In most closely held enterprises, there are one or more key employees—sales persons, managers, or technical specialists—who drive sales and profits. They are the individuals who are responsible for management decisions, have a significant impact on sales, and/or may have special rapport with customers, suppliers or creditors. They are key employees. If one of these key employees was to die prematurely, the enterprise could suffer a substantial burden.

You should always consult with your tax advisor before establishing a key employee life insurance plan to determine how it affects your personal or corporate tax situation.

The insurers of American General Life Companies are solely the providers of the insurance policy, and their agents, representatives, and employees do not provide legal or tax advice.

American General Life Companies are dedicated to helping clients meet their financial goals.

American General
Life Companies

Policies Issued by:
American General Life Insurance Company
2727-A Allen Parkway, Houston, Texas 77019

The United States Life Insurance Company in the City of New York
70 Pine Street, New York, New York 10270

The underwriting risks, financial and contractual obligations and support functions associated with the products issued by American General Life Insurance Company (American General) or The United States Life Insurance Company in the City of New York (United States Life) are the issuing insurer's responsibility. Guarantees are subject to the claims-paying ability of the issuing insurance company. United States Life is authorized to conduct insurance business in New York. Policies and riders not available in all states.

American General Life Companies, www.americangeneral.com, is the marketing name for the insurance companies and affiliates comprising the domestic life operations of American International Group, Inc. including American General Life Insurance Company and The United States Life Insurance Company in the City of New York.

© 2010. All rights reserved.

AGLC102298 REV0210

Key Employee
Business planning solutions

Protecting a valuable asset using life insurance

Policies issued by:
American General Life Insurance Company
The United States Life Insurance Company in the City of New York

What happens when a key employee dies?

When a key employee dies, your business may suffer economically in four ways:

- Loss of business experience and management skill
- A disruption in sales or production
- Creditors may be reluctant to extend credit or the business may have difficulty in making payments
- Real and substantial expenses associated with the hiring and training of a competent replacement for the key employee

Financial protection against the loss of a key employee

Key employee life insurance offers critical financial protection for the business against the premature death of a key employee. Generally, insurance death benefits may be excludable from taxable income[1] and if the employee does not die before terminating employment, the policy cash value may be an asset of the employer and available for a variety of employer uses.

Creditors invariably are appreciative of key employee life insurance protection because it demonstrates good risk planning and financial stability. Furthermore, if the key employee is also a business owner, then policy proceeds may be used to buy back the deceased owner's business interest, which also can provide needed cash to his/her estate and family and help ensure a smooth ownership transition.

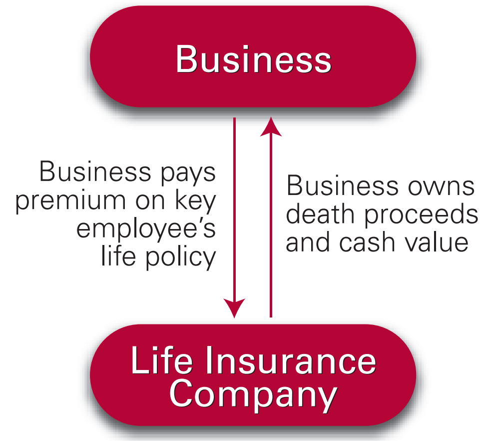
How does it work?

First, key employees are identified and an appropriate amount of insurance is determined. A variety of methods may be used to determine an appropriate insurance amount. One method is to determine the amount which the key employee contributes to earnings. Another is to determine the cost of replacing the key employee. A simple "rule of thumb" for estimating the insurance amount is to consider a multiple of the employee's compensation, for example, 10 times annual compensation. Amounts will vary with individual circumstances.

Next, the policy insuring the key employee's life is applied for[2] with the business as the applicant and beneficiary of the policy. Upon the death of the insured key employee, the business collects the policy proceeds and may use the proceeds as management sees fit. Premiums are paid by the business and are not generally income tax deductible. However, as previously stated, policy death benefits are typically excludable from taxable income.

Many forms of life insurance, including term insurance and universal life, may be used for key employee protection. Your choice of product may be influenced by such factors as the length of the risk, whether receiving cash or premiums back is important to you, and whether building lifetime cash value within the business is important.

Key employee life insurance arrangement



Next steps

Chances are that there are one or more key employees in your business. The first step is to identify those individuals. Then, consider this: what will the business lose in the event of their premature death? Once these questions have been answered, consult with the insurance professional who provided this brochure to you.

[1] C corporations subject to corporate alternative minimum tax may need to include a portion of death benefits in their AMT calculation.

[2] Notice, consent, and status requirements of the Pension Protection Act, effective August 17, 2006, must be met by the employer prior to the issuance of the insurance contract. Generally, these require that the key employee be notified of the insurance, and provided other information regarding insurance, give written consent to being insured, and fall within a certain status with the employer, as defined by the Act. Questions should be directed to your personal tax, legal or financial advisors.