STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

P.O. Box 690, Jefferson City, Mo. 65102-0690

RE: Examination Report of AGC Life Insurance Company for the period ended December 31, 2011

ORDER

After full consideration and review of the report of the financial examination of AGC Life Insurance Company for the period ended December 31, 2011, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, John M. Huff, Director, Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 374.205.3(3)(a), RSMo., adopt such examination report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, I hereby incorporate by reference and deem the following parts of such report to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo: summary of significant findings, subsequent events, company history, corporate records, management and control, fidelity bond and other insurance, pension, stock ownership and insurance plans, territory and plan of operations, growth of the company and loss experience, reinsurance, accounts and records, statutory deposits, financial statements, financial statement changes resulting from examination, and comments on financial statement items.

Based on such findings and conclusions, I hereby ORDER, that the report of the Financial Examination of AGC Life Insurance Company as of December 31, 2011, be and is hereby ADOPTED as filed and for AGC Life Insurance Company to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) implement, and verify compliance with each item, if any, mentioned in the Comments on Financial Statement Items and/or Summary of Recommendations section of such report; (2) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this 4th day of May, 2013.

John M. Huff, Director
Department of Insurance, Financial Institutions
and Professional Registration

REPORT OF

FINANCIAL EXAMINATION

AGC Life Insurance Company

As of:

DECEMBER 31, 2011

FILED
JUN 14 2013
DIRECTOR OF INSURANCE,
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION

STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

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April 16, 2013
Saint Louis, MO

Honorable John M. Huff, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, MO 65101

Director Huff:

In accordance with your financial examination warrant, a comprehensive financial examination has been made of the records, affairs and financial condition of

AGC LIFE INSURANCE COMPANY

hereinafter referred to as "AGC", "AGC Life", or the "Company". The Company's office is located at 2727-A Allen Parkway, Houston, Texas 77019, telephone number (713) 522-1111. Examination fieldwork began on November 5, 2012, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

We have performed a single-state examination of AGC Life Insurance Company. The last examination was completed as of December 31, 2009. This examination covers the period of January 1, 2010, through December 31, 2011. This examination also included material transactions or events occurring subsequent to December 31, 2011.

Procedures

This examination was conducted using guidelines set forth in the Financial Condition Examiners Handbook (Handbook) of the NAIC, except where practices, procedures and applicable regulations of the Missouri Department of Insurance, Financial Institutions and Professional Registration ("Department" or "DIFP") or statutes of the state of Missouri prevailed. The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company. This process involves obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company, and evaluating the systems controls, and procedures used by the Company to mitigate those risks. An examination also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and compliance with the Statement of Statutory Accounting Principles ("SSAP") and Annual Statement instructions when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. The following key activities were identified: Investments, Treasury, Claims and Reserving, Reinsurance, Taxes and Capital and Surplus.

Reliance on Others

This examination was conducted in coordination with the joint examination of two of AGC's subsidiaries, American General Life Insurance Company ("AGL") and American General Life Insurance Company of Delaware ("AGLD"), collectively "the AGL companies". AGL is domiciled in Texas, which was the lead state for the AGL companies' examination. AGLD is domiciled in Delaware. AGC and the AGL companies share the same corporate governance structure, as well as systems used for the administration of most of the key activities. The AGL companies' examination was near completion when this examination began and the examination workpapers were provided to us. We relied heavily on these workpapers during this examination.

The Company's independent auditor, PricewaterhouseCoopers, LLP, of Houston, Texas, provided information and workpapers from its 2011 audit. We relied upon work performed by PricewaterhouseCoopers when appropriate, including fraud risk analysis, internal control narratives, walk-throughs and tests of controls.

SUMMARY OF SIGNIFICANT FINDINGS

As a result of the execution of a reinsurance agreement with subsidiary AGL, effective January 1, 2011, the Company's primary business function changed. It previously operated almost exclusively as an intermediate holding company in the AIG organization. It now operates as a reinsurance company with significant reinsurance assumptions from affiliates. The reinsurance agreement with AGL is discussed in detail in the Reinsurance section of this report.

SUBSEQUENT EVENTS

Effective April 1, 2012, the Company's parent, SunAmerica Financial Group, Inc. ("SAFG"). forgave the repayment of three surplus notes issued by the Company with an aggregate face value of $2.513 billion and maturity dates ranging from 2026 to 2028. In addition, SAFG also forgave the repayment of $29 million of accrued interest on the notes. The Company accounted for the forgiveness of the notes as a capital contribution from its parent in accordance with the guidance in SSAP 72. The forgiveness of the surplus notes had no impact on the Company's total capital and surplus as the total reduction in the surplus note component of capital and surplus was offset by an increase in the gross paid in and contributed surplus component resulting from the capital contribution.

The Company paid the following extraordinary dividends to SAFG:

- March 2012: $1,470,000,000
- June 2012: $660,000,000
- September 2012: $392,000,000
- March 2013: $1,460,000,000

On December 14, 2012, the U.S. Treasury announced it had sold its last remaining shares of AIG stock and was no longer a shareholder. As a result, AIG again became the Company's Ultimate Controlling Entity.

On December 31, 2012, AIG reorganized its life insurance and retirement services operations in order to implement a less complex and more efficient holding company structure, while continuing to market products and services under currently existing brands. The reorganization required a number of mergers that involved the Company, several of its life insurance subsidiaries and a number of other affiliates. All mergers were approved by the domiciliary state insurance departments, including departments in Arizona, California, Delaware, Illinois, Missouri, Tennessee and Texas.

The reorganization included the following mergers and transactions, all effected on December 31, 2012:

- Several entities affiliated with the Company's subsidiary AGL were merged with and into AGL with AGL being the surviving entity.
- SunAmerica Investments, Inc. ("SAII") merged into SunAmerica Life Insurance Company ("SALIC"). SAII's wholly-owned subsidiaries, SunAmerica Affordable Housing Partners, Inc. ("SAAHP Inc.") and AIG Advisor Group, Inc. ("Advisor Group"), became wholly-owned subsidiaries of SALIC.
- SALIC contributed 100% of its ownership interest in SAAHP Inc. to SA Affordable Housing, LLC ("SAAH LLC"), thus making SAAHP Inc. a wholly-owned subsidiary of SAAH LLC.
- The Company's parent, SAFG, contributed 100% of its ownership interest in SALIC and American General Assurance Company ("AGAC") to the Company, thus making SALIC and AGAC wholly-owned subsidiaries of the Company.
- AGL distributed 100% of its ownership interest in its subsidiary, The Variable Annuity Life Insurance Company ("VALIC"), up to the Company, thus making VALIC a wholly-owned subsidiary of the Company.
- Concurrent with the distribution of VALIC to the Company, SunAmerica Annuity and Life Assurance Company ("SAAL") merged into SALIC, with SALIC as the surviving entity, and immediately thereafter, SALIC and Company subsidiaries AGAC, AGLD, American General Life & Accident Insurance Company ("AGLA"), and Western National Life Insurance Company ("WNL") merged into AGL, with AGL as the surviving entity.

As a result of the reorganization, all of the AIG life companies that previously wrote traditional life or retirement services products were merged into the following three U.S. life companies for which the Company is now the direct parent: AGL, VALIC and The United States Life Insurance Company in the City of New York ("USL"). The Company also continues to be the direct parent of AIG Life of Bermuda, Ltd ("AIGB"). As of December 31, 2012, the Company's four direct subsidiaries were parent companies to 54 non-insurance companies.

COMPANY HISTORY

General

The Company was incorporated as a life insurance company under the laws of the state of Missouri on September 1, 1982. The Company is a wholly-owned subsidiary of SAFG, previously AIG Life Holdings (US), Inc., and prior thereto American General Corporation. SAFG is a wholly-owned subsidiary of American International Group, Inc. ("AIG"). The Company, its parent and subsidiaries were acquired by AIG on August 29, 2001.

The United States Department of Treasury ("U.S. Treasury") became the Company's Ultimate Controlling Entity in 2008 as the result of AIG entering into a Guarantee and Pledge Agreement ("Agreement") with the Federal Reserve Bank of New York.

The Agreement provided for an $85 billion line of revolving credit to AIG in conjunction with the U.S. Treasury's Troubled Asset Relief Program. Pursuant to the Agreement, AIG issued 100,000 shares of Perpetual, Convertible, Participating Preferred stock to a Trust established for the sole benefit of the U.S. Treasury. Three additional agreements were executed in 2009 between AIG and the New York Fed/U.S. Treasury that increased the AIG federal rescue package to $182 billion.

As a result of the stock issued pursuant to the Agreement, the U.S. Treasury became AIG's major shareholder, holding a 79.8% ownership interest as of December 31, 2009. The U.S. Treasury began selling its shares of AIG in 2011 and its ownership interest was reduced to 76.61% as of December 31, 2011, with public shareholders owning the other 23.39%. On December 14, 2012, the U.S. Treasury sold its last remaining shares of AIG stock and is no longer a shareholder. At that time AIG again became the Company's Ultimate Controlling Entity.

The Company serves as an intermediate holding company for most of the AIG/SAFG life insurance subsidiaries. As of December 31, 2011, AGC was the parent company of six life insurance companies. These companies are identified in the Organizational Chart that is included in the Management and Control section of this report. Five of these companies are domiciled in the United States and one is domiciled in Bermuda. These subsidiaries, in turn, collectively owned two other insurance companies, one of which was a life insurance company, The Variable Annuity Life Insurance Company, a subsidiary of AGL. The other was a property and casualty company that is in run-off and whose operations are insignificant in comparison to AGC's operations. This company, American General Property Insurance Company, is a subsidiary of American General Life and Accident Insurance Company.

Capital Stock and Paid-In Surplus

The Company is authorized to issue 250,000 shares of common capital stock with a par value of $100 per share. As of December 31, 2011, there were 141,041 common capital shares were issued and outstanding, resulting in a common capital stock balance of $14,104,100.

Gross paid in and contributed surplus totaled $26,572,584,522 as of December 31, 2009. The following table shows the changes to the gross paid in and contributed surplus account during the examination period.

Prior to 2010	$ 26,572,584,522
2010	(18,278,198,595)
2011	331,921,937
TOTAL	$ 8,626,307,864

The Company's paid in and contributed surplus activity has resulted primarily from pass through contributions from AIG. The contributions are made by AIG to SAFG, which passes the contributions to the Company, which in turn passes the contributions to its subsidiaries.

The large decrease in paid in and contributed surplus shown above in 2010 resulted primarily from a reclassification from the Gross Paid In and Contributed Surplus account to the Unassigned Funds account. The Company requested approval of a permitted practice for this transaction from the DIFP. The request was limited to the accounting treatment of pass through funds contributed by AIG to offset losses incurred by the Company's life subsidiaries associated with the securities lending program, which was discontinued in 2008. The request was to reflect a one-time adjustment that would recognize that the purpose of these surplus contributions was to nullify realized securities lending losses by directly offsetting those losses, rather than as paid-in surplus contributions. The reclassification effectively reduced the negative Unassigned Funds balance by the total amount of the AIG contributions made for this purpose. The primary source of the funds contributed by AIG was the Troubled Asset Relief Program, as discussed above.

The DIFP approved the request due to the uniqueness of the events out of which the securities lending losses developed, the fact that AGC Life and its subsidiaries were made whole for the securities lending losses, and the Company's representation that it did not intend to engage in any securities lending programs in the future. The approval was also given in recognition that it would aid AIG in its ability to attract working capital and maintain liquidity sources available to the Company, thereby facilitating the Company's ability to avail itself of benefits of being a member of a financially viable holding company system. The domestic regulator of all other AIG life insurance companies approved a similar permitted practice in their respective states.

Dividends

The Company has declared and paid cash dividends as follows:

Prior to 2010	$ 9,999,402,554
2010	50,000,000
2011	1,416,488,000
Total	$ 11,465,890,554

All dividends were paid to the Company's sole stockholder, SAFG. It is noted that dividends paid in 2011 were allocated to Dividends to Stockholders until the Unassigned Funds account balance reached zero, at which point the rest of the dividends paid in 2011 were allocated to

Return of Capital. This resulted in the reporting of $753,220,943 as dividends paid in the 2011 Annual Statement, and in the reporting of $663,267,057 as return of capital. It also resulted in reporting a balance of zero for Unassigned Funds in the 2011 Annual Statement. This method of reporting dividends was based on SSAP #97.

Acquisitions, Mergers and Major Corporate Events

There were minor changes in the organizational structure since the last exam. The Company's immediate parent's name was changed in 2010 from AIG Life Holdings (US), Inc. to SunAmerica Financial Group, Inc. There were also two changes that resulted from mergers involving the Company's subsidiaries.

On December 31, 2010, American International Life Assurance Company of New York was merged into The United States Life Insurance Company in the City of New York ("USL"). Both companies were subsidiaries of AGC Life prior to the merger so the merger did not impact any of AGC Life's capital accounts. As a result of this merger, the total number of AGC's direct life insurance company subsidiaries was reduced from seven to six.

On December 31, 2011, First SunAmerica Life Insurance Company ("FSALIC") was merged into USL. Prior to the merger, FSALIC was a subsidiary of SALIC. SALIC contributed all the shares of FSALIC to its parent, SAFG Retirement Services Inc. ("SAFGRS") which, in turn, contributed all the shares to its parent, AIG. AIG contributed the shares to SAFG which in turn contributed the shares to AGC. AGC then merged the assets, liabilities, surplus, revenue and expense accounts into those of USL. The value of the FSALIC shares at the time of the merger was $734.5 million, which AGC reported as Gross Paid In and Contributed Surplus.

There have been several additional mergers in the AIG organization in 2012 that impacted AGC Life. These are discussed in the Subsequent Events section of this Report.

Surplus Debentures

The Company had three outstanding surplus notes at December 31, 2011. All were payable to its parent, SAFG, as follows:

Date Issued	Maturity Date	Interest Rate	Amount of Note	Accrued Interest	Carrying Value
12/30/96	12/30/26	8.0%	$ 1,450,000,000	$ 322,222	$ 1,450,322,222
2/25/98	2/25/28	7.5%	875,000,000	16,406,250	891,406,250
6/30/98	6/30/28	7.4%	188,000,000	3,478,000	191,478,000
			$ 2,513,000,000	$ 20,206,472	$ 2,533,206,472

Proceeds from the issuance of the $1.45 billion note were used to retire an $804 million callable senior note previously issued to the Company's parent SAFG and to repay $646 million on a separate demand note that was also held by SAFG.

Proceeds from the issuance of the $875 million note were used as partial financing of the purchase of the remaining 54% interest in Western National Corporation (WNC), including retirement of WNC debt, and payment of AGC Life notes of approximately $48 million.

Proceeds of the issuance of the $188 million note were contributed to two lower tier subsidiaries, American General Annuity Insurance Company and VALIC.

Each of the surplus notes was forgiven by SAFG effective April 1, 2012, as discussed in the Examination Report section Subsequent Events.

CORPORATE RECORDS

A review was performed of the Company's Articles of Incorporation and By-Laws. The Articles of Incorporation were amended in April 2010 to change the Company's administrative office from Nashville, TN to Houston, TX.

The minutes of the board of directors meetings were reviewed and appear to properly support and approve the corporate transactions and events for the period under examination.

MANAGEMENT AND CONTROL

Board of Directors

The Company's management is vested in a board of directors that consists of not less than nine or more than twenty-one members. Directors serving at December 31, 2011, were as follows:

Name and Address	Principal Occupation and Business Affiliation
Michael J. Akers Houston, TX	Executive Vice President The Variable Annuity Life Insurace Company
Robert M. Beuerlein Houston, TX	Senior Vice President and Chief and Appointed Actuary American General Life Companies
Jeffrey H. Carlson Houston, TX	Executive Vice President, Chief Service and Information Officer American General Life Companies
Don W. Cummings Houston, TX	Senior Vice President and Chief Financial Officer American General Life Companies
Mary Jane B. Fortin Houston, TX	Chairman, President and Chief Executive Officer American General Life Companies
Gregory A. Hayes Houston, TX	Chief Financial Officer and Treasurer American General Life and Accident Insurance Company

Robert F. Herbert, Jr. Houston, TX	Senior Vice President, Treasurer and Controller American General Life Companies
Kyle L. Jennings Houston, TX	Executive Vice President, General Counsel and Secretary American General Life Companies
James A. Mallon Nashville, TN	President and Chief Executive Officer American General Life and Accident Insurance Company

Senior Officers

The officers of the Company serving and reported on the Jurat page of the Annual Statement at December 31, 2011, were as follows:

Mary Jane B. Fortin	Chairman, President and Chief Executive Officer
Kyle L. Jennings	Executive Vice President, General Counsel and Secretary
Robert F. Herbert, Jr.	Senior Vice President, Treasurer and Controller

Principal Committees

Members of the Executive Committee as of December 31, 2011, were as follows:

Don W. Cummings
Mary Jane B. Fortin
Kyle L. Jennings

Members of the Investment Committee as of December 31, 2011, were as follows:

Robert M. Beuerlein
Don W. Cummings
Mary Jane B. Fortin
Roger E. Hahn
Glen D. Keller

To comply with Sections 375.1025-1062 RSMo, the Company relies on the Audit Committee of its parent, SunAmerica Financial Group, Inc. Members of the Audit Committee as of December 31, 2011, were as follows:

William J. Carr
Mary Jane B. Fortin
William J. Kane
Scott H. Richland

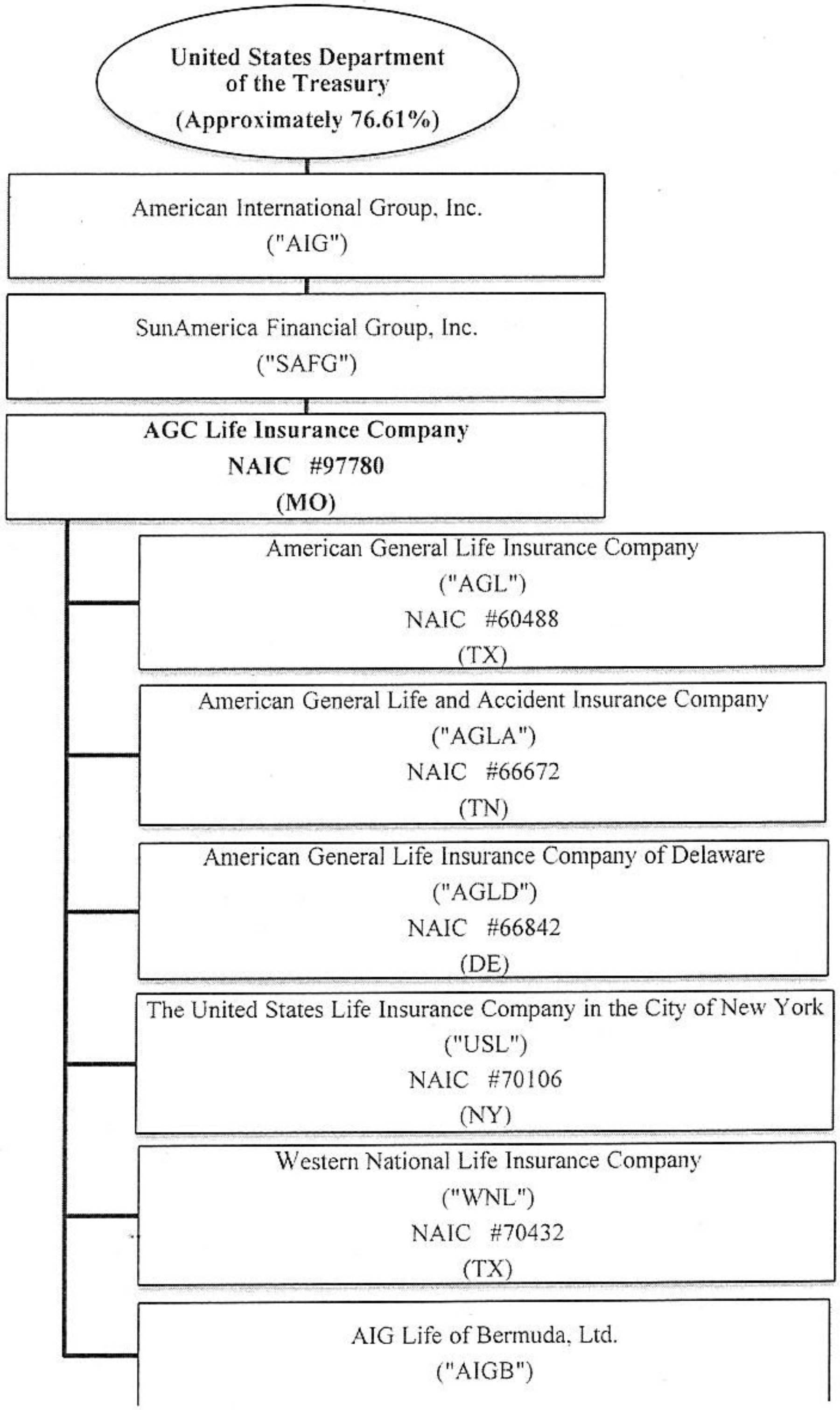
Holding Company, Subsidiaries and Affiliates

The Company is part of an Insurance Holding Company System as defined by Section 382.010 RSMo (Definitions). The Company is a wholly owned subsidiary of SAFG, which in turn is a wholly owned subsidiary of AIG.

The United States Department of the Treasury was the Ultimate Controlling Entity of AIG as of December 31, 2011, with an ownership percentage of 76.61%. The U.S. Treasury ownership consists of 100% of the Series C Perpetual, Convertable, Participating Series C Preferred Stock, issued in 2009 for the benefit of the U.S. Treasury. The Series C Preferred Stock may be converted into approximately 76.61% of the voting shares of AIG. Public shareholders own the other 23.39% of voting shares. All subsidiaries shown are wholly owned.

Organization Chart

The following organizational chart depicts an abreviated portion of the holding company system at December 31, 2011. The chart only includes the Company, its upstream parents and its directly owned subsidiaries.



Note: AIG became the Ultimate Controlling Entity in December 2012 (see the Subsequent Events Section above for further details).

Affiliated Transactions

The Company has entered into various agreements with affiliates. The following describes primary agreements effective as of December 31, 2011:

Service Expense Agreement

Parties:	AGC, AIG and other affiliates
Effective:	February 1, 1984, AGC added by Addendum #30 on January 1, 2002
Terms:	Each party agrees to provide services to other parties as requested. Since AGC has no employees, essential services, including accounting and reporting, are provided by American General Life and Annuity.
Rate(s):	Costs are allocated in conformity with insurance accounting principles. The Company paid fees totaling $420,000 in both 2010 and 2011 under this agreement.

Administrative Services Agreement

Parties:	AGC, AIG Business Processing Services, Inc., currently known as Integra Business Processing Solutions Inc. ("Integra") and other affiliates
Effective:	December 1, 2002
Terms:	Integra provides limited administrative services on behalf of AGC, including data entry, policyholder updates, processing of uncontested claims, accounts payable processing, bank account reconciliations, and preparation of policyholder correspondence.
Rate(s):	Direct and indirect costs incurred plus 5% markup. No fees were paid during the exam period under this agreement.

Investment Advisory Agreement

Parties:	AGC and AIG Asset Management (U.S.) LLC ("AMG")
Effective:	January 1, 1998, with American General Investment Management, LP; January 1, 2002, Assignment to AIG Global Investment Corp; December 1, 2009, Assignment to AMG; Amended May 31, 2011
Terms:	AMG provides investment advisory services except for specified exceptions.

Rate(s): The Company pays .0825% of Net Asset Value; .01% of Net Asset Value of applicable Designated Portfolios for services provided by affiliated designated managers; and .02% of Net Asset Value of applicable Designated Portfolios for services provided by unaffiliated designated managers. The Company paid fees totaling $24,918 and $194,641 in 2010 and 2011, respectively under this agreement.

Tax Payment Allocation Agreement

Parties: AGC, AIG and other affiliates

Effective: January 1, 2007

Terms: AIG files a consolidated tax return on behalf of all participants. Each company pays its portion of estimated taxes and receives its portion of the payments and refunds of the affiliated group. The effect of any adjustments made by any party will be apportioned to the subsidiary to which changes apply. The tax liability or benefit of each participant will be calculated and allocated to each participant as if they were to file a separate federal or state return. Each company will pay AIG quarterly the amount determined to be its portion of the consolidated estimated tax of the group. All differences in the estimated liability or benefit and actual liability or benefit will be settled within ninety days of filing the consolidated return. All settlements will be in cash.

Rate(s): N/A

AGC Life Corporate Guaranty of Structured Settlements – AGL and VALIC

Parties: AGC, American General Annuity Services Corp ("AGAS") and American General Assignment Corporation of New York ("AGACNY")

Effective: July 11, 2001

Terms: AGC has guaranteed structured settlements assumed by AGAS and AGACNY. The structured settlements are funded through the purchase of annuities from VALIC and AGL. VALIC and AGL are not parties to the agreement.

Rate(s): N/A

AGC Life Corporate Guaranty of Structured Settlements - USL

Parties: AGC, American General Annuity Services Corp ("AGAS") and American General Assignment Corporation of New York ("AGACNY")

Effective: December 21, 2011

Terms: AGC has guaranteed structured settlements assumed by AGAS and AGACNY. The structured settlements are funded through the purchase of annuities from USL. USL is not a party to the agreement.

Rate(s): N/A

Guarantee of AIGB Policies

Parties: AGC Life and Balder Trust on behalf of AIGB

Effective: December 19, 2002

Terms: AGC guaranteed the obligations and responsibilities with respect to certain Global Estate Manager series flexible premium variable universal life insurance policies issued by its subsidiary, AIGB. The net amount at risk retained by AIGB was $30,000; the net amount at risk retained by AGL was $14 million, the remainder of $172 million was reinsured by unaffiliated reinsurers.

Rate(s): N/A

Short-Term Investment Pool Participation Agreement

Parties: AGC, AIG Asset Management (US) LLC as Manager, State Street Bank and Trust Company as Custodian (unaffiliated), other affiliated companies

Effective: April 28, 1999, last amended December 1, 2009.

Terms: Funds will be invested in three separate investment pools distinguishable by the maturities of the short-term money market instruments purchased and placed therein.

Rate(s): Mutually agreed-upon fees, subject to regulatory approval

Administrative Services Agreement

Parties: AGC, SunAmerica Life Reinsurance Company (a Missouri "Captive")

Effective: December 31, 2011.

Terms: AGC provides the following services to the Captive: compliance/legal support, reinsurance administration, tax reporting and tax accounting, banking and other administrative services.

Rate(s): Captive agrees to reimburse AGC at cost for the services. The charges shall include all directly and indirectly allocable expenses determined in accordance with applicable law, regulations and customary insurance accounting practices.

Reinsurance Agreement

Parties: AGC, the assuming company, and AGL, the ceding company.

Effective: January 1, 2011.
Amendments effective: March 24, 2011, August 17, 2011, December 20, 2011, April 26, 2012 and January 3, 2013.

Terms: AGC Life assumes, on a coinsurance and modified coinsurance basis, a 100% quota share of AGL's net liability on certain term and universal life business which was formerly ceded by AGL to its affiliate, AIGB.

Rates: AGL paid AGC an initial consideration of 100% of the gross statutory reserves at the time of the effective date of the agreement, approximately $3.9 billion. Subsequently, AGL will pay AGC reinsurance premiums on all policies reinsured under the agreement in an amount equal to that portion of gross premium that corresponds to the portion of policies insured under the Agreement. AGC pays an experience refund to AGL if reinsurance premiums paid exceed benefit payments and other expenses and adjustments as defined in the agreement. If benefit payments and other expenses and adjustments exceed reinsurance premiums paid, the amount of the excess is carried forward and offset against future positive experience refunds.

Unconditional Capital Maintenance Agreement

Parties: AGC and AIG

Effective: March 15, 2011.

Terms: As a condition of the Reinsurance Agreement, (see above) AGC and AIG were required to enter into an Unconditional Capital Maintenance Agreement ("CMA").

Under the terms of the CMA:

1) The Company will maintain an RBC ratio of at least 2.5 times company action level RBC.
2) The ratio of cash and invested assets to reserves reinsured shall be at least two times the reserves reinsured.

3) The Company will maintain investment-grade assets of at least 10% of reinsured reserves.

Rates: N/A

FIDELITY BOND AND OTHER INSURANCE

The Company is insured under a Financial Institution Bond with a limit of $100 million on any one loss and a deductible of $10 million. This coverage complies with the recommended minimum amount of fidelity insurance according to NAIC guidelines.

The Company is also insured under the following coverages: General Liability, Domestic Property, Automobile Liability, Directors' and Officers' Liability, Workers' Compensation and Umbrella Insurance. All coverage is purchased by AIG. The Company's insurance coverage appears to be adequate.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

The Company has no employees. Services are provided to the Company by employees of affiliates under agreements described in "Affiliated Transactions". Employees of the affiliates are provided benefits typical of the industry: medical benefits (including vision and dental care), retirement benefits, a 401(k) plan, life insurance, disability insurance, family and medical leave, vacation, paid holidays, educational assistance, employee assistance and flexible spending accounts.

TERRITORY AND PLAN OF OPERATION

The Company is licensed by the state of Missouri under Chapter 376 RSMo (Life, Health and Accident Insurance Laws) to write life, annuities and endowments and accident and health insurance. At year-end 2011, the Company was also licensed in the states of Louisiana, Mississippi, Oklahoma, Pennsylvania, South Carolina and Tennessee. The Company is also an accredited reinsurer in Texas and Illinois. The Company does not write any direct business.

As a result of the execution of a reinsurance agreement with subsidiary AGL, effective January 1, 2011, the Company's primary business function changed. It previously operated almost exclusively as intermediate holding company in the AIG organization. It now operates as a reinsurance company with significant reinsurance assumptions from affiliates. The reinsurance agreement with AGL is discussed in detail in the Reinsurance section of this report.

GROWTH OF COMPANY

The table below shows the items that produced the primary changes to the Company's surplus over the last five years.

Prior to 2011, the Company operated almost exclusively as a holding company rather than as an operating insurance entity. One of the consequences of the financial crisis that began in 2008 was that fees required for the Company's Bermuda subsidiary, AIGB, to obtain letters of credit that were necessary for its assumed reinsurance became excessive. As a result, as discussed in the Reinsurance section of this report, the Company's largest subsidiary, AGL, recaptured business ceded to AIGB and ceded this business to the Company, pursuant to a new reinsurance treaty. The 2011 item below in the amount of $2.7 billion represents the initial assumed reserve liability booked by the Company upon execution of this treaty.

The other major items reflected below are the 2008 amounts of $21 billion and $19 billion that represent securities lending losses and AIG contributions to surplus to offset these losses, and the two $18.2 billion amounts in 2010 that represent the reclassification from paid in surplus to unassigned funds. This reclassification was made pursuant to a Permitted Practice granted by the DIFP.

	2007	2008	2009	2010	2011
Net Income	$ 1,257,732,864	$ (7,764,795)	$ (120,796,803)	$ (46,920,236)	$ 1,199,777,469
Change in Capital Gains	(1,301,918,152)	(21,171,358,111)	559,035,169	2,016,676,781	3,767,880,538
Paid In Surplus	1,664,394,189	19,336,973,307	1,162,527,862	(18,278,198,595)	995,188,994
Dividends/Return of Capital	(1,033,000,000)	-	(169,100,000)	(50,000,000)	(1,416,488,000)
Quasi Reorganization	-	-	-	18,282,043,450	-
Assumed Policy Reserves	-	-	-	-	(2,654,484,244)
Year-End Capital and Surplus	7,743,405,952	5,901,925,125	8,154,647,866	10,034,493,459	11,173,618,436

LOSS EXPERIENCE

Prior to 2011, the Company had minimal insurance operations and its net income resulted almost entirely from investments. Effective January 1, 2011, the Company entered into a reinsurance agreement to provide reinsurance coverage to subsidiary AGL for a substantial block of business that AGL previously reinsured with affiliate AIGB. As shown in the table below, the business assumed from this agreement changed the nature of the Company's operations in 2011, converting it from a company that operated almost solely as a holding company, to one with significant operations as a reinsurer. See the Reinsurance section below for additional details.

	2007	2008	2009	2010	2011
Premium Income	$ 2,701,755	$ 1,484,362	$ 2,877,787	$ (1,274,687)	$ 1,055,414,221
Total Benefits & Expenses	3,108,168	4,989,411	(6,293,973)	2,845,726	1,520,508,687
Investment Income	1,204,002,449	(75,338,696)	(242,845,323)	(110,183,578)	1,462,936,394
Net Income	1,257,732,864	(7,764,795)	(120,796,803)	(46,920,236)	1,199,777,469

REINSURANCE

General

As shown by the following table, the Company's reinsurance premiums increased substantially in 2011. The reason for this increase is discussed below in the Background section.

	2007	2008	2009	2010	2011
Direct Business	$ 926	$ 762	$ 45	$ -	$ -
Assumed from Affiliates	2,702,063	1,483,914	2,872,528	(1,274,687)	1,066,855,249
Assumed from Non-Affiliates	5,042	6,453	5,214	-	-
Ceded to Affiliates	-	-	-	-	11,441,028
Ceded to Non-Affiliates	6,276	6,767	-	-	-
Net Premiums	$ 2,701,755	$ 1,484,362	$ 2,877,787	$ (1,274,687)	$ 1,055,414,221

Background

The Company's subsidiaries have historically ceded business, through a combination of coinsurance and modified coinsurance ("Co/Modco") agreements, to AIGB. The primary purpose of the agreements is to provide surplus relief to the ceding companies on a Statutory Accounting Principles ("SAP") basis through the transfer of XXX and AXXX reserves to AIGB. These Co/Modco agreements result in intercompany inflation of surplus on a statutory accounting basis because of differences between U.S. and Bermuda statutory accounting rules.

The inflation of surplus occurs because the unassigned surplus of the ceding companies is increased due to the surplus relief impact of their respective Co/Modco agreements. The inflation results primarily because the ceding companies report ceded reserve credits, net of current taxes, while there is no corresponding net reduction in AIGB's surplus. This results because, although AIGB reports the mirror image assumed reserves as the ceding companies direct reserves, Bermuda accounting rules allow AIGB, as the assuming reinsurer, to recognize a reinsurance receivable under Bermuda statutory accounting rules that would not be recognized under U.S. SAP.

The SSAP's require the elimination of the surplus gains that result from the Co/Modco agreements. As the common parent of the ceding companies and AIGB, the Company followed the guidance of SSAP No. 97, "Investments in Subsidiary, Controlled, and Affiliated Entities". This guidance resulted in the adjustment of the statement value of AIGB stock to a SAP basis of accounting, resulting in reporting a zero value for the AIGB stock. Additionally, any remaining surplus gains were eliminated by recording inception-to-date unrealized losses and corresponding deferred gain liabilities in accordance with SSAP No. 25, "Accounting for and Disclosures about Transactions with Affiliates and Other Related Parties". Accordingly, the Company records a liability for "Deferred Gain on Subsidiaries Intercompany Reinsurance Agreements". The Company reported Deferred Gain liabilities of $3.5 billion as of December 31, 2009, and $2.9 billion as of December 31, 2010, and $105 million as of December 31, 2011. Corresponding unrealized gains of $0.5 million, $522 million and $2.8 billion were reported as of December 31, 2009, December 31, 2010 and December 31, 2011, respectively. As discussed in the Assumed section below, effective January, 1, 2011, the majority of the deferred gain liability, $2.6 billion, was reversed by the Company into surplus as a result of the recapture of the Co/Modco Agreement between AGL and AIGB.

Assumed

As discussed above, reinsurance transactions for the Company's largest subsidiary, AGL, were previously handled through reinsurance with AIGB. Business reinsured with AIGB required letters of credit for the ceding insurer to claim reinsurance credit because AIGB is an off-shore reinsurer. Because of changes in the market that resulted from the 2008 financial crisis, the cost of letters of credit became prohibitive and the incurrence of these costs would have resulted in significant losses for AIGB. Since AIGB is a fully owned subsidiary of the Company, these losses would have flowed directly into the income statement of the Company. In response to this environment, effective January 1, 2011, AGL fully terminated and recaptured certain reinsurance agreements with AIGB and, at the same time, entered into a reinsurance agreement with the Company to assume the recaptured business. By avoiding the payment of the fees that would have resulted under the old reinsurance arrangements, both the Company and its affiliates experienced significantly better financial results.

The recaptured business consisted of in-force blocks of term and universal life policies issued on or after March 1, 2002, for in-force policies issued on or after October 1, 2010. The specific plans or products covered were identified. The recaptured business, together with new term and universal life business to be written on the specified plans or products, was assumed by the Company under a new coinsurance/modified coinsurance agreement ("Agreement"). Approvals for the Agreement on behalf of the Company and AGL were obtained from the Texas and Missouri Departments of Insurance respectively in March 2011, with a January 1, 2011, effective date.

Two amendments to this Agreement during 2011 added replacement plans or products not originally listed in the original Agreement. A third amendment approved in April 2012, and a fourth amendment approved in January 2013, added additional replacement plans or products.

The Company assumed reserves totaling $3.9 billion at the inception of the Agreement. In addition, the termination of the reinsurance between AGL with AIGB resulted in the reversal of the deferred gain liability that had previously been held by the Company due to the reinsurance treaties between its two subsidiaries, AGL and AIGB. The after tax effect of the deferred gain liability reversal was a gain of $2,605.7 million. The net effect of recording the initial entries for the reinsurance transactions from the Agreement was a reduction to surplus of $641.5 million. The reduction in surplus was due to the non-admitted portion of the current tax receivable recoverable not being settled within 90 days.

Since the Agreement resulted in the transition of the Company from a holding company with immaterial insurance operations to a reinsurer with significant assumed premium and reserves, the DIFP required the Company to obtain a Capital Maintenance Agreement ("CMA") from ultimate controlling entity AIG prior to approving the Agreement. The CMA contained the following three major provisions:

- The Company is required to maintain an RBC ratio of at least 2.5 times the Company's regulatory action level RBC, as defined by the NAIC.
- The ratio of Company's cash and invested assets to reserves reinsured under the Agreement must be at least two times reinsured reserves at all times.
- The Company shall maintain a portfolio of investment-grade liquid assets equal to at least 10% of the reinsured reserves at all times, with these liquid assets having a duration not exceeding 10 years to maturity.

The Company reports results of the business assumed under the Agreement to the DIFP on a quarterly basis. The Company also discusses and provides documentation of the status of its continuing compliance with the above three CMA provisions during these quarterly reports.

The Company is party to other immaterial reinsurance agreements that are not addressed in this report.

Ceded

Effective December 20, 2011, the Company's parent SAFG formed a special purpose life reinsurance captive in Missouri, SunAmerica Life Reinsurance Company ("SALRE"). The Company entered into a funds withheld coinsurance agreement with SALRE effective December 31, 2011. The initial reserves ceded under this agreement totaled $11.4 million. The amount of reinsurance with SALRE is currently immaterial to the Company.

ACCOUNTS AND RECORDS

Independent Auditor

The Company's financial statements are audited annually by the accounting firm PricewaterhouseCoopers LLP. The workpapers and reports of the most recent independent audit were reviewed for this examination. These workpapers and reports were used in the course of this examination as deemed appropriate.

Independent Actuaries

Reserves and related actuarial accounts reported in the financial statements were reviewed and certified for the Company by Robert M. Beuerlein, FSA, MAAA, Senior Vice President and Chief Actuary.

Leon Langlitz, FSA, MAAA, of Lewis & Ellis, Inc., reviewed the adequacy of the Company's reserves and related actuarial items at December 31, 2011. The Lewis & Ellis, Inc. Statement of Actuarial Opinion concluded that all actuarial items included in the review were fairly stated in accordance with accepted actuarial loss reserving standards and principles, met the requirements of the insurance laws of Missouri, and reasonably provided for all unpaid losses under the terms of its policies and agreements.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the DIFP and Professional Registration as of December 31, 2011, as reflected below, were sufficient in par and market value to meet the deposit requirement for the state of Missouri in accordance with Section 376.290 RSMo (Trust deposits).

Type of Security	Par Value	Market Value	Statement Value
US Treasury Bond	$ 2,000,000	$ 2,715,940	$ 1,980,569

Deposits with Other States

The Company also has funds on deposit with South Carolina. Those funds on deposit as of December 31, 2011, were as follows:

State	Type of Security	Par Value	Market Value	Statement Value
South Carolina	US Treasury Note	$ 105,000	$ 143,848	$ 128,656

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company as of December 31, 2011, and the results of operations for the year then ended. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the "Comments on Financial Statements" which follow the financial statements.

There may have been additional differences found in the course of this examination that are not shown in the "Comments on Financial Statements." These differences were determined to be immaterial in relation to the financial statements and therefore were only communicated to the Company and noted in the workpapers for each individual annual statement item.

ASSETS

	Assets	Non-Admitted Assets	Net Admitted Assets
Bonds	$ 767,615,305	$ -	$ 767,615,305
Preferred stocks	8,500,000	-	8,500,000
Common stocks	14,323,677,183	-	14,323,677,183
Cash, cash equivalents and short-term investments	1,418,107	-	1,418,107
Investment income due and accrued	7,843,770	-	7,843,770
Uncollected premiums	260,767,992	-	260,767,992
Current federal and foreign income tax recoverable	1,350,686,502	753,686,502	597,000,000
Other amounts receivable	36,564,696	36,564,696	-
Interest Maintenance Reserve	552,972	552,972	-
Due from Brokers	1,583	-	1,583
Total Assets	**$ 16,757,628,110**	**$ 790,804,170**	**$ 15,966,823,940**

LIABILITIES, SURPLUS AND OTHER FUNDS

Aggregate reserve for life contracts	$ 4,271,151,521
Life contract claims	244,516,788
Provision for experience rating refunds	983,338
Other amounts payable on reinsurance	104,157,848
Commissions and expense allowances payable on reinsurance assumed	23,758,492
Taxes; licenses and fees due or accrued; excluding federal income taxes	55,800
Remittances and items not allocated	1,583
Asset valuation reserve	2,609,350
Payable to parent; subsidiaries and affiliates	62,015
Funds held under coinsurance	11,441,028
Payable for securities	1,583
Deferred gain on subsidiaries intercompany reinsurance agreements	104,650,480
Deferred gain	29,815,678
Total Liabilities	**$ 4,793,205,504**
Common capital stock	14,104,100
Surplus notes	2,533,206,472
Gross paid in and contributed surplus	8,626,307,864
Unassigned funds (surplus)	-
Total Surplus	11,159,514,336
Totals Surplus and Common Stock	**$ 11,173,618,436**
Totals Liabilities, Surplus and Common Stock	**$ 15,966,823,940**

SUMMARY OF OPERATIONS

Underwriting Income:		
Premiums and annuity considerations		$ 1,055,414,221
Net investment income		1,462,936,394
Amortization of interest maintenance reserve (IMR)		51,210
Total Underwriting Income		**$ 2,518,401,825**
Underwriting Expenses:		
Death benefits	$ 502,620,901	
Surrender benefits and withdrawals for life contracts	9,516,831	
Increase in aggregate reserves	385,056,924	
Totals		$ 897,194,656
Commissions and expense allowances on reinsurance assumed	$ 95,825,466	
General insurance expenses	455,586	
Insurance taxes; licenses and fees; excluding federal income taxes	41,865	
Modco Reserve Adjustment on Assumed Reinsurance	526,991,114	
Totals		$ 623,314,031
Total Underwriting Expenses		**$ 1,520,508,687**
Net Income Before Dividends, Federal and Foreign Income Taxes		**$ 997,893,138**
Dividends to policyholders		-
Net income after dividends before federal income taxes		$ 997,893,138
Federal and foreign income taxes incurred (excluding capital gains tax)		(202,419,603)
Net income after dividends, federal and foreign income taxes		$ 1,200,312,741
Net realized capital gains or (losses) less capital gains tax		(535,272)
Net Income After Dividends, Federal and Foreign Income Taxes		**$ 1,199,777,469**

CAPITAL AND SURPLUS ACCOUNT

Captial and Surplus: December 31, 2009		**$ 8,154,647,866**
Net income - 2010	$ (46,920,236)	
Change in net unrealized capital gains less capital gains tax	2,016,676,781	
Change in net deferred income tax	(680,509)	
Change in nonadmitted assets	(28,093,166)	
Change in asset valuation reserve	13,817,868	
Surplus adjustment: paid in	(18,278,198,595)	
Dividends to Stockholders	(50,000,000)	
Missouri permitted practice: quasi reorganization	18,282,043,450	
Error corrections	(28,800,000)	
Change in Surplus as Regards Policyholders - 2010		1,879,845,593
Captial and Surplus: December 31, 2010		**$ 10,034,493,459**
Net Income - 2011	$ 1,199,777,469	
Change in net unrealized capital gains less capital gains tax	3,767,880,538	
Change in net deferred income tax	(670,153)	
Change in nonadmitted assets	(752,126,115)	
Change in asset valuation reserve	46,488	
Surplus adjustment: paid in	995,188,994	
Dividends to Stockholders	(753,220,943)	
Policy reserves assumed net of taxes	(2,654,484,244)	
Return of capital	(663,267,057)	
Change in Surplus as Regards Policyholders - 2011		1,139,124,977
Captial and Surplus: December 31, 2011		**$ 11,173,618,436**

COMMENTS ON FINANCIAL STATEMENTS

There are no comments on the Company's financial statements.

GENERAL COMMENTS OR RECOMMENDATIONS

There are no general comments or recommendations.

ACKNOWLEDGEMENT

The assistance and cooperation extended by the officers and employees of AGC Life Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Douglas Daniels, CFE, CPA; Andy Balas, AES, CFE, CPA; examiners for the Missouri Department of Insurance, Financial Institutions and Professional Registration; and Leon Langlitz, FSA, MAAA, of Lewis & Ellis, Inc., participated in this examination.

VERIFICATION

State of Missouri)
) ss
County of St. Louis)

I, Richard Hayes, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of the Company, its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.

Richard Hayes, CFE, FLMI
Examiner-in-Charge
Missouri Department of Insurance, Financial Institutions and Professional Registration

Sworn to and subscribed before me this 2nd day of April 2013

My commission expires: 5-11-2016

Notary Public

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.

Michael Shadowens, CFE
Audit Manager, St. Louis
Missouri Department of Insurance, Financial Institutions and Professional Registration

ANDREA V. MOFFATT
Notary Public - Notary Seal
State of Missouri
Commissioned for St. Louis County
My Commission Expires: May 11, 2016
Commission Number: 12552590