Commission and Chargeback Guidelines

AIG Life Insurance

1. **Commission Hold for Premium of $50K and Above**
2. **Debt Aggregation**
3. **Rolling First-Year Target**
4. **New Chargeback Rules**

As a reminder, the following administrative rules are in place for all life insurance products.

1. Commission Hold for Premium of $50K and Above

To prevent the negative impact of potential large commission chargebacks, it is important AGL ensures that initial premium payments have cleared before commissions are paid. To help accomplish this, commissions on any initial premium paid by check or an ABC (automatic bank check) transaction for $50,000 or higher will be held for seven calendar days. The hold will begin on the date the check is scanned and compensation will be paid in the next commission cycle.

2. Debt Aggregation

All debt from any AGL distribution channel will be aggregated for recovery purposes at the SSN/Tax ID level (Primary Agent ID Number). NOTE: Debt aggregation applies to all products.

3. Rolling First-Year Target

If the premium received in the first year is less than the Target Premium (Target Premiums vary by gender, age, rate class and band), the compensation paid in year 2 will be the sum of:

a) First-Year commission rate applied to the difference between the Target Premium and First-Year premium received (but no more than the premium applied in that year), plus

b) The renewal rate applied to the remaining portion of the premium.

See next page for Chargeback Rules and examples

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4. Chargeback Rules and examples

The following chargeback rules apply for all life insurance products:

Type of Compensation or Credit	Months 0-6	Months 7-12
Earned First Year Commission	100%	50%
Unearned Annualized First-Year Commission and Net Annualized Weighted First-Year Premium credit	100%	100%

The following examples are provided for illustrative purposes to help clarify the chargeback rules:

Example 1 – Annual Premium Received up to Target of $1,200

Policy issued January 1st, generating commission of $1,200 x 90% = $1,080

- **Scenario 1:** Policy Lapses/Surrenders April 1st, so 100% of commission is charged back:
  $1,080 x 100% = ($1,080).
- **Scenario 2:** Policy Lapses/ Surrenders November 1st, so 50% of commission is charged back:
  $1,080 x 50% = ($540).

Example 2 – Monthly Premium Received of $100

Policy issued January 1st, generating commission of $100 x 90% = $90

- **Scenario 1:** Premiums received February and March, but policy lapses/surrenders April 1st, so 100% of commission is charged back:
  $90 x 3 = ($270).
- **Scenario 2:** Premiums received February through October, but policy lapses/surrenders November 1st, so 50% of commission is charged back:
  •$90 x 10 = $900 x 50% = ($450).

Example 3 – Annualized Commission

Policy issued January 1st, generating annualized commission of $100 x 12 x 90% = $1,080

- **Scenario 1:** Premiums received February and March, but policy lapses/surrenders April 1st, so the unearned Advance Balance is charged back:
  $1,080 - ($90 x 3) = ($810), as well as 100% of paid commissions ($270).
- **Scenario 2:** Premiums received February through October, but policy lapses/surrenders November 1st, so the unearned Advance Balance is charged back: $1,080 - ($90 x 10) = ($180) as well as 50% of paid commissions:
  $90 x 10 = $900 x 50% = ($450)

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