NEW BUSINESS BULLETIN

AIG

An Important Update on Policy Dating and Draft Timing

We have updated our policy dating guidelines to allow for more uniform processes and provide more options for your clients to maximize the value of their policies.

In turn, the policy effective date and your client's choices of draft dates or back dates may affect the timing and amount of premium drafts. This summary will take you through the factors that determine the policy effective date and draft dates by product type, so you can better guide your client through their options.

Term Policies

➢ **The Standard Policy Effective Date** is 21 days forward from the date of Conditional Issue (the date on which an approved case is processed by the AIG New Business team). For California cases only, the standard Policy Effective Date is 30 days forward from the date of Conditional Issue.

➢ If a **Preferred Withdrawal Date** is provided on the Bank Draft Authorization Form (AGLC108943-2015), we will forward-date the policy to the chosen draft date of the next month. If the Preferred Withdrawal Date changes the client's age, we will back-date the policy by one month to save age.

➢ A **Back Date** of up to 6 months (3 months in OH) from the date the application was signed may be requested to lock in a lower-age (save age) premium, and will be the Policy Effective Date. The policy will be dated to match the Preferred Withdrawal Date nearest this back date, while still saving age. Please include the request for a back date on the cover sheet.

➢ For examples, see **page 4**.

Universal Life (UL) Policies

➢ The **Standard Policy Effective Date** is equal to the current date of Conditional Issue (the date on which an approved case is processed by the AIG New Business team). This allows policies to derive maximum benefit from accrued interest.

➢ If a **Preferred Withdrawal Date** is provided on the Bank Draft Authorization Form (AGLC108943-2015), we will forward-date by up to 2 weeks to match the requested withdrawal date. If the requested forward-date is greater than 2 weeks in advance, the policy will be back-dated to the requested date.

➢ A **Back Date** of up to 6 months (3 months in OH) from the date the application was signed may be requested to lock in a lower-age (save age) premium. If a back date is requested, this will be the Policy Effective Date. The policy will be dated to match the Preferred Withdrawal Date nearest this back date, while still saving age. Please include the request for a back date on the cover sheet.

➢ For examples, see **page 5.**

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Variable Universal Life (VUL) Policies

➤ The **Standard Policy Effective Date** is equal to the current date of Conditional Issue (the date on which an approved case is processed by the AIG New Business team). This allows policies to derive maximum benefit from accrued interest.

➤ **Preferred Withdrawal Date** is provided on the Bank Draft Authorization Form (AGLC108943-2015).

➤ A **Back Date** of up to 6 months (3 months in OH) from the date the application was signed may be requested to lock in a lower-age (save age) premium. If a back date is requested, this will be the Policy Effective Date. The policy will be dated to match the Preferred Withdrawal Date nearest this back date, while still saving age. Please include the request for a back date on the cover sheet.

➤ For examples, see **page 6**.

Indexed Universal Life (IUL) Policies

➤ The **Standard Policy Effective Date** is one of four default dates: the 5th, 12th, 20th and 28th of each month. If the client has not requested a Preferred Withdrawal Date or Back Date, the Policy Effective Date will be the first available default date — 5th, 12th, 20th or 28th — after the date of Conditional Issue (the date on which an approved case is processed by the AIG New Business team).

➤ The client may select one of four default dates of the month (5th, 12th, 20th, 28th) as a **Preferred Withdrawal Date.** This will also be the Policy Effective Date. If the request is for any date other than one of the four default dates, AIG New Business will contact the agency or agent to advise one of the default dates must be selected. This may require an updated Bank Draft Authorization form.

   o Depending on the withdrawal date requested and the date the case is processed, the Policy Effective Date will be forward-dated up to 2 weeks to match the withdrawal date. If the requested withdrawal date is more than 2 weeks in the future, we will back-date the policy to match the withdrawal date.

➤ A **Back Date** of up to 6 months (3 months in Ohio) from the date the application was signed may be requested to lock in a lower-age (save age) premium. The client may select one of the four default dates of the month (5th, 12th, 20th, 28th) as a Back Date, or the closest available date will be assigned during processing to provide the maximum save age. To request a back date, please use the cover sheet to note the requested back date.

➤ For examples, see **page 7**.

Combination Sales of Term and Permanent Products

If term and any of the permanent products are combined in a single case or sale, the policy date and draft timing for each policy will be based upon the practice for the specific product type, not together. If requested, the dating can be coordinated to align with the UL, VUL or IUL product guidelines.

Premium Draft Timing

Depending on case specifics, up to three premium drafts may occur within a short time frame:

✓ **Initial Premium**

  The initial premium pays for the first period of coverage under the policy and is drafted on the date the policy is placed in force, which is once final delivery requirements have been received.

✓ **Back Premium (Only if Back Dating is requested)**

  For term cases where a back date has been requested, the Back Premium paying for previous periods of coverage is drafted the next business day after the policy is placed in force (i.e., the next business day after the Initial Premium has been drafted). For UL, VUL and IUL cases, the Back Premium is generally drafted along with the Initial Premium. The client needs to be aware and expect to see multiple drafts from their account.

✓ **Second Premium and Subsequent Premiums**

  The second and subsequent premiums will be due for subsequent periods of coverage. Depending on several factors (receipt of delivery requirements, policy effective date, draft date selected), the second premium may be drafted at the same time or shortly after the initial premium has been collected.

  ➢ Use the New Business Coversheet to provide special instructions such as saving age and companion situations.

  ➢ It is not necessary to reissue a forward-dated term policy to place coverage inforce. Simply provide all outstanding delivery requirements. Coverage begins immediately and commissions will be paid in the next commission cycle.

Note: If more than one premium is expected to be due at the time delivery requirements are received, the financial advisor may submit a request to re-date the policy. This request should be submitted with the requirements. If a policy is re-dated, the policy owner will receive a policy dating endorsement as confirmation. *A new policy contract will not be issued.*

Case Examples By Product

The following pages provide examples of policy dating and premium draft timing by product, using common scenarios that may occur. They do not include every possible situation. If you have additional questions, please discuss with your AIG representative or assigned Case Manager.
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Case Examples: Term Policies

For the examples below, consider a Term policy with the following parameters:

✓ Monthly payment modal selected
✓ Monthly premium of $100
✓ Conditional Issue date is May 1
✓ Policy placed in force May 8

	Conditional Issue Date	Policy Effective Date	Initial Premium Draft Date (Amount)	Back Premium Draft Date (Amount)	Second Premium Draft Date (Amount)	Subsequent Premium Draft Date (Amount)
Case 1 • **No Preferred Withdrawal Date Selected by Client** • **No Back Date to Save Age**	May 1	May 22 (CA: May 31) *Standard Forward Date of 21 days* *(30 days in California)*	May 8 ($100)	n/a	June 22 ($100)	July 22 ($100)
Case 2 • **Preferred Withdrawal Date Selected by Client: 15th** • **No Back Date to Save Age**	May 1	May 15 *Matches preferred withdrawal date*	May 8 ($100)	n/a	June 15 ($100)	July 15 ($100)
Case 3 • **Preferred Withdrawal Date Selected by Client: 15th** • **Back Date Automatically Applied to Save Age: April 18**	May 1	April 15 *Matches preferred withdrawal date*	May 8 ($100) *Coverage for April*	n/a	May 15 ($100) *Coverage for May*	June 15 ($100)
Case 4 • **Preferred Withdrawal Date Selected by Client: 15th** • **Back Date Requested to Save Age: February 18**	May 1	Feb. 15 *Matches preferred withdrawal date*	May 8 ($100) *Coverage for February*	May 9* ($200) *Coverage for March and April*	May 15 ($100) *Coverage for May*	June 15 ($100)

* Next business day

Case Examples: Universal Life (UL) Policies

For the examples below, consider a UL policy with the following parameters:
- ✓ Monthly payment modal selected
- ✓ Monthly premium of $100
- ✓ Conditional Issue date is May 1
- ✓ Policy placed in force May 8

	Conditional Issue Date	Policy Effective Date	Initial Premium Draft Date (Amount)	Back Premium Draft Date (Amount)	Second Premium Draft Date (Amount)	Subsequent Premium Draft Date (Amount)
Case 1 • **No Preferred Withdrawal Date Selected by Client** • **No Back Date to Save Age**	May 1	May 1	May 8 ($100)	n/a	June 1 ($100)	July 1 ($100)
Case 2 • **Preferred Withdrawal Date Selected by Client: 12th** • **No Back Date to Save Age**	May 1	May 12 *Forward-dated because the requested withdrawal date is within 2-week window.*	May 8 ($100)	n/a	June 12 ($100)	July 12 ($100)
Case 3 • **Preferred Withdrawal Date Selected by Client: 20th** • **No Back Date to Save Age**	May 1	April 20 *Back-dated because the requested withdrawal date is beyond 2-week window.*	May 8 ($100) *Coverage for April*	n/a	May 20 ($100)	June 20 ($100)
Case 4 • **Preferred Withdrawal Date Selected by Client: 12th** • **Back Date Requested to Save Age: February 18**	May 1	Feb. 12 *Matches preferred withdrawal date*	May 8 ($300) *Coverage for February, March and April*		May 12 ($100)	June 12 ($100)

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Case Examples: Variable Universal Life (VUL) Policies

For the examples below, consider a VUL policy with the following parameters:
- ✓ Monthly payment modal selected
- ✓ Monthly premium of $100
- ✓ Conditional Issue date is May 1
- ✓ Policy placed in force May 8

	Conditional Issue Date	Policy Effective Date	Initial Premium Draft Date (Amount)	Back Premium Draft Date (Amount)	Second Premium Draft Date (Amount)	Subsequent Premium Draft Date (Amount)
Case 1 • **No Preferred Withdrawal Date Selected by Client** • **No Back Date to Save Age**	May 1	May 1	May 8 ($100)	n/a	June 1 ($100)	July 1 ($100)
Case 2* • **Preferred Withdrawal Date Selected by Client: 20th** • **No Back Date to Save Age**	May 1	April 20 *Back-dated because the requested withdrawal date is beyond 2-week window.*	May 8 ($100) *Coverage for April*	n/a	May 20 ($100)	June 20 ($100)
Case 3* • **Preferred Withdrawal Date Selected by Client: 12th** • **Back Date Requested to Save Age: February 18**	May 1	Feb. 12 *Matches preferred withdrawal date*	May 8 ($300) *Coverage for February, March and April*		May 12 ($100)	June 12 ($100)
* Back-dating of a VUL *may* require a new signed illustration.						

Case Examples: Indexed Universal Life (IUL) Policies

For the examples below, consider an IUL policy with the following parameters:
- ✓ Monthly payment modal selected
- ✓ Monthly premium of $100
- ✓ Conditional Issue date is May 1
- ✓ Policy placed in force May 8

	Conditional Issue Date	Policy Effective Date	Initial Premium Draft Date (Amount)	Back Premium Draft Date (Amount)	Second Premium Draft Date (Amount)	Subsequent Premium Draft Date (Amount)
Case 1 • **No Preferred Withdrawal Date Selected by Client** • **No Back Date to Save Age**	May 1	May 5	May 8 ($100)	n/a	June 5 ($100)	July 5 ($100)
Case 2 • **Preferred Withdrawal Date Selected by Client: 12th** • **No Back Date to Save Age**	May 1	May 12 *Forward-dated because the requested withdrawal date is within 2-week window.*	May 8 ($100)	n/a	June 12 ($100)	July 12 ($100)
Case 3 • **Preferred Withdrawal Date Selected by Client: 20th** • **No Back Date to Save Age**	May 1	April 20 *Back-dated because the requested withdrawal date is beyond 2-week window.*	May 8 ($100) *Coverage for April*	n/a	May 20 ($100)	June 20 ($100)
Case 4 • **Preferred Withdrawal Date Selected by Client: 12th** • **Back Date Requested to Save Age: February 18**	May 1	Feb. 12 *Matches preferred withdrawal date*	May 8 ($300) *Coverage for February, March and April*		May 12 ($100)	June 12 ($100)