

# 2011 Producer Supplemental Compensation Program



## Two Great Ways to Earn Additional Incentives in 2011

How much you earn is up to you — the more you sell, the more you can make.

Benefit Solutions offers two of the most competitive incentive plans in the industry.

### Sales Incentive

We offer a fixed 4% new sales incentive (1% for Group Limited Healthcare) on annualized new premiums.

#### Qualifications

- Minimum of \$50,000 annualized new sales.
- Minimum of 5 new cases or 10 lines of coverage.
- A sale will be a policy number that has a 2011 calendar-year effective date.

Multiple policy numbers under one policyholder will count as one sale.

Up to the first \$150,000 of annual premium per line of coverage is eligible.

If there is no existing inforce business, Sales Incentive is still payable if the above requirements are satisfied.

#### Calculations

Benefit Solutions pays Supplemental Compensation at a single taxpayer identification number.

Payment calculation:

$$\text{New Business Qualification \%} \times \text{Total Annualized Premium} = \text{Supplemental Compensation New Business Payment}$$

#### Example 1 (Meets 5 New Cases Minimum)

During the qualification period, a Producer has New Business Premium of \$75,000, which consists of 5 new cases and 7 lines of coverage. The 4% Supplemental Compensation will apply to Annualized Premium.

$$4\% \times \$75,000 = \$3,000$$

#### Example 2 (Meets 10 Lines of Coverage Minimum)

During the qualification period, a Producer has New Business Premium of \$250,000, which consists of 4 new cases and 10 lines of coverage. The 4% Supplemental Compensation will apply to Annualized Premium.

$$4\% \times \$250,000 = \$10,000$$

*These examples apply to all lines of coverage, except Limited HealthCare.*

### Persistency Incentive

#### Definition of Persistency

Persistency is calculated as:  $1 - \text{ratio of lapses} \div 12/31/10 \text{ inforce premiums}$ .

#### Example

You have 10 cases with premiums totaling \$400,000.

Case 1	\$5,000
Case 2	\$10,000
Case 3	\$15,000
Case 4	\$20,000
Case 5	\$40,000
Case 6	\$45,000
Case 7	\$45,000
Case 8	\$50,000
Case 9	\$80,000
Case 10	\$90,000
<b>Total</b>	<b>\$400,000</b>

You have 2 lapses (Case 2 and Case 4), for a lapsed premium total of \$30,000. Your lapse rate is  $\$30,000 \div \$400,000 = 7.50\%$ .

**Your persistency is 92.50%.**

The inforce premiums are frozen as of December 31, 2010, for 2011. In other words, no additions (sales, rate increases, enrollments changes, etc.) or deletions are made to the inforce. Any lapsed value equals the value used in the inforce.

All active and eligible producers who have 5 inforce cases with an effective date of 12/31/10 or earlier are eligible for the Persistency Incentives.

## Persistency Incentive (continued)

### What You Can Earn

Life, AD&D Disability, Group Worksite	Dental, Vision, LHC
85.00 to 89.99% ..... 1.50%	85.00 to 89.99% ..... 0.50%
90.00 to 94.99% ..... 2.25%	90.00 to 94.99% ..... 0.75%
95.00 to 100.00% ..... 3.00%	95.00 to 100.00% ..... 1.00%

### Qualifications

- Minimum of \$50,000 annualized new sales.
- Minimum of five policies inforce prior to January 1, 2011.
- Up to the first \$150,000 of premium per line of coverage is eligible.
- Producer must be in good standing as of December 31, 2011.

### Calculations

Benefit Solutions pays Supplemental Compensation at a single taxpayer identification number.

Payment calculation:

$$\text{Persistency Qualification \%} \times \text{Annualized Premium} = \text{Supplemental Compensation Persistency Payment}$$

#### Example 1

During the qualification period, a Producer has inforce premium of \$200,000 as of December 31, 2011, and new sales of \$50,000. The inforce block consists of \$100,000 in Life and \$100,000 in Dental. The persistency level achieved on the total block of business is 85.00%.

Dental	0.5% x \$100,000 =	\$500
Life	1.5% x \$100,000 =	\$1,500
<b>Total Payout</b>		<b>\$2,000</b>

#### Example 2

During the qualification period, a Producer has inforce premium of \$200,000 as of December 31, 2011, and new sales of \$50,000. The inforce block consists of \$100,000 in Life and \$100,000 in Dental. The persistency level achieved on the total block of business is 95.00%.

Dental	1.00% x \$100,000 =	\$1,000
Life	3.00% x \$100,000 =	\$3,000
<b>Total Payout</b>		<b>\$4,000</b>

For more information on the Benefit Solutions 2011 Producer Supplemental Compensation Program, contact your Sales Representative. Or visit [americangeneral.com/employeebenefits](http://americangeneral.com/employeebenefits).

## American General Life Companies

American General Life Companies, [www.americangeneral.com](http://www.americangeneral.com), is the marketing name for the insurance companies and affiliates comprising the domestic life operations of American International Group, Inc.

American General Life Companies insurers offer a full line of life insurance, annuities, accident and health products and worksite benefits to serve the financial and estate planning needs of its customers throughout the United States.

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06675006-2528 R01/11

## General Provisions for Both Incentives

2011 Incentives will be paid in the first quarter of 2012.

- A case sold with Life, Dependent Life, Supplemental Life and AD&D is considered one coverage.
- A case sold with both Short-Term Disability and Long-Term Disability is considered two lines of coverages.
- Both direct producers and producers situated with a general agent qualify.
- Policies with more than one producer will follow the commission split for incentive allocation.
- Individual Worksite, Administrative Services Only (ASO), joint ventures, Continental American Insurance Company (CAIC) and Allied National business not included.
- General Agents, principals of General Agents and employees of General Agents are not eligible.

## Disclosures Policies

- As with all compensation, this program and these payments are fully disclosed and will be transparent to your customers.
- A general notification is sent to new customers and annually to existing clients. In it, we will disclose the Supplemental Compensation Program and request that any questions or concerns be forwarded to their Account Representative.
- A disclosure will also be required upon acknowledgement of a Producer of Record Change, as well as at the time of renewal.
- In addition, in accordance with the U.S. Department of Labor requirements, the ERISA report information that is produced by the Benefit Solutions division of American General will include disclosure of any and all commissions and fees paid to the Producer or other third-party expenses attributable to that client's account.