

AG HorizonIndexSM

Indexed single-premium deferred annuity
with market value adjustment (MVA)

Annuities issued by:
American General Life Insurance Company
A member company of American International Group, Inc.



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Discover the Advantages

When it comes to planning your retirement, it's important to find a financial product that's well suited to your needs and goals. You might want to consider one that provides not only tax-deferred growth, but also income payments that cannot be outlived at a time when you need them most. Another consideration might be one that offers the possibility for growth while also protecting you from market downturns. If you decide you want all of these features, then look to a product like *AG HorizonIndex* single-premium deferred annuity from American General Life Insurance Company (American General Life).

Here's What You'll Find in *AG HorizonIndex*

Following are some key features of the *AG HorizonIndex* annuity. For further information, refer to the annuity contract.

- **Three Accounts in Which to Allocate Funds**
 - A strong fixed account with a multi-year credited interest rate guarantee
 - A one-year term account with a monthly point-to-point additive method of interest determination
 - A two-year term account using a point-to-point method of interest determination
- **Two Product Options:** Select either the 9-Year Plan, which provides a fixed account initial credited interest rate that is guaranteed for six years, or the 12-Year Plan, which guarantees an initial credited interest rate for nine years
- **First-Year Premium Bonus** added to the entire single premium and allocated to each account in the same percentage as the premium
- **Annual Reallocation of Funds** without withdrawal charges or market value adjustment (MVA)
- **Free Withdrawals:** One withdrawal per contract year, for up to 10 percent of the annuity value as of the previous contract anniversary, is allowed after the first contract year without a withdrawal charge or MVA
- **Income for Life** can be obtained using the annuity value (without withdrawal charge or MVA) through an annuitization any time after the end of the fifth contract year, as long as the income plan is either life contingent or for a certain payout period that is the greater of five years or the remaining withdrawal charge period (state variations exist)
- **Death Benefit** on the death of the owner is equal to the annuity value or withdrawal value without MVA, depending on the way that the funds are distributed, but will never be less than the premium paid less any prior withdrawals

Best of all, *AG HorizonIndex* is backed by one of the industry's most highly rated and trusted names: American General Life Insurance Company.

Indexed annuities offer the potential to earn higher returns than traditional fixed deferred annuities — while also limiting the risks associated with variable annuities.

What Is an Annuity?

An annuity is a contract between a life insurance company and an individual (the annuity owner), under which the company agrees to accept a premium payment and administer or maintain the annuity until it is surrendered or all funds are distributed. During the annuity's *accumulation phase*, funds are paid into the contract and interest is credited (a minimum rate is guaranteed). In the *payout phase*, funds are paid out of the annuity based on the option selected by the annuity owner; payments can be distributed based on a certain period of time or for the life of the annuitant. Whether as a retirement savings vehicle or as a steady stream of income, an annuity can be the entire solution or part of an overall diversification of assets, depending on your individual situation.

What Is an Indexed Annuity?

An indexed annuity is a fixed annuity whose interest rate is linked to the performance of a financial index, such as the Standard & Poor's 500 Composite Stock Price Index (S&P 500 Index).¹ Interest is calculated based on changes in the index and credited on a regular basis. Like other fixed annuities, indexed annuities also offer a guaranteed minimum interest rate and withdrawal amount regardless of the product performance.

Indexed annuities provide the potential to make more interest than traditional fixed deferred annuities when there are gains in the financial index (not to exceed a declared index cap) while limiting the market risks inherent in variable annuities. Whereas variable annuities can actually lose money in "down" markets, indexed annuities are protected by a "zero" minimum credited rate used in the index accounts and their guaranteed minimum withdrawal amount.

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Benefits of Indexed Annuities

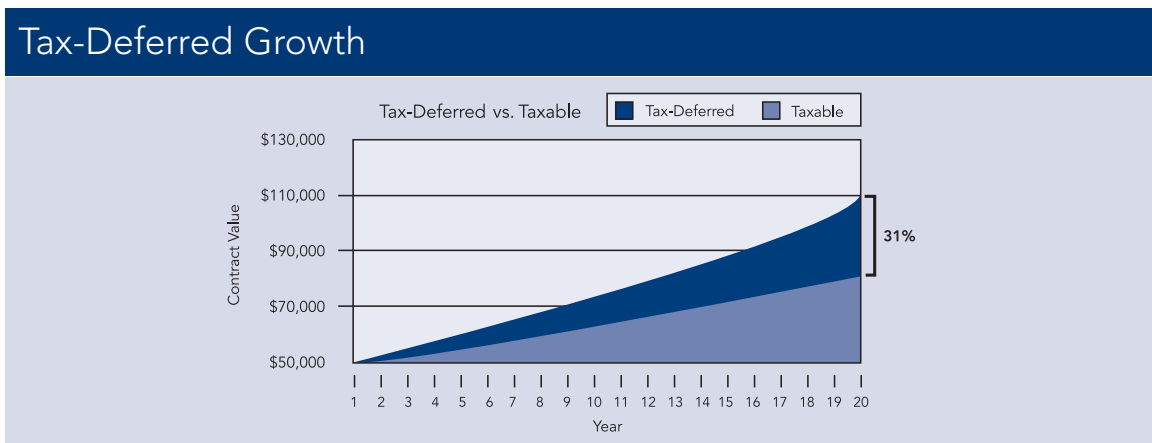
Because of their unique advantages, indexed deferred annuities are often an excellent choice for retirement planning.

- **Tax Advantages:** During the accumulation phase, interest paid on annuities is not subject to federal or state income taxes until funds are withdrawn.² This provision allows annuity owners to benefit from tax-deferred interest compounding. During the payout phase, taxes are spread out over the entire expected duration of the stream of payments.
- **Income for Life:** Annuities are the only products in the market that can guarantee a stream of payments you can't outlive
- **Safety of Premium:** Indexed annuities contain provisions that allow the owner to limit his or her risk during a decline in the financial index

Is an Indexed Annuity Right for Me?

An indexed annuity can help achieve your long-term financial goals if you:

- Are wary of market risks or have seen some of your assets erode recently
- Are looking for a vehicle that has a better chance of keeping up with inflation than other fixed annuities or CDs
- Are needing to satisfy a long-term financial savings goal
- Are already contributing the maximum to your 401(k) and are seeking other tax-deferred options
- Feel that you may be "behind" in your retirement savings
- Want some benefit from market growth, but still want a "safety net" to protect your principal should the market decline



The graph above represents the value of tax-deferred growth for an annuity owner.² As this representation shows, even in a low interest rate environment, annuities are an excellent way to achieve long-term asset accumulation.

In this example, we have examined two hypothetical products that are virtually identical, with the exception that interest credited in one product accumulates earnings tax-deferred. Both products were purchased with a \$50,000 premium, feature a fixed interest rate of 4.0 percent and are held for 20 years. Prior to the withdrawal of the funds, the tax-deferred product would increase **31.0 percent more** than the taxable product. Even after a full withdrawal and payment of income taxes (assuming 35.0 percent income tax rate), the owner of the tax-deferred product would still have \$88,711 — **6.18 percent more** than the owner of the currently taxable product (which accumulated to \$83,544).

²Based on current tax law. A 10.0 percent federal penalty tax may apply to distributions before age 59½.

AG HorizonIndex Annuity: An Introduction

From the security of guaranteed interest rates to a customizable choice of indexing accounts, the *AG HorizonIndex* annuity offers many of the options you need — all in one product.

All you have to do is determine how long you want to keep the product and where the funds should be allocated. Depending on your financial planning horizon and risk tolerance, you'll be able to customize a product to fit your specific financial plan.

As a stand-alone product or as part of an overall financial plan, the *AG HorizonIndex* annuity delivers the performance you need in a financial product — now and for years to come.

Interest Crediting Strategies

The *AG HorizonIndex* annuity offers three interest crediting strategies and two great product options, which allow you to customize it to fit your specific financial goals. Amounts may be allocated to any combination of the strategies. There is no minimum requirement on the amount of premium allocated to each strategy.

- **Fixed Interest Account**

- **1-Year Term Account:** S&P 500 Index additive monthly cap one-year term

- **2-Year Term Account:** S&P 500 Index point-to-point two-year term with cap

You may reallocate account values among the interest crediting strategies on each contract anniversary without withdrawal charges or MVA. See page 8 and the contract for more details.

Two Initial Product Options

At issue, you'll select from one of two available options: the 9-Year Plan and the 12-Year Plan.

The two options are functionally similar, except for:

- Withdrawal charge schedule and MVA (percent charged and length of time; see "Withdrawal Charges" on page 9)
- Initial guaranteed credited rate and length of guaranteed period in the Fixed Interest Account (see below)
- Premium bonus rate

Fixed Interest Account

Under the Fixed Interest Account, American General Life will declare an initial credited interest rate, which will be guaranteed for the annuity's multi-year guarantee period.

- Under the 9-Year Plan, the guarantee period is six years
- Under the 12-Year Plan, the guarantee period is nine years
- Different credited rates will likely be declared for the 9-Year Plan and the 12-Year Plan

After the multi-year guarantee period ends, American General Life will declare interest rates in advance for each contract anniversary, which will be guaranteed for the next 12 months. The minimum guaranteed credited interest rate is 2.0 percent (in most states).

1-Year Term Account

Under the 1-Year Term Account, interest is credited annually at the end of each one-year indexing term, which coincides with each contract anniversary.

- For each one-year term, American General Life declares in advance the monthly cap for this account, which will never be less than 1.0 percent
- The credited interest rate equals the sum of 12 monthly point-to-point index value change percentages, with each month's positive percentage subject to the declared cap
- Monthly change percentages can be either positive or negative
- Minimum annual credited interest rate is 0.0 percent. Maximum annual credited interest rate equals the monthly cap multiplied by 12.
- No portion of current term interest is earned on death benefits or withdrawals during the current indexing term
- Account ratcheting locks in previously credited interest and protects it from future financial index downturns

Sample Scenario

Derek Allen purchases an *AG HorizonIndex* annuity and allocates \$10,000 of his premium and premium bonus to the 1-Year Term Strategy.

Assumptions:

- The monthly interest cap is 2.0 percent
- There have been no partial withdrawals or transfers of value between accounts
- The S&P 500 Index value on the date of issue is 1,000; the index values on each of the following months are shown below.

| Interest Rate Calculation for Derek's 1-Year Term Account | | | |
|---|---------------------|------------------------------|-----------------------|
| Month | S&P 500 Index Value | S&P 500 Index Percent Change | Capped Percent Change |
| Date of Issue | 1000 | - | - |
| Month 1 | 1050 | 5.00% | 2.00% |
| Month 2 | 1020 | (2.86) | (2.86) |
| Month 3 | 1100 | 7.84 | 2.00 |
| Month 4 | 1115 | 1.36 | 1.36 |
| Month 5 | 1095 | (1.79) | (1.79) |
| Month 6 | 1100 | 0.46 | 0.46 |
| Month 7 | 1100 | 0.00 | 0.00 |
| Month 8 | 1200 | 9.09 | 2.00 |
| Month 9 | 1240 | 3.33 | 2.00 |
| Month 10 | 1210 | (2.42) | (2.42) |
| Month 11 | 1300 | 8.33 | 2.00 |
| Month 12 | 1330 | 2.31 | 2.00 |
| Total Capped Percent Change | | | 6.75% |

Interest credited = \$10,000 x 6.75% = **\$675**

Note that in months where the S&P 500 change exceeded the monthly index cap, the percentage change is limited to 2.0 percent.

On the contract anniversary, the 1-Year Term Account in Derek's annuity is credited with **6.75 percent** interest, or **\$675** (\$10,000 x 6.75% = \$675), raising his account value to **\$10,675** (\$10,000 + \$675 interest = \$10,675). (Account ratcheting will apply; in other words, Derek's earned interest is protected from any future financial index downturns.)

Had the total capped percent change at the end of the term been negative, Derek's 1-Year Term Account would have been credited a floor rate of 0.0 percent and his account value would have remained unchanged.

2-Year Term Account

Under the 2-Year Term Account, interest is credited at the end of each two-year indexing term. The credited rate equals the biennial percentage change in the index value, not to exceed the declared index cap or be less than zero. No portion of current term interest is earned on death benefits or withdrawals during the current indexing term.

Because the owner may reallocate account values into the 2-Year Term Account annually on the contract anniversary, a contract may have up to two account value “buckets.” On each contract anniversary, interest is credited to the bucket whose indexing term ends on that date.

Sample Scenario

Becky Morgan purchases an *AG HorizonIndex* annuity on December 5, 2004, and allocates \$5,000 of her premium (inclusive of premium bonus) to the 2-Year Term Account. On the first contract anniversary (December 5, 2005), she reallocates \$3,000 to a second “bucket” under the same account. The company declares a two-year interest cap of 12.0 percent every year. Assume S&P 500 Index two-year changes are as stated in the following table and that there are no further reallocations or partial withdrawals.

| Interest Rate Calculations for Becky's 2-Year Term Account | | | | | | | | | |
|--|------------------------|---------|---------|---------|---------|---------|------------|------------|------------|
| | | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| S&P 500 2-Year Change | | +5.5% | +10.0% | -6.8% | -2.7% | +13.8% | +2.5% | +8.4% | -0.2% |
| Bucket 1 (\$5,000 allocated) | Credited Interest Rate | +5.5% | | 0.0% | | +12.0% | | +8.4% | |
| | Interest Credited | \$275 | — | \$0 | — | \$633 | — | \$496.27 | — |
| | Account Value | \$5,275 | | \$5,275 | | \$5,908 | | \$6,404.27 | |
| Bucket 2 (\$3,000 allocated) | Credited Interest Rate | | +10.0% | | 0.0% | | +2.5% | | 0.0% |
| | Interest Credited | — | \$300 | — | \$0 | — | \$82.50 | — | \$0 |
| | Account Value | | \$3,300 | | \$3,300 | | \$3,382.50 | | \$3,382.50 |

Note that in 2010, the S&P 500 Index growth exceeds the index cap, therefore a 12.0 percent rate is credited. Conversely, in 2008, 2009 and 2013, when the index is negative, a floor rate of 0.0 percent is credited.

Once interest is credited to the 2-Year Term Account, these gains cannot be lost, even in years of financial index downturns.



Annual Reallocations

You may reallocate account values among the interest crediting accounts on each contract anniversary. Withdrawal charges and MVAs are not assessed on reallocations. A reallocation letter will be sent to you at least 45 days prior to each contract anniversary, providing information about the account and requesting reallocation information. See the annuity contract for full details.

Summary Information About Reallocation of Account Values

- Any requested transfers will be implemented on the upcoming contract anniversary, after any interest is credited. Hence, the actual account values that will be transferred are not known until that time.
- All transfers will be based on a percentage of the annuity value that is eligible for reallocation on the upcoming contract anniversary. Any funds currently allocated to a 2-Year Term Account that will not renew on the upcoming contract anniversary are not eligible for transfer.
- There is no minimum account value requirement for any one crediting account
- Withdrawal charges and MVAs will not be applied to any transfers
- If no reallocation request is received 14 days or more prior to the upcoming contract anniversary, the account value allocation will remain unchanged

Reallocations in the Fixed Interest Account

Transfers into the Fixed Interest Account during the initial guarantee period will receive interest at the rate declared as of the date of issue for the balance of the initial guarantee period. The initial interest rate will be in effect as follows:

- For the 9-Year Plan, the initial interest rate will be in effect for the first six contract years
- For the 12-Year Plan, the initial interest rate will be in effect for the first nine contract years

Reallocations in the 2-Year Term Account

- Although this is a “two-year account,” the owner may transfer funds into this account each year
- If funds are added at the end of the first year of a two-year period, the 2-Year Term Account will be divided into two parts called “buckets”
- Any funds currently allocated to a 2-Year Term Account that is not renewing on the upcoming contract anniversary are not eligible for transfer

Withdrawals

As with most fixed annuities, you are allowed access to your money throughout the contract. You are allowed to make partial withdrawals or full withdrawals (surrenders) at any time. These withdrawals may or may not be assessed a withdrawal charge or MVA. Partial withdrawals will be funded from the Fixed Interest Account unless directed otherwise.

Free Withdrawal Provision

After the first contract year, up to 10.0 percent of the annuity value as of the previous contract anniversary can be withdrawn per year without assessment of a withdrawal charge or MVA, subject to the following limitations.

- If the withdrawal is non-systematic, then only one is allowed per year under this provision
- Minimum Required Distributions on tax-qualified contracts are available without a withdrawal charge or MVA at any time. The 10.0 percent free withdrawal amount is reduced by any such distributions since the previous contract anniversary.
- If systematic withdrawals are used, then additional funds can be taken in a one-time non-systematic method, as long as the total withdrawn under all means is not more than the 10.0 percent allowed

Systematic Withdrawals

Systematic withdrawals allow the annuity owner to schedule withdrawals on a monthly, quarterly, semiannual or annual basis beginning any time after the contract has been in force at least 30 days. Systematic withdrawals normally are either interest-only or minimum required distributions, but others are also available. Interest-only systematic withdrawals are allowed from the Fixed Interest Account exclusively, as that is the only account that credits interest ratably throughout the year. Systematic withdrawals will count as all or part of the permitted free withdrawal. Withdrawal charge and MVA are assessed on systematic withdrawals that fall outside the free withdrawal provision.

Guaranteed Minimum Withdrawal Value

A contractual provision guarantees that the withdrawal value will never be less than 90.0 percent of premium, less prior partial withdrawals, accumulated at a 2.0 percent effective annual interest rate. The guarantee will never be less than that stated. Insurance laws in some states may make it necessary to increase the effective annual interest rate to more than 2.0 percent; if that is mandated, the company will comply.

Withdrawal Charges

Withdrawal charges are applied as a percentage of the annuity value (before application of the MVA) that exceeds a permitted free withdrawal.

| Contract Year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13+ |
|-------------------------------------|----|----|----|----|----|----|----|---|---|----|----|----|-----|
| 9-Year Plan Withdrawal Charge % | 10 | 10 | 9 | 8 | 7 | 6 | 5 | 4 | 2 | 0 | 0 | 0 | 0 |
| 12-Year Plan Withdrawal Charge % | 12 | 12 | 12 | 12 | 12 | 11 | 10 | 9 | 8 | 7 | 5 | 3 | 0 |

Market Value Adjustment (MVA)

MVA will be applied to any withdrawals that exceed the permitted free withdrawal amount during the withdrawal charge period (until the end of year nine for the 9-Year Plan, or year 12 for the 12-Year Plan). MVAs may increase or decrease the withdrawal value, depending on interest rate fluctuations. If interest rates have declined, the withdrawal value could be higher; if interest rates have increased, the withdrawal value could be lower. See the annuity contract for a more detailed explanation.

Death Benefits

Prior to an income plan beginning (during the accumulation phase), death benefits will be paid to the beneficiary upon the death of the owner and will be equal to:

- The withdrawal value without MVA (minimum death benefit is premium paid less any prior partial withdrawals) or
- The annuity value, which will be applied if annuitized under one of the income options set forth in the contract (five year minimum expected payout period).

Alternatively, if the beneficiary is the spouse of the annuity owner, he or she may, upon request, become the owner and annuitant, continuing the contract. Otherwise, the surviving spouse may select an income plan option or request the death benefit in a single sum.

Death of Annuitant After an Income Plan Begins

If the annuitant dies while payments are being made under an income plan, those payments will end unless the income plan chosen calls for payments to continue after the annuitant's death. These payments will be made at least as rapidly as they were being made at the time of death.

Income Plan Options

An income plan allows you to use the contract to create a fixed income for life or for a specified period.

This contract provides for a variety of income plan options that can be paid monthly, quarterly, semiannually or annually. The amount of income paid under an income plan will depend on the amount applied to purchase the income plan, less premium tax, if any, and the income plan option selected.

The annuity value (without MVA or withdrawal charge) will be applied to compute income payments if the income plan selected begins after the fifth contract year and is either life contingent or for a certain period that is the greater of five years or the remaining withdrawal charge term. Withdrawal value is applied otherwise (state variations exist).

Your income plan options are:

- Life Income
- Life Income with 5, 10, 15 or 20 Years Certain
- Life Income with Installment Refund
- Fixed Amount
- Fixed Period Income

About American General Life

The most prominent independent ratings agencies continue to recognize American General Life Insurance Company in terms of insurer financial strength and claims-paying ability. Both A.M. Best and Standard & Poor's Corp. have assigned their highest ratings to American General Life.

Clients have long been entrusting their hopes and dreams to American General Life, part of the American International Group, Inc. (AIG) global financial network. The key to our success is simple — a steadfast commitment to our clients and the advisors who safeguard their security. That commitment has been our highest priority for many years and continues to drive our business as we look to the future.

Glossary

Account Ratcheting (also known as “annual ratcheting”): A feature under which interest credited becomes the future term's minimum account value and cannot be taken away.

Accumulation Phase: The phase of an annuity during which funds are paid into the account and interest is credited.

Index Cap: An upper limit placed on the amount of interest that can be credited for a particular term.

Index Value: The index used for indexing accounts under the *AG HorizonIndex* annuity is the Standard & Poor's 500 Composite Stock Price Index. The index value on any specified date is the closing value of the selected index on that date.

Indexing Term: A predetermined period over which interest is calculated. Indexing terms generally range from 1 to 10 years; in most cases, any interest earned is credited to the account at the end of the term.

Market Value Adjustment (MVA): MVA may be applied to any withdrawals that exceed the permitted free withdrawal amount (see “Withdrawals” on page 9). MVAs may increase or decrease the withdrawal value, depending on interest rate fluctuations. If interest rates have declined, the withdrawal value could be higher; if interest rates have increased, the withdrawal value could be lower. See the annuity contract for a more detailed explanation.

Payout Phase (also known as “annuitization phase”): The phase of an annuity during which funds are distributed from the annuity based on a payout option selected by the annuity owner.

Point-to-Point: A calculation method under which interest is based on the percentage change in the index value at the *end* of some period and the index value at the *start* of that same period. Terms can be designed to have one or multiple point-to-point calculations, but normally interest is only credited once at the end of the indexing term.



Annuities issued by:

American General Life Insurance Company

*A member company of American International Group, Inc.
2727-A Allen Parkway, Houston, Texas 77019*

Annuity Contract Number 04367

The underwriting risks, financial obligations and support functions associated with the annuities issued by American General Life Insurance Company (American General Life) are solely its responsibility. American General Life is responsible for its own financial condition and contractual obligations.

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