

ADVANTAGE

THE ARMY AND AIR FORCE MUTUAL AID ASSOCIATION NEWSLETTER

AUGUST 2010

Forced Retained Asset Accounts? NOT at AAFMMA!

You may have noticed negative publicity lately regarding some life insurance companies and retained asset accounts. Many commercial insurance companies (some servicing SGLI beneficiaries) have been providing a “checkbook” to beneficiaries instead of the

AAFMMA invests settlement amounts for the benefit of the survivors.

death benefit proceeds as payment. In most instances, there is no bank account attached to these checkbooks; rather, their accounts are being held in a general corporate investment account, earning investment income for the benefit of the *company*, while the survivors receive uncompetitive interest rates.

▶ AAFMMA Live on Facebook and Twitter

On 2 August, AAFMMA went live on Facebook and Twitter. We encourage you to “Find us on Facebook” and “Follow us on Twitter”.

[facebook](#) [twitter](#)

Does AAFMMA participate in these practices?

NO, absolutely not. AAFMMA invests settlement amounts for the benefit of the survivors. Any income after expenses always gets returned to the members or their *survivors* in some manner.

How does AAFMMA notify beneficiaries about their death benefit proceeds options?

AAFMMA offers beneficiaries four settlement options:

- Life Annuity
- Life Annuity with 10 Years Certain
- Interest Only
- Lump Sum

For options A, B, and C, AAFMMA *guarantees* a 4% interest rate. If AAFMMA’s Net Yield on Assets (NYA) exceeds the guaranteed 4% (which has traditionally been the case), the beneficiary receives the difference between 4% and the actual return achieved in a “13th check”. For example, in 2009 AAFMMA achieved a 4.6% NYA. So, the “13th check” (sent on May 1st each year) was for 0.6% times balances.

Additionally, at the time of death, AAFMMA sends out a settlement options form to explain the options



and ensure that all actions taken by AAFMMA are clearly disclosed and understood by the beneficiary.

Does AAFMMA have retained asset accounts?

NO, AAFMMA does not have retained asset accounts. All funds are always invested for the benefit of members or their survivors. As a pure non-profit, mutual association, any income after expenses goes to members or beneficiaries in the form of higher reserves, higher cash values, higher partial premium refunds, higher death benefits, or expanded services.

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UNDERWRITING

Fax: 703-526-1670
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POLICY SERVICES

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DEATH NOTIFICATION

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Message To Members

William J. Lennox, Jr.
Lieutenant General, USA, Retired
Chairman, Membership Committee

Dear Fellow AAFMAA Members:

I am deeply honored to address the membership as Chairman of the Membership Committee. A proud AAFMAA member since 1991, last year I joined the Board. Our Association has a stellar track record of outstanding service to military members, their families, and their survivors.

AAFMAA provides peace of mind and financial security to countless members of the military community through high-quality, low-cost life insurance and valuable services unmatched by any other insurance company. The Membership Committee oversees AAFMAA's service benefits, now provided through AAFMAA Financial Advisors. We have an incredibly dedicated and motivated professional staff on board, ready to provide caring counsel and assistance.

As members, we know that AAFMAA will always do the right thing for us and our survivors when we are gone. You may have noticed the recent negative publicity regarding certain commercial insurance companies and their retained asset accounts. AAFMAA does NOT participate in any

of the deceptive practices mentioned. At AAFMAA, death benefits are always paid as expeditiously as possible. In some cases, beneficiaries select annuity or interest-only settlement options rather than lump sum payments. In those cases, at the beneficiary's request, the death benefit is invested for the benefit of the survivor. Any income that AAFMAA earns from investing the death benefit proceeds is always returned to the members or their survivors in some manner.

Many of us have experienced or know of someone who has benefited from AAFMAA's outstanding service. Our strongest supporters are the survivors whom we have helped and you, our members! Please share your story with our staff and others to continue spreading the word. I appreciate the chance to address the membership in this newsletter and to serve you on the Board.

Respectfully,

"AAFMAA provides peace of mind and financial security to countless members of the military community..."



AAFMAA's **ANNUITY**Life Policy

Q. WHAT IS **ANNUITY**Life?

A. A Net Single Premium Value-Added Whole Life insurance policy with a graded death benefit in the first three years. It is a Modified Endowment Contract (MEC) and subject to TAMRA rules. If over age 59 ½ the 10% IRS penalty does not apply. **ANNUITY**Life includes an option to annuitize the cash value for monthly payments to age 100 immediately, at a future date or never.

Q. WHO IS **ANNUITY**Life DESIGNED FOR?

A. Generally for older members who may not meet medical underwriting requirements for a standard permanent policy. However, it can be approved at any age.

Q. WHAT DOES MY SINGLE PREMIUM BUY ME?

A. An **ANNUITY**Life policy where the single premium is \$817 per \$1,000 of death benefit, with a minimum of \$10,000 coverage. The death benefit is graded at 90% of the face amount in year one, 95% in year two, and 100% in year three.

Q. WHAT IS THE CREDITING RATE ON **ANNUITY**Life?

A. The cash value and death benefit grow based upon the actual crediting rate applied to all Value-Added Whole Life policies, currently 7% for 2010—NOT guaranteed, subject to change. **ANNUITY**Life has a guaranteed crediting rate of 4% (4.5% less 0.5% charge for mortality and expenses).

Q. ARE THERE ANY MEDICAL REQUIREMENTS I MUST MEET?

A. No medical records or physicals are required. There is no extensive medical underwriting, only 3 simple questions on the application. The Insured must not be in a hospital, confined



to bed, or have a known terminal illness expected to result in death within two years of issue. The policy is subject to standard two-year contestability and suicide clauses.

Q. WHAT HAPPENS TO THE POLICY IF I ANNUITIZE THE CASH VALUE?

A. Once the cash value is annuitized, the life insurance policy and death benefit **terminate** and monthly payments (guaranteed to age 100) begin. There is no continuing life insurance policy or death benefit if the cash value is annuitized.

Q. WHAT HAPPENS IF I DIE BEFORE AGE 100?

A. The present value of the remaining payments are payable to the beneficiary. The beneficiary can take settlement with any of our four settlement options: Life Annuity, Life Annuity with 10 years certain, Interest Only, Lump Sum.

IN SUMMARY, **ANNUITY**Life IS:

- A special, “no underwriting” Value-Added Whole Life insurance policy with cash value and death benefit.
- It includes an option to annuitize the cash value for monthly payments to age 100 immediately, at a later date, or never.
- If annuitized, the life insurance policy and death benefit **terminate** and monthly payments (guaranteed to age 100) begin. There is also an annual bonus check sent to the annuitant each May if AAFMAA’s Net Yield on Assets for the previous year exceeded 4%.

For more information about **ANNUITY**Life and to get a projection and application, please call a Membership Coordinator toll-free at 1-877-398-2263, or locally (VA) at 703-522-3060.



Minutes from the AAFMAA 2010 Annual Meeting

[The Annual Meeting convened at 1200 hours, 8 June 2010, at the Army Navy Country Club, Arlington, VA.]

LTG Donald M. Babers, Ret, called the 131st Annual Meeting to order and welcomed everyone.

LTG Babers recognized GEN Jack Merritt, Vice Chairman of the Board and Chairman of the Finance Committee, other Board members, members of the professional staff and AAFMAA advisors. LTG Babers then recognized two members in attendance; COL Norman Gray, the oldest and longest tenured member in attendance, with over 62 years of loyal membership and LTC Stephen Olejasz, our youngest member in attendance with a gift from AAFMAA. Last year's meeting was on 9 June. The minutes were published and distributed to all members. A motion to waive the reading of the minutes was moved, seconded and the minutes were approved unanimously.

LTG Babers addressed the membership and reported another outstanding year for AAFMAA. Excerpts from his remarks follow. In 2009, membership, insurance in force and policies in force all reached record highs, demonstrating AAFMAA's strength and continued growth. A careful investment strategy has paved a solid foundation that gives AAFMAA flexibility to respond without compromising the Association's long-term mission. AAFMAA was founded to take care of the families of fallen soldiers. Originally AAFMAA only provided life insurance to Regular Army Officers. Over the years membership eligibility evolved and Survivor Assistance Services for widows and advisory services for members were added. Many members joined AAFMAA because

of these important services. In 2000, AAFMAA contracted out the services function. As previously announced in a series of member communications, in July, when the existing services contract expires, AAFMAA will resume providing these services directly through our wholly-owned subsidiary, AAFMAA Financial Advisors. The services come back under the AAFMAA umbrella because unbiased services are such an essential part of AAFMAA. AAFMAA Financial Advisors will assist members through the Living Services and aid survivors through the Survivor Assistance Services, providing advice and ensuring that members and their survivors obtain all the benefits to which they are entitled. Eventually, AAFMAA Financial Advisors will also offer full-service financial planning.

AAFMAA will continue to provide all members with outstanding service. Our focus remains on the membership's needs. Every member can rest assured that our Association is committed to making this another success. With the Board's vision and the staff's dedication, AAFMAA will continue its important mission of taking care of members and their families with low-cost insurance and expanded services.

LTG Babers thanked the members for spreading the word about AAFMAA and for taking the time to be at the meeting. He then turned the meeting over to Walt Lincoln, President and Treasurer for his remarks. Excerpts from the remarks follow.

2009 was another record year. All metrics ended the year at all time highs. Some highlights include: Insurance in force \$21.1 Billion, an 11.6% increase from 2008, policies in force increased to a new record of 116,192, total lives insured reached an all-time high of 93,516, and, significantly, NET members grew by 3,273, a 4.0% increase to 84,742. This all time high in members is especially noteworthy since it demonstrates the relevance of our Association to a new generation of airmen and soldiers. In 2009, our membership grew at an average of 272 new members per month, exceeding even last year's record of 242 per month. Our Association is attracting more and more active duty new members.

AAFMAA has no debt, no subprime mortgages, no derivatives, no credit default swaps, no hedge funds, no private equity funds, and no securities lending.

Assets, on an admitted value basis, total \$921.2 million. The year-end market value of those assets are \$934.8 million. Please note that our Net Yield on Assets last year was a positive

4.6%. This return allowed the directors to approve the crediting rate of 7.0% for cash values of Value-Added Whole Life policies for 2010. Recall that, generally, as your cash value grows, your death benefit grows.

AAFMAA has no debt, no subprime mortgages, no derivatives, no credit default swaps, no hedge funds, no private equity funds, and no securities lending. More details are available in the annual report which has been distributed to all members and is included in this report by reference.

AAFMAA

Life Insurance



LTG DONALD M. BABERS, RET

In summary, Major Lincoln then reviewed investments, asset allocation, and illustrated the concept of relative value. He emphasized that the Association's net result has been very positive, especially in light of recent events, but it has not been without losses. In any large portfolio over long periods losses are inevitable; however, relative value selections can generate gains exceeding losses. In very trying times AAFMAA has been able to identify investments which have been relatively more attractive.

Not just in investing, but in all our areas we maintain a very disciplined approach focused on our three imperatives: sell more, control costs, and invest wisely. We also relentlessly focus on our two objectives of providing low-cost life insurance and unique member services. Member services include Living Services for grandfathered members, and Survivor Assistance Services for widows. We will always maintain these great services. In the coming years we

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we will also offer expanded
services for members and
their surviving spouses.**

will also offer expanded services for members and their surviving spouses. Based upon several member surveys and numerous focus groups, these expanded services will include full financial planning, and eventually, financial management. You've all received information about AAFMAA Financial Advisors which has been formed, is staffed, and will commence operations on 1 July. As in any endeavor there will be the inevitable mistakes, but they will be corrected and improved. AAFMAA Financial Advisors will be here to do for members' widows, what the member can no longer do.

In conclusion, we've had a record year, we've achieved each of our imperatives and we've laid the foundation upon which to build an even greater success for the future. Mr. Chairman, on behalf of all the members of management and staff I submit this report for approval.

A motion to approve the report of the President and Treasurer was moved, seconded and approved unanimously.

The next order of business was to receive the report on the election and re-election of directors. Tom Hargis, the Secretary and Controller of the Association, presented the results of the Nominating Committee and proxy balloting.

The Nominating Committee consisted of Col Robert W. Ramsey, III, USAF, Ret., Chairman; COL Duane G. Ingalsbe, USA, Ret., and MSgt John D. Williams, USAF, Ret. The committee nominated LTG William J. Lennox, Jr.,

USA, Ret. and CMSgt John T. Ridge, USAF, Ret. to serve a first term and LTG Joseph E. DeFrancisco, USA, Ret. and CSM George L. Horvath, USA, Ret to serve a second term. Proxies were received, duly counted and certified by an independent proxy service. All nominees were approved and their terms will continue until the Annual Meeting in 2014.

A motion to close the nominations and elect the nominees was moved, seconded and the nominees were elected.

A brief question and answer period followed regarding the transition of services to AAFMAA Financial Advisors. After this discussion period, since there was no new business to be brought before the meeting, a motion to adjourn was moved, seconded and the meeting adjourned at 1245 hours.



WALTER R. LINCOLN, CFP®



Do You Have an AAFMAA Value-Added Whole Life Policy? If So, You Also Have the Long Term Care Settlement Option!

Even though AAFMAA's Long Term Care Settlement Option (LTCSO) was not always available to AAFMAA insureds, *ALL* Value-Added Whole Life policies include the option, *AT NO ADDITIONAL COST!*

WHAT IS LONG TERM SETTLEMENT OPTION (LTCSO) AND WHAT DOES IT COST?

- An accelerated payment of the death benefit of an AAFMAA Value-Added policy.
- There is no cost added to your Value-Added policy to include the LTCSO.
- There is a monthly administrative fee if/when the policy is converted to LTCSO, to cover processing costs, currently \$20/mo.

WHAT DOES IT GET ME?

- 2% of the death benefit amount, up to the amount permitted by the IRS to be tax-exempt (\$8,700 per month for 2010—or a \$435,000 death benefit), paid out in monthly installments, up to 50 months.

WHAT ARE THE ELIGIBILITY REQUIREMENTS?

- Insured by an AAFMAA Value-Added policy in effect for at least 2 years; *and*
- Attained Social Security Full Retirement Age; *and*
- Have been receiving continuous care (long term care nursing facility or home care) for the past 4 months or more; *and*
- Chronically Ill (unable to perform at least two daily living activities) or Insured requires substantial supervision to protect themselves from threats to health and safety due to the presence of a cognitive impairment.



WHAT ARE DAILY LIVING ACTIVITIES?

- Eating, toileting, transferring, bathing, dressing and continence.

WHAT HAPPENS TO MY POLICY IF I CONVERT TO LTCSO?

- Death benefit amount is fixed upon LTCSO approval.
- Premiums stop on amount converted.
- Death benefit does not grow on amount converted, since it is being paid out.
- Any coverage amount above that converted remains in effect as long as those premiums are paid and will continue to grow in cash value and death benefit.

WHAT HAPPENS IF DEATH OCCURS BEFORE 50 MONTHS?

- Remaining death benefit is paid to the beneficiary.

- In summary, LTCSO makes AAFMAA's Value-Added policies win-win-win.

- Cash Value builds up, and can be used for loans before Long Term Care need.
- LTCSO on death benefit if the insured needs Long Term Care.
- Amounts not used for loans or LTCSO remain available as death benefit for the beneficiary.

HOW CAN I FIND OUT MORE ABOUT AN AAFMAA VALUE-ADDED POLICY AND LTCSO?

- To find out more about an AAFMAA Value-Added policy, call a Membership Coordinator toll-free at 1-877-398-2263. If you are a member already with a Value-Added policy and you need Long Term Care, call Policy Services at 1-800-522-5221.

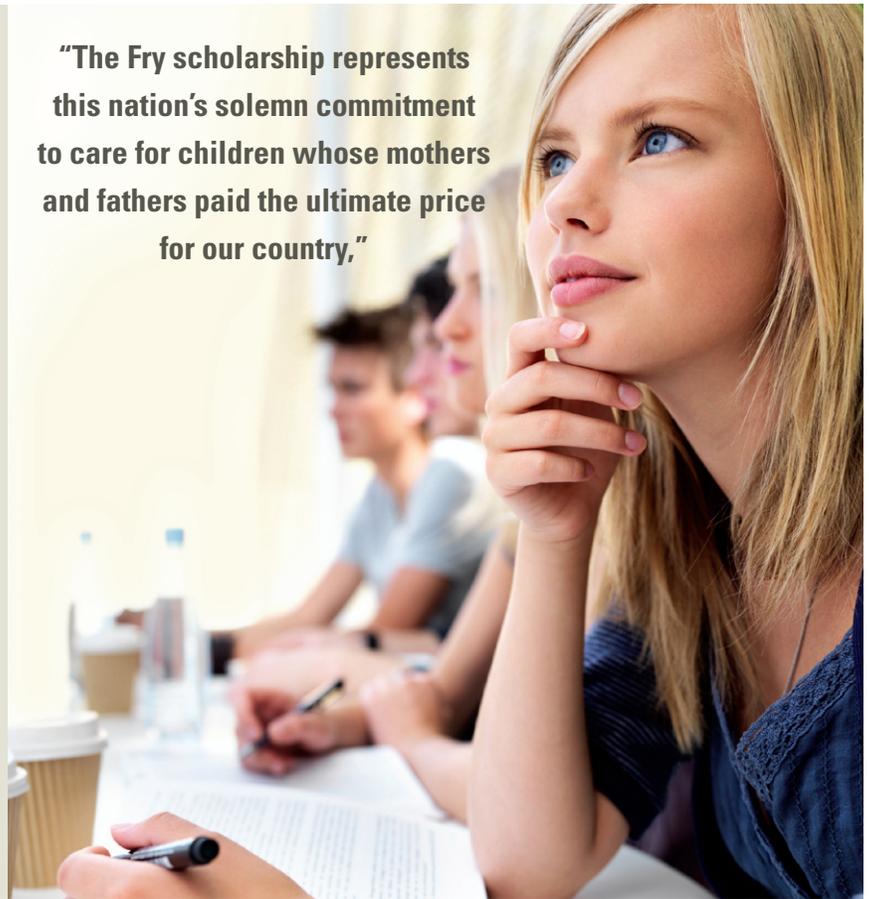
New Scholarship for the Children of Fallen Service Members

The children of military personnel who died in the line of duty since September 11, 2001 can apply for an educational scholarship. The scholarship, administered by the Department of Veterans Affairs, is named after Marine Gunnery Sergeant John David Fry who died in Iraq in 2006.

"The Fry scholarship represents this nation's solemn commitment to care for children whose mothers and fathers paid the ultimate price for our country," said Secretary of Veterans Affairs Eric K. Shinseki.

VA began accepting applications for the Fry scholarship on May 1, 2010. For more information or assistance applying, call toll-free 1-888-GIBILL-1 (1-888-442-4551), or visit the VA GI Bill Website at www.gibill.va.gov.

"The Fry scholarship represents this nation's solemn commitment to care for children whose mothers and fathers paid the ultimate price for our country,"



TRICARE Health Plan Meets New Legislation Requirements

Recently President Obama signed into law a major health care reform, The Patient Protection and Affordable Care Act. It has been confirmed that the TRICARE military health plan meets the standards set by this new legislation. Matt Flavin, Director of Veterans and Wounded Warrior Policy, stated that "there is

"There is absolutely nothing in health reform that will affect TRICARE benefits."

absolutely nothing in health reform that will affect TRICARE benefits." Furthermore, the House of Representatives unanimously passed HR4887, the TRICARE Affirmation Act, providing assurance to those in military and their families of TRICARE meeting the requirements for coverage.

VA Announces New Agent Orange Conditions

The Department of Veterans Affairs had added three illnesses to the list of Agent Orange related Conditions:

- B cell leukemia's
- Parkinson's disease
- Ischemic heart disease

VA is now accepting claims for service connection for the new conditions.



**Stay Connected
with AAFMAA**

Make sure we have your most recent email address.

This is a great, low-cost way for us to communicate important information to members. Send your email address to info@aafmaa.com to stay up to date on what is happening at AAFMAA.



AAFMAA

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- ▶ *AAFMAA Live on
facebook and twitter*
- ▶ *Long Term Care
Settlement Option Inside*
- ▶ *New Agent Orange
Conditions*

Do You Need a POA?

With the highly mobile nature of the military, service members often rely on their family members to take care of their affairs while they're away. To plan for this many use a Power of Attorney (POA) document. Through the POA the service member, designated as the "principal", may authorize their spouse or next of kin as their "agent" to take care of their financial affairs, including the purchase of life insurance. The POA is a very powerful document because it allows your representative to make major financial decisions on your behalf. Therefore, it is important to be specific when granting such authorizations. Please visit the AAFMAA website for a sample POA document that we encourage members to use.

