>1</sup>

### SOLUTION: THE 10-10-10 PLAN<sup>2</sup>

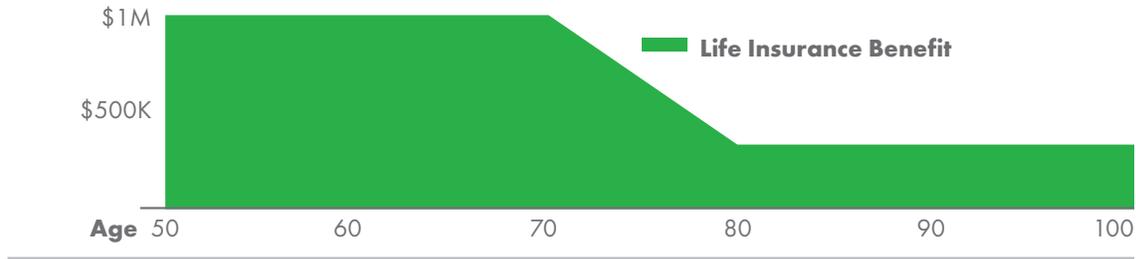
He pays \$26K/yr for 10 years. Then, he pays nothing for 10 years. Then he takes \$26K/yr out of the policy for 10 years (tax free!) using an innovative feature of this policy – The CustomerChoice Lifestyle Income Solution! This withdrawal of \$26k/year for 10 years from the policy will reduce the amount of life insurance coverage to \$380,000.



Policies issued by American General Life Insurance Company, member of American International Group, Inc. Guarantees are backed by the claims paying ability of the issuing insurance company.

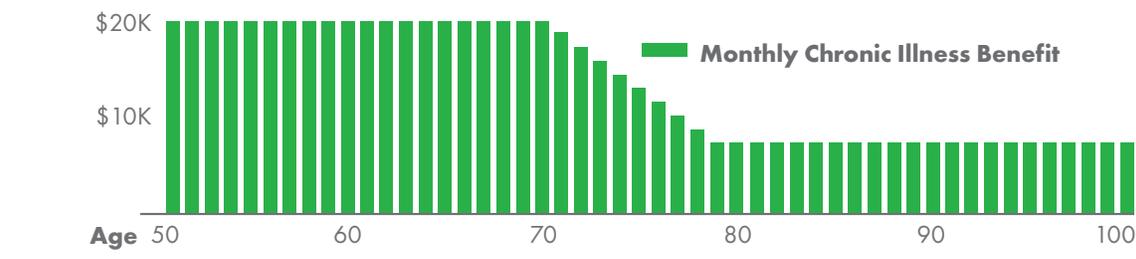
## LIFE INSURANCE BENEFIT

\$1,000,000 to age 70; then it steps down to \$380,000 by age 80 and continues to age 100. **Guaranteed!**



## CHRONIC ILLNESS BENEFIT

While several options are available, George chooses to provide 2% of the life insurance coverage as a monthly chronic illness benefit – starting at \$20,000/month during his earning years.<sup>3</sup> The benefit then steps down to \$7,600/month during retirement. **Guaranteed!**



Enjoy life knowing you've planned and are prepared!  
[QualityofLifeInsurance.com](http://QualityofLifeInsurance.com)

<sup>1</sup> This hypothetical example is for illustrative purposes only. Not an actual case and intended solely to depict how the product features might work. It does not reflect the value of any specific Policy. Restrictions and limitations apply.

<sup>2</sup> For the purpose of easing the explanation, all numbers have been rounded. The QoL Guarantee Plus GUL II product solution is based on an illustration dated 12/7/2018 for a 50-year-old male, preferred non-tobacco with premiums paid for 10 years and death benefit guaranteed to age 100. The policy included the approximately \$25,000 of Lifestyle Income Solution rider, beginning at age 70 and a 100% Accelerated Access Solution rider with a 2% monthly benefit.

<sup>3</sup> Maximum monthly benefits limited to the IRS Per Diem in effect at the time of claim.

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## How about more for less?

With a QoL Value+ Protector policy you get an attractive death benefit guarantee and substantially more cash value for a lower premium cost.



**Lower IUL  
Premiums  
can Deliver:**

**Similar Guarantees  
to GUL**

**More Cash  
Value than GUL**

### Background

GUL is good for guaranteed death benefit. However, it does have some shortfalls:

- Limited liquidity or flexibility
- Limited (if any) cash accumulation
- Designed primarily for death benefits

QoL Value+ Protector IUL offers a guaranteed death benefit like traditional GUL products while also providing flexibility and meaningful cash accumulation. Many families know they need life insurance, but also know they need more money saved for retirement. Is one better for you?

### Scenario

- Meet Jason; 50-years old; married; two kids; needs \$500k additional coverage
- Likes the security of a Guaranteed Universal Life (GUL) policy; but there's no real cash value for potential income and limited post-issue flexibility
- Likes potential for supplemental retirement income from Index Universal Life (IUL)
  - There may be shorter guarantees than in GUL but cash value can potentially offset the difference in guarantee

### GUL and IUL Solutions

Jason's financial professional recommends two options as a solution. Solution 1 offers a guaranteed death benefit but requires a higher monthly premium. Solution 2 provides similar guarantees and upside market potential while also potentially offering more liquidity.



Policies issued by American General Life Insurance Company (AGL), Houston, TX, member of American International Group, Inc. (AIG).

## SOLUTION 1:

### \$500K QoL Guarantee Plus GUL II

A monthly premium of \$467 provides:

- Guaranteed insurance coverage until age 105
- Partial withdrawal capability – if Jason has built up some cash value in his policy and his needs change, he could withdraw some funds from his policy. It's important to note that this would result in a proportional reduction of accumulation value and death benefit. His advisor also explains there is often less cash value in the policy for retirement needs compared to an IUL
- Return of Premium – if needs change, Jason could also receive some or all of his paid premiums back at year 20 or 25<sup>4</sup>

## SOLUTION 2:

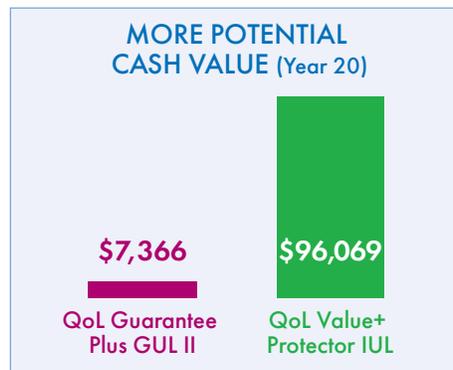
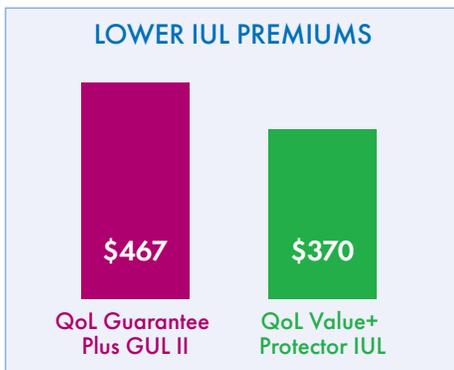
### \$500K QoL Value+ Protector – Index UL

A monthly premium of \$370 provides:

- Tax-advantaged cash accumulation with 4 index strategies to choose from. Enjoy upside market potential without downside market risk.
- Guaranteed death benefit coverage until age 86
- Non-guaranteed death benefit coverage and cash value that can last until age 105 if funded correctly
- Strong Index Performance liquidity feature allows for withdrawal of excess cash value, after 20 years or at age 85, with no decrease in the death benefit or guarantees, if certain conditions are met<sup>1,2,3</sup>

## Compare the solutions

Issue age 50, male preferred non-tobacco, \$500k death benefit, solve for premium to guarantee GUL to age 105, full pay. Solving for premium on IUL run at 6.09% illustrated rate, the guaranteed death benefit coverage is available until age 86 while cash value and death benefit coverage can last until age 105.



## Summary

Jason wanted the most out of his insurance program and with the lower premium on the QoL Value+ Protector he is getting a better value at a lower cost. His financial advisor provided him with two compelling options.

Which do you think he chose?

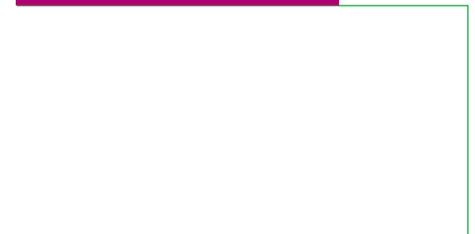
<sup>1</sup> Option election dates are at the end of the 20th policy year (for issue ages 0-64) and the later of age 85 or the end of the 5th policy year (for all issue ages).

<sup>2</sup> Paid-Up additions option is available on the Strong Index Performance Feature. Only available for Standard or better rated clients.

<sup>3</sup> Policy cash surrender value must exceed benchmark assumptions due to strong index performance.

<sup>4</sup> 50% in year 20, 100% in year 25, capped at 40% of the policy's lowest specified amount.

### FOR MORE INFORMATION



For additional details please visit [aig.com/QoL](http://aig.com/QoL)



Policies issued by American General Life Insurance Company (AGL), Houston, TX. Policy Form Numbers 15442, ICC15442, 15646, ICC15-15646; Rider Form Numbers, 13600, ICC13-13600, 82012, 82410, 88390, 15990, ICC15-15990, 15972, 13601, ICC13-13601 and 82001. Issuing company AGL is responsible for financial obligations of insurance products and is a member of American International Group, Inc. (AIG). Guarantees are backed by the claims-paying ability of the issuing insurance company. AGL does not solicit business in the state of New York. Products may not be available in all states and product features may vary by state.

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