



Volatility Control in Volatile Market Conditions

Indexed Universal Life (IUL) insurance provides many benefits. Perhaps the most important of all, is its downside risk protection. Regardless of the performance of the index, the worst amount of interest credits in any given crediting period is 0%! One phrase commonly used when speaking about IUL is “Zero is your hero”!

The peace of mind provided by this type of interest crediting can be invaluable to policy holders during all market conditions, but more so during volatile and uncertain times.

Our IUL products have multiple index strategy options that provide index interest credits based on three different index options. Each one can provide a different risk/return profile to customers depending on their outlook and risk preferences.

S&P 500®: Index strategies that track the S&P 500 earn index interest based on its performance over a one-year crediting period. Depending on the index strategy selected, the money allocated to the strategy will earn index interest credits up to a stated cap rate or will earn index interest credits based on a stated participation rate.

ML Strategic Balance Index® (MLSB): The MLSB index is a volatility control index that uses a two-step dynamic allocation process to allocated funds to an equity position (S&P 500) a fixed income position, (Merrill Lynch 10-Year Treasury Futures Total Return Index) and a cash position with a goal of maintaining a targeted level of volatility. The use of the MLSB index is proprietary to AIG.

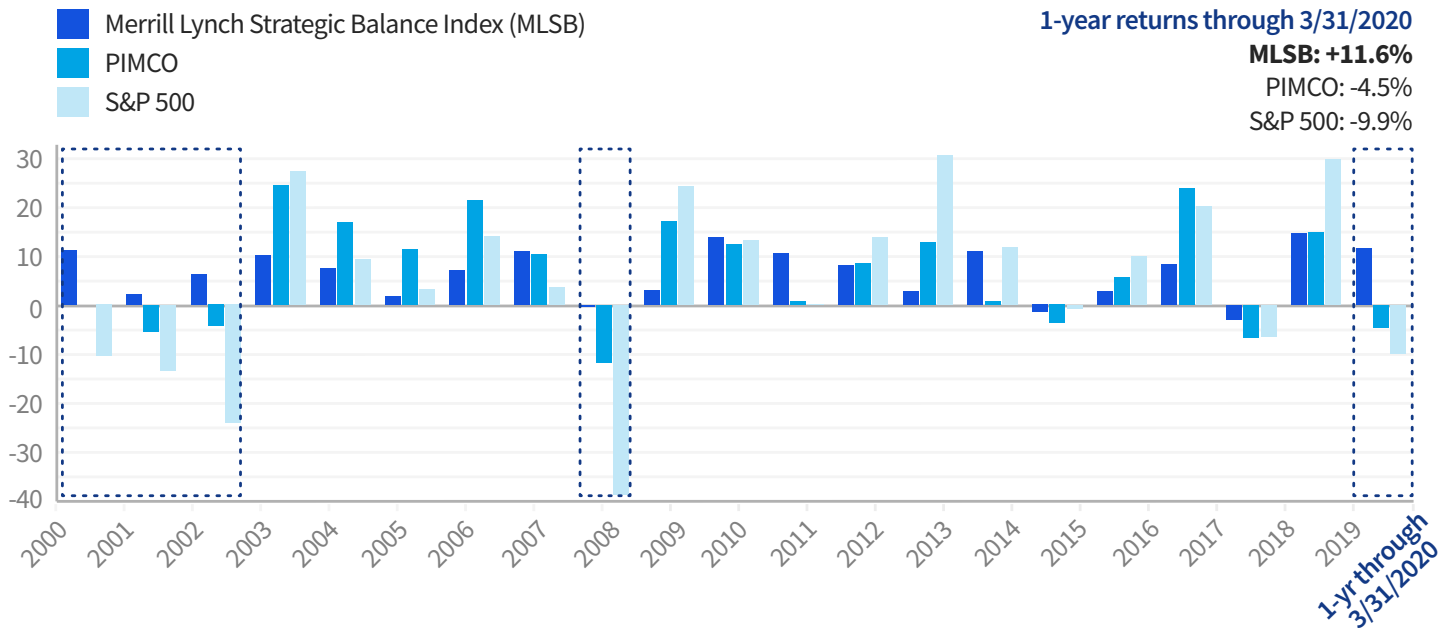
PIMCO Global Optima Index® (PIMCO): The PIMCO index is also a volatility control index. It uses a two-step quantitative approach to help boost returns and manage volatility. This index utilizes an equity position diversified across International, Emerging Markets, U.S. Large Cap, U.S. Mid Cap, and U.S Small Cap stocks; and U.S Bonds consisting of Treasuries, Investment Grade Corporate, and Mortgage Backed Securities. The index makes daily adjustments between these positions to help maintain its targeted level of volatility. The use of the PIMCO index is also proprietary to AIG.

For those clients who prefer an added level of peace of mind each of our IUL products also offer a Fixed Interest Strategy that credits a fixed interest rate and whose performance is not tied to the performance of any market index. In addition, all index and fixed accounts have a fixed Account Value Enhancement which is credited to the policy values each policy year, starting in year 6, regardless of market performance.

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The value of a volatility control index such as the MLSB can be seen in the first quarter of 2020. Volatility was high, so the index adjusted their weighting from equities to fixed income. When the S&P500 index declined over 20% in the first quarter of 2020, the MLSB index return actually grew almost 3%, providing an added layer of protection for your clients during uncertain market performance periods.

Annual Change in Index Performance



*Index data derived from annual periods beginning January 1st and ending December 31st of each year, except for 2020 which shows 1 year period from 4/1/2019 through 3/31/2020.

The availability of different indices and crediting strategies in our IUL products gives additional “Optionality” for different market conditions. Your clients have the ability to allocate their policy values to any combination of the index and fixed interest strategies offered. It is important to continually review these options with your clients and provide them the information necessary to help provide them peace of mind and help obtain their goals and objectives.

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Information about the ML Strategic Balanced Index®

The ML Strategic Balanced Index® provides systematic, rules-based access to the blended performance of two underlying indices—the S&P 500 (without dividends), which serves to represent equity performance, and the Merrill Lynch 10-year U.S. Treasury Futures Total Return Index, which serves to represent fixed income performance. To help manage overall return volatility, the Index may also systematically utilize cash performance in addition to the performance of the two underlying indices.

Important Note: The ML Strategic Balanced Index® embeds an annual index cost in the calculations of the change in Index Value over the Index Term. This “embedded index cost” will reduce any change in Index Value over the Index Term that would otherwise have been used in the calculation of index interest, and it funds certain operational and licensing costs for the index. It is not a fee paid by you or received by the Company. The Company’s licensing relationship with Merrill Lynch, Pierce, Fenner & Smith Incorporated for use of the ML Strategic Balanced Index and for use of certain service marks includes the Company’s purchase of financial instruments for purposes of meeting its interest crediting obligations. Some portion of those instruments will, or may be, purchased from Merrill Lynch, Pierce, Fenner & Smith Incorporated or its Affiliates.

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Information about the PIMCO Global Optima Index (cont'd)

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