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Common Suitability NIGOs

Presented by:

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AIG Suitability Review Analysts

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Agenda

- Common Client Profile Form NIGOs
- Other helpful information to know when completing our Client Profile Form
- Updated Basis of Recommendation Guide
- General Suitability Guidelines
- Pre-Sale Reviews

AIG Suitability Review Team

- Email address to contact our team: SuitabilityReview@aig.com
- Our team reviews Fixed and Index products.
- Please note, all answers provided on the Client Profile Form submitted are subject to further evaluation which may include additional questions that involve the client.

Question 4 – Risk Tolerance

Page 1

4) What is your risk tolerance with respect to the purchase of this annuity? (check one)

Conservative *I prefer little to no market risk.*

Moderate *I am willing to accept some market risk to achieve higher returns.*

Aggressive *I am willing to accept maximum market risk to achieve maximum returns.*

- Common answer that is NIGO: Aggressive
- This question is asking about the risk tolerance for this purchase, not their overall risk tolerance.
- If the client has an aggressive risk tolerance, Question 27a should include an explanation why a conservative product is being purchased.

Question 5 – Financial Goals

Page 1

5) What are your financial goals for purchasing this annuity?
(check all that apply)

- | | |
|--|--|
| <input type="checkbox"/> Guaranteed Income | <input type="checkbox"/> Education Financing |
| <input type="checkbox"/> Safety of Principal | <input type="checkbox"/> Death Benefit/Estate Planning |
| <input type="checkbox"/> Tax Deferral | <input type="checkbox"/> Other _____ |
| <input type="checkbox"/> Asset Growth | _____ |

- Common NIGO: Only identifying goals that are already being met in the existing account.
- All goals that relate to why the annuity is being purchased should be selected. If a goal is not listed, 'Other' should be selected and the written goal should be descriptive.
- We expect to see a goal that is not being met in the existing account and led to this recommendation.
- All goals selected should be addressed in comprehensive detail in Question 27a.

Question 6 – Time Horizon

Page 1

6) How long do you anticipate keeping this annuity?

Less than 3 years

4-7 years

8-10 years

Longer than 10 years

- Common NIGO: Time horizon that doesn't align with the product or riders selected.
- This question is asking how long the client anticipates keeping this annuity, not when they plan to start withdrawals or activate an income rider.
- Most commonly NIGO when purchasing an income rider. If an income rider is being purchased, we would expect to see this answered 'Longer than 10 years'
 - If the correct answer in this situation is one of the selections that are less than 10 years, an explanation on why they are purchasing a lifetime income product without plans to hold it for their lifetime should be included in Question 27a.

Questions 10 & 11 – Annual Income & Expenses

Page 2

<p>10) What is your total <u>annual</u> household gross income?</p> <p>\$ _____ (annual amount)</p>	<p>11) What are your approximate <u>annual</u> household living expenses (<i>include housing, insurance, food, healthcare, taxes, etc.</i>)?</p> <p>\$ _____ (annual amount)</p>
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- Common NIGO: Providing monthly amount.
- These questions are asking for the annual amount for the household.
- If the client's household has no income and/or expenses, an explanation should be provided in Question 27a.
 - If the client has no income and is not buying an income product, the explanation should include how they plan to pay their expenses.
 - If the client has no expenses, an explanation on why they have no expenses should be included. Expenses include but are not limited to housing, utilities, vehicles, insurance, food, gas, medication, healthcare, taxes, entertainment, etc.

Question 16 – Assets

Page 2

16) Complete the Asset Inventory below: Please provide the total value for each asset type below for the household, after the purchase of this annuity. If you do not own a specific asset type, please complete with \$0. All asset(s) below left blank will be assumed to have a value of \$0.

Expected Premium Amount for this Annuity: _____ (Exclude Premium Amount from the grid below)

Non-Qualified Asset Types	Value	Non-Qualified Asset Types	Value
a. Cash/Checking/Savings/Money Market/CD	\$ _____	b. Real Estate Equity (excluding primary residence)	\$ _____
c. Stocks/Bonds	\$ _____	d. Life Insurance Cash Value	\$ _____
e. Non-Qualified Mutual Funds (exclude Class B funds subject to deferred sales charges)	\$ _____	f. Non-Qualified Class B Mutual Funds (subject to deferred sales charges)	\$ _____
g. Non-Qualified Annuities subject to surrender penalties	\$ _____	h. Non-Qualified Annuities <u>not</u> subject to surrender penalties	\$ _____
Qualified Asset Types	Value	Qualified Asset Types	Value
i. Qualified Mutual Funds (exclude Class B funds subject to deferred sales charges)	\$ _____	j. Class B Qualified Mutual Funds (subject to deferred sales charges)	\$ _____
k. Qualified Annuities subject to surrender penalties	\$ _____	l. Qualified Annuities <u>not</u> subject to surrender penalties	\$ _____
m. Other Qualified Plans (401(k), 403(b), 457, Pension, IRAs, etc.)	\$ _____		

- Common NIGOS:
 - Including the premium in the asset grid
 - Not disclosing all the client's assets.
- The premium for the proposed annuity must be excluded from the asset sections a-m.
- All the client's assets should be disclosed. Not providing all assets can lead to denial due to liquidity or concentration.

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Expected Premium Amount for this Annuity: _____ (Exclude Premium Amount from the grid below)

Non-Qualified Asset Types	Value	Non-Qualified Asset Types	Value
a. Cash/Checking/Savings/Money Market/CD	\$ _____	b. Real Estate Equity (excluding primary residence)	\$ _____
c. Stocks/Bonds	\$ _____	d. Life Insurance Cash Value	\$ _____
e. Non-Qualified Mutual Funds (exclude Class B funds subject to deferred sales charges)	\$ _____	f. Non-Qualified Class B Mutual Funds (subject to deferred sales charges)	\$ _____
g. Non-Qualified Annuities subject to surrender penalties	\$ _____	h. Non-Qualified Annuities not subject to surrender penalties	\$ _____
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Yellow: Liquid

Green: Non-Liquid

Blue: Liquid only if over 59 ½

Page 3 – Annuity Grid

Existing Annuity Contract Information		Existing Contract #1	Existing Contract #2
a.	Company Name		
b.	Contract Number		
c.	Annuity Type (<i>Fixed, Index or Variable</i>)		
d.	Contract Issue Date		
e.	Current Contract Value	\$ _____	\$ _____
f.	Death Benefit Value	\$ _____	\$ _____
g.	Actual or Estimated Amount Being Transferred to AGL	\$ _____	\$ _____
h.	Surrender Charge or Penalty Assessed on Amount Being Transferred	\$ _____	\$ _____
i.	Market Value Adjustment (MVA)?	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
j.	Estimated MVA amount that will apply (if none, list \$0). Indicate if the MVA amount will be added (+) to or subtracted (-) from the amount being transferred as listed above.	\$ _____	\$ _____
k.	Living Benefit or Income rider? (<i>GLWB, GMWB, GMIB, etc.</i>)	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
l.	Fixed Annuity Interest Rates (<i>Include Fixed Account where applicable for Variable and Index Annuities</i>)	Current: _____% Minimum: _____%	Current: _____% Minimum: _____%
m.	Same selling agent on existing contract?	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No

- Common NIGOs:
 - Contract Value (e) and Amount Being Transferred (g) differ, with \$0 in MVA (j) and surrender charge (h); and a full transfer is requested
 - Any difference in values that are not outlined above require an explanation.
 - MVA (i) marked Yes, but no MVA value (j) listed
 - If the existing annuity has an MVA but it won't apply to the amount being transferred, MVA (h) should be marked No.
 - Income rider step-ups or VA/IA gains listed as a fixed interest rate

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l.	Fixed Annuity Interest Rates (<i>Include Fixed Account where applicable for Variable and Index Annuities</i>)	Current: _____% Minimum: _____%	Current: _____% Minimum: _____%
m.	Same selling agent on existing contract?	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No

- The full issue date is required (MM/DD/YYYY)
- If MVA does apply to a transfer, please be sure to indicate if the value is positive or negative.
- Fixed Annuity Interest Rates (I) also apply to the fixed account within an IA or VA. If no fixed account, please enter N/A.
- 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 a replacement.

Page 3 – Replacements to SPIA

COMPLETE TABLE IF THIS IS AN ANNUITY-TO-ANNUITY REPLACEMENT ONLY

Please complete this section in its entirety. If requested information is unknown, contact your existing annuity company. If information is not applicable, fill in "not applicable" or "N/A".

If replacing more than one contract, completely fill in the information for each replacement. If replacing more than two contracts, complete additional charts. The owner(s) and agent(s) should sign and date the additional paperwork.

If purchasing a SPIA or DIA product, include an income or annuitization quote for the existing contract.

Please be aware AIG may request additional documentation to support the details below.

- When replacing an annuity, an annuitization quote for the existing contract for the same or similar payout is required.
 - If one is not available, please include an explanation on why in Question 27b

Question 23 – Reasons for Replacement

Page 3

23) Reasons for Replacement: Please check the factors that support the reason for replacing the existing annuity. (Check all options that apply)					
<input type="checkbox"/> Higher Income	<input type="checkbox"/> Higher Interest Rates	<input type="checkbox"/> Index Crediting Strategies	<input type="checkbox"/> Safety of Principal	<input type="checkbox"/> Reduce Market Risk	
<input type="checkbox"/> Income Features	<input type="checkbox"/> Consolidation	<input type="checkbox"/> Growth Potential	<input type="checkbox"/> Reducing Fees	<input type="checkbox"/> Diversification	
<input type="checkbox"/> Higher Death Benefit Value	<input type="checkbox"/> Other (please specify): _____				

- Common NIGOs:
 - Selecting reasons that are not applicable
 - For example: FA to FA and Reduce Market Risk selected
 - Not selecting all reasons for the replacement
- The expectation is for all factors relating to why the replacement is taking place to be selected. Not selecting all applicable reasons may result in a follow-up or denial.

Question 26 – Replacement

Page 4

26) For Replacements Only: Other than potential reduction of liquidity, explain whether any features or benefits of the existing life insurance or annuity policy will be lost or reduced upon the issuance of the new annuity. For example, consider the items below:

- Income available to the client (including annuitization), or guaranteed interest rates (GMIR)
- Impact to features such as living benefit, living benefit base value, death benefit, death benefit base values, other riders, etc.

- This question is asking what features or benefits are available in the existing annuity that will be not be available to the client in the proposed annuity.
- Features and benefits being lost must be listed, even if the client no longer wants that specific feature or benefit and is ok with losing it.
 - Example: Client no longer needs an annuity with an income rider and is replacing to a new annuity without an income rider. The income rider must be listed as a benefit being lost in the replacement, even though the client no longer needs that rider.
- If liquidity is the only benefit that will be lost, please indicate that no benefits will be lost. We may follow up if the question is left blank or answered N/A.

Question 27a – Basis of Recommendation

Page 4

27) **Basis of Recommendation:** Answer the following questions related to the basis for your recommendation. Be sure to include client-specific and product-specific information that supports your explanation. If more space is needed, a separate page can be used. If a separate page is used, the client should initial the additional explanation page(s).

a. Explain the reasons for recommending this product, including how the client intends to use the new annuity contract.

- The response to this question should provide a comprehensive explanation of both client-specific and product-specific elements which incorporates and outlines why each goal (Q#5) was chosen and elaborates on the overall reason(s) for the replacement (Q#23). Note, details of replacement are only required if a life or annuity is being used to fund the proposed annuity.
 - Client-Specific: Why the client making this change in investment.
 - Product-Specific: Features and benefits of the new annuity that led to the recommendation.
- Any additional clarifications or reasons to support the purchase of the annuity should be included in this section.

Question 27b – Basis of Recommendation

Page 4

b. Explain why the current account or investment cannot meet the applicant's goals/objectives. If the client is replacing an existing life insurance or annuity policy, provide specific details about the comparison of the two products (For example, include interest rate comparison, income amount or income potential comparison, etc.). This should support the reasons for recommending listed above.

- This question is asking why the existing account cannot or does not meet the client's goals or objectives.
- A response is required to this question for all transactions, regardless of the source of funds.
- If there is a replacement, a comparison of the two products should be included, such as interest rates, income amount, etc.

Other Common NIGO's

- All of the information provided on the Client Profile Form should align.
 - Example: If a replacement, Goals (Q#5) should align with product applied for and the Reasons for Replacement (Q#23) and all be discussed in the Basis of Recommendation (Q#27a).
- All information related to the reason for the purchase should be included on the Client Profile Form.
 - Any discussions the agent has with someone other than the Suitability department, such as with Sales, etc., is not a valid means to fulfilling an outstanding requirement. All information regarding NIGO's must be delivered to our Suitability department directly via phone, email, fax or, when applicable, to our Customer Care Center oftentimes with the client's verbal consent from the agent or initialed by the client on the Client Profile Form.
- Any updates or information requested by the suitability team must come from the agent.
 - e.g.: A case manager can forward an email received from the agent with information to the Suitability department. There must be evidence showing the update or information originated from the agent.

How to Update a NIGO

- NIGO's on the Client Profile form can always be cleared by having the updates on the Client Profile initialed by the client and remitted back to the Suitability team.
 - For a number of NIGO items, we will also allow the client to call in/confirm the information on a recorded line.
 - Exception – Updates to Questions 26, 27a, and 27b must be updated on the Client Profile form or separate letter of explanation and initialed by the client.
- Updates can be sent directly to the Suitability team by email.
 - SuitabilityReview@AIG.com
- Phone Number to call in and update:
 - Fixed Policies: 800-424-4990
 - Index Policies: 888-438-6933

Basis of Recommendation Guide & AIG Suitability Standards

- Basis of Recommendation Guide recently updated to reflect updated Client Profile Form
 - This guide can be used when answering the Basis of Recommendation questions to understand what information we are looking for.
- AIG Suitability Standards guide provides information on our guidelines and what might trigger additional questions from the suitability team
 - Use of this document can allow you to address potential concerns up front to reduce potential NIGOs.

Suitability Pre-Sale Review

- You can request a suitability pre-sale review via email
 - SuitabilityReview@aig.com
- Requirements needed to complete a pre-sale review:
 - Completed Client Profile Form – All questions must be answered but does not need to be signed by the client.
 - Product Name
 - Line of Business: Qualified or Non-Qualified
 - Solicitation State:
 - Living Benefit: If Yes and Joint, also need spouse Name and Date of Birth
 - If SPIA or DIA: Income payout selected
 - Agent's Name
 - Broker Dealer, Firm, or Affiliation
- Suitability pre-approval is based only on a preliminary review of the client information provided. It is not a guarantee or commitment. Final approval is subject to required documentation and review.

Questions?