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

ORDER

After full consideration and review of the report of the financial examination of AGC Life Insurance Company for the period ended , 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 report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, the findings and conclusions of the examination report are incorporated by reference and deemed to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo.

Based on such findings and conclusions, I hereby ORDER, 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 mentioned in the General Comments and/or 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 10th day of May, 2011.

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

REPORT OF

FINANCIAL EXAMINATION

AGC Life Insurance Company

As of:

DECEMBER 31, 2009

FILED
MAY 20 2011
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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March 28, 2011

Honorable Joseph Torti III, Superintendent
Division of Insurance Regulation
State of Rhode Island
Chairman, Financial Condition (E) Committee, NAIC

Honorable Stephen Robertson, Commissioner
Department of Insurance
State of Indiana
Secretary, Midwestern Zone, NAIC

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

Dear Sirs:

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 such or as "AGC" or as the "Company." The Company's administrative home office is located at 2727-A Allen Parkway, Houston, Texas 77019, telephone number (713) 522-1111. This examination began on May 17, 2010, and concluded on August 5, 2010.

SCOPE OF EXAMINATION

Period Covered

The last full scope association financial examination of the Company was made as of December 31, 2006, by examiners from the state of Missouri representing the Midwestern Zone of the National Association of Insurance Commissioners (NAIC) with no other zones participating.

The current full scope financial examination covers the period from January 1, 2007, through December 31, 2009, and was conducted by examiners from the state of Missouri representing the Midwestern Zone of the NAIC with no other zones participating. This examination also included material transactions or events occurring subsequent to December 31, 2009.

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 ("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 by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company, and evaluating systems controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with Statutory Accounting Principles 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: Affiliated Companies, Treasury, Investments, Debt and Surplus, and Reinsurance.

The examiners relied upon information and workpapers provided by the Company's independent auditor, PricewaterhouseCoopers, LLP, of Houston, Texas, for its audits covering the periods from January 1, 2007, through December 31, 2009. Such reliance included fraud risk analysis, internal control narratives and tests of internal controls.

SUMMARY OF SIGNIFICANT FINDINGS

AGC Life Insurance Company operates as a holding company that directly owns six domestic life insurance subsidiaries and one foreign subsidiary. The domestic subsidiaries lost $17.5 billion in 2008 as a result of their participation in a securities lending program sponsored by its upstream parent, American International Group, Inc. ("AIG"). AIG made capital contributions in 2008 to substantially offset these securities lending losses from funds primarily obtained from the U.S. government. However the subsidiaries incurred significant damage to their reputations because of their association with AIG and this reputational damage resulted in a substantial loss of business that may be considered a threat to their future level of profitability. As a result the subsidiaries could be dependent on additional capital contributions from AIG to maintain their capital positions.

Because of the damage to its financial condition that developed out of the 2008 financial crisis and the uncertainty of continued support from the U.S. government, it is not certain that AIG will be able to make future contributions to AGC's subsidiaries if needed. AIG's management performed an assessment in 2009 of its ability to continue as a going concern and concluded that it will be able to finance and operate its businesses for the next twelve months. However it also concluded that it is possible that actual outcomes could be materially different, which could result in substantial doubt about its ability to continue to operate as a going concern. If AIG is unable to continue to operate as a going concern, management believes this could have a material effect on AGC and its operations.

Prior Examination Update

Comment: Corporate Records
The prior examination report noted that the number of directors required by the Articles of Incorporation conflicted with the number required by the Bylaws and advised that the Company amend the Articles of Incorporation to resolve the conflict.

Company Response:
The Company stated that it intended to amend the Articles of Incorporation so that it would be consistent with the range set forth in the Bylaws.

Current Finding:
The Company amended its Articles of Incorporation to require the same number of directors as the Bylaws. This issue has been addressed.

SUBSEQUENT EVENTS

The Company paid extraordinary dividends of \$50,000,000 in December 2010 and \$210,000,000 in March 2011 to its parent, AIG Life Holdings (US) Inc. These dividends were funded through ordinary dividends received from the Company's insurance subsidiaries. Notice of each dividend was appropriately filed with and approved by the Missouri DIFP.

The Company received permission from the Missouri DIFP in 2010 to restate the gross paid-in and contributed surplus and unassigned funds components of its surplus. The effective date was September 30, 2010. This restatement resulted in an increase in unassigned funds in an amount equal to the contributions received from AIG (\$18.3 billion) to offset the Company's equity in its insurance subsidiaries' losses incurred as a result of their participation in the Securities Lending Program, and a corresponding decrease in gross paid-in and contributed surplus of \$18.3 billion.

Effective January 1, 2011, the Company entered a Reinsurance Agreement with its affiliate American General Life Insurance Company ("AGL"), domiciliary of Texas, in which AGC assumes, on a coinsurance and modified coinsurance basis, a 100% quota share of AGL's net liability on certain term and universal life business issued by AGL on or after March 1, 2002. The agreement was appropriately submitted to and not disapproved by the MO DIFP. Under the terms of the agreement, an initial consideration will be paid to AGC equal to 100% of the gross statutory reserve, calculated as of the date of the Agreement. Subsequently, AGL will pay AGC reinsurance premiums on all policies reinsured in an amount equal to that portion of gross premium that corresponds to the portion of policies reinsured 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. The ModCo Reserve and Memorandum Account Investment Credit as defined in the Agreement are calculated directly from the segmented asset portfolio for the business reinsured (as required by Missouri Law). The initial amount of the reinsured reserve was approximately \$3.9 billion.

The Company executed two agreements as a condition for the MO DIFP approval of the above Reinsurance Agreement, a Capital Maintenance Agreement ("CMA") and a Letter Agreement. Under the terms of the CMA, the Company will maintain an RBC Ratio of at least 2.5 times the

Company's Regulatory Action Level RBC, as defined by the NAIC. The Letter Agreement contains two representations. The first representation is that the ratio of AGC's cash and invested assets investments in cash and invested assets shall be at least two times reinsured reserves. The second representation is that the Company will maintain investment-grade assets with duration not exceeding ten years in an amount equal to at least 10% of the reinsured reserves to absorb potential losses that could result from extreme stress scenarios.

MO DIFP retained the services of Terry M. Long, FSA, MAAA, of Lewis & Ellis, Inc., to review the actuarial components of the reinsurance agreement and reserves including: the adequacy of reserving methodologies, asset adequacy, sensitivity testing and assumptions used in the financial projections for the reinsurance transaction. Lewis & Ellis, Inc. concluded in its Statement of Actuarial Opinion that the actuarial items included in the review conform with accepted actuarial standards and principles, and that the reserving methodologies, asset adequacy analysis and sensitivity testing performed, were reasonable and appropriate.

COMPANY HISTORY

General

AGC Life Insurance Company was incorporated as a life insurance company on September 1, 1982, under the laws of the state of Missouri. The Company is an indirect, wholly owned subsidiary of AIG. AGC's immediate parent is AIG Life Holdings (US) Inc. ("AIG Life Holdings"), which is, in turn, a wholly owned subsidiary of AIG. Prior to entering into a Guarantee and Pledge Agreement in 2008 with the Federal Reserve Bank of New York, as described below, AIG was the organization's Ultimate Controlling Entity.

AGC is the parent company for most of AIG/AIG Life Holdings' life insurance subsidiaries. As of December 31, 2009, AGC owned 100% of the common stock of seven life insurance companies. These subsidiaries, in turn, collectively owned 100% of three other insurance companies.

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, 2009, 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 at December 31, 2009. The following table shows the changes to the gross paid in and contributed surplus account during the examination period.

Prior to 2007	$ 4,408,698,164
2007	1,664,385,189
2008	19,336,973,307
2009	1,162,527,862
TOTAL	$ 26,572,584,522

The paid in and contributed surplus balance represents pass through contributions from AIG through AIG Life Holdings to the Company, which in turn passed the vast majority of the contributions through to its subsidiaries. The large increase in 2008 is a result of contributions by AIG to AGC's subsidiaries to offset losses incurred by the subsidiaries associated with the securities lending program. This program was discontinued in 2008.

Dividends

The Company has declared and paid cash dividends as follows:

Prior to 2007	$8,797,302,554
2007	1,033,000,000
2008	0
2009	169,100,000
Total	$9,999,402,554

Each of the dividends was paid to the Company's sole stockholder, AIG Life Holdings (US) Inc.

Acquisitions, Mergers and Major Corporate Events

There have been significant changes in the Company's organizational structure since the last examination. Because of losses that developed out of the financial crisis that began in 2008, AIG entered into a Guarantee and Pledge Agreement in September 2008 with the Federal Reserve Bank of New York ("New York Fed") by which the New York Fed provided AIG an $85 billion line of revolving credit ("Fed Facility"). Pursuant to this agreement AIG issued 100,000 shares of Perpetual, Convertible, Participating Preferred stock to a Trust established for the sole benefit of the United States Treasury, the AIG Credit Facility Trust. Three additional agreements were executed in 2009 between AIG and the New York Fed and/or the U.S. Department of Treasury that increased the federal rescue package to over $180 billion and which required AIG to issue equity interests in some of its subsidiaries for a reduction in the outstanding balance and maximum amount available to be borrowed under the Fed Facility. AGC was not one of the subsidiaries for which equity interests were issued. Certain of the Fed Facility obligations are guaranteed by certain AIG subsidiaries and are secured by a pledge of certain assets of AIG and its subsidiaries; however AGC is not a guarantor and has not pledged any of its assets to secure those obligations. As a result of the issuance of the convertible preferred stock under the above agreements, the AIG Credit Facility Trust held a 79.8% ownership in AIG as of December 31, 2009, with public shareholders owning the other 20.2%. Consequently the AIG Credit Facility Trust is now the organization's Ultimate Controlling Entity.

There were additional minor changes in the organization structure since the last examination. The Company's immediate parent's name was changed in 2007 from American General Corporation to AIG Life Holdings (US), Inc. There were also changes in the subsidiaries owned by the Company during the examination period; three of the subsidiaries owned as of the last examination date were sold or contributed to a lower tier subsidiary during the current examination period, and two new subsidiaries were acquired during the period.

Surplus Debentures

The Company has three outstanding surplus notes payable to its parent, AIG Life Holdings, as follows:

Date Issued	Maturity Date	Interest Rate	Amount of Note	Accrued Interest	Annual Interest
30-Dec-96	30-Dec-26	8.0%	\$1,450,000,000	\$322,222	\$116,000,000
25-Feb-98	25-Feb-28	7.5%	875,000,000	16,406,250	65,625,000
30-Jun-98	30-Jun-28	7.4%	188,000,000	3,478,000	13,912,000
			\$2,513,000,000	\$20,206,472	\$195,537,000

Proceeds from the issuance of the \$1.45 billion note were used to retire an \$804 million callable senior note previously issued to AIG Life Holdings and to repay \$646 million on a separate demand note also held by AIG Life Holdings.

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 notes of approximately \$48 million.

Proceeds of the issuance of the \$188 million note were contributed to two lower tier subsidiaries, Western National Life Insurance Company, formerly AIG Annuity Insurance Company and prior thereto American General Annuity Insurance Company, and The Variable Annuity Life Insurance Company.

The surplus notes have the following repayment conditions and restrictions: each payment of interest on and principal of the Note (including any payment of interest or principal in connection with any redemption of the Note) may be made only with the prior approval of the Director of the Missouri Department of Insurance, Financial Institutions and Professional Registration and any such payment of interest or principal may only be made to the extent the Company has sufficient surplus earnings to make such payment. If the Director approves a payment of interest on or principal of the Note in an amount that is less than the full amount of interest on or principal then scheduled to be paid in respect of the Note, payment of such partial amount shall be made. Interest shall not accrue on any interest due but not paid.

CORPORATE RECORDS

A review was performed of the Company's Articles of Incorporation and By-Laws. The Articles of Incorporation were amended in 2007 to change the required number of directors from nine directors to no less than nine or more than twenty-one. The Articles of Incorporation were again amended in April 2010 to change the Company's administrative office to the current address in Houston, TX. No changes were made to the By-Laws during the current examination period.

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, 2009, were as follows:

Name and Address	Principal Occupation and Business Affiliation
Robert Beuerlein Houston, TX	Senior Vice President & Chief & Appointed Actuary American General Life Companies
Jeffrey Carlson Houston, TX	Executive Vice President, Chief Service & Information Officer American General Life Companies
Don Cummings Houston, TX	Senior Vice President & Chief Financial Officer American General Life Companies
Mary Jane Fortin Houston, TX	President & Chief Executive Officer American General Life Companies
Robert Herbert, Jr. Houston, TX	Senior Vice President, Controller & Treasurer American General Life Companies
Kyle Jennings Houston, TX	Executive Vice President & General Counsel American General Life Companies
James Mallon Nashville, TN	President & Chief Executive Officer American General Life and Accident Insurance Company
David O'Leary Houston, TX	Executive Vice President & Chief Operating Officer American General Life Companies
Jay Wintrob Los Angeles, CA	President and Chief Executive Officer AIG Domestic Life and Retirement Services

Officers

The officers of the Company serving and reported on the Jurat page of the Annual Statement at December 31, 2009, were as follows:

Jay Wintrob	Chairman
Mary Jane Fortin	President & Chief Executive Officer
Kyle Jennings	Secretary

Committees

Members of the Executive Committee as of December 31, 2009, were as follows:

Don Cummings
Mary Jane Fortin
Kyle Jennings
David O'Leary
Jay Wintrob

Members of the Investment Committee as of December 31, 2009, were as follows:

Robert Beuerlein
Mary Jane Fortin
Roger Hahn
Glen Keller

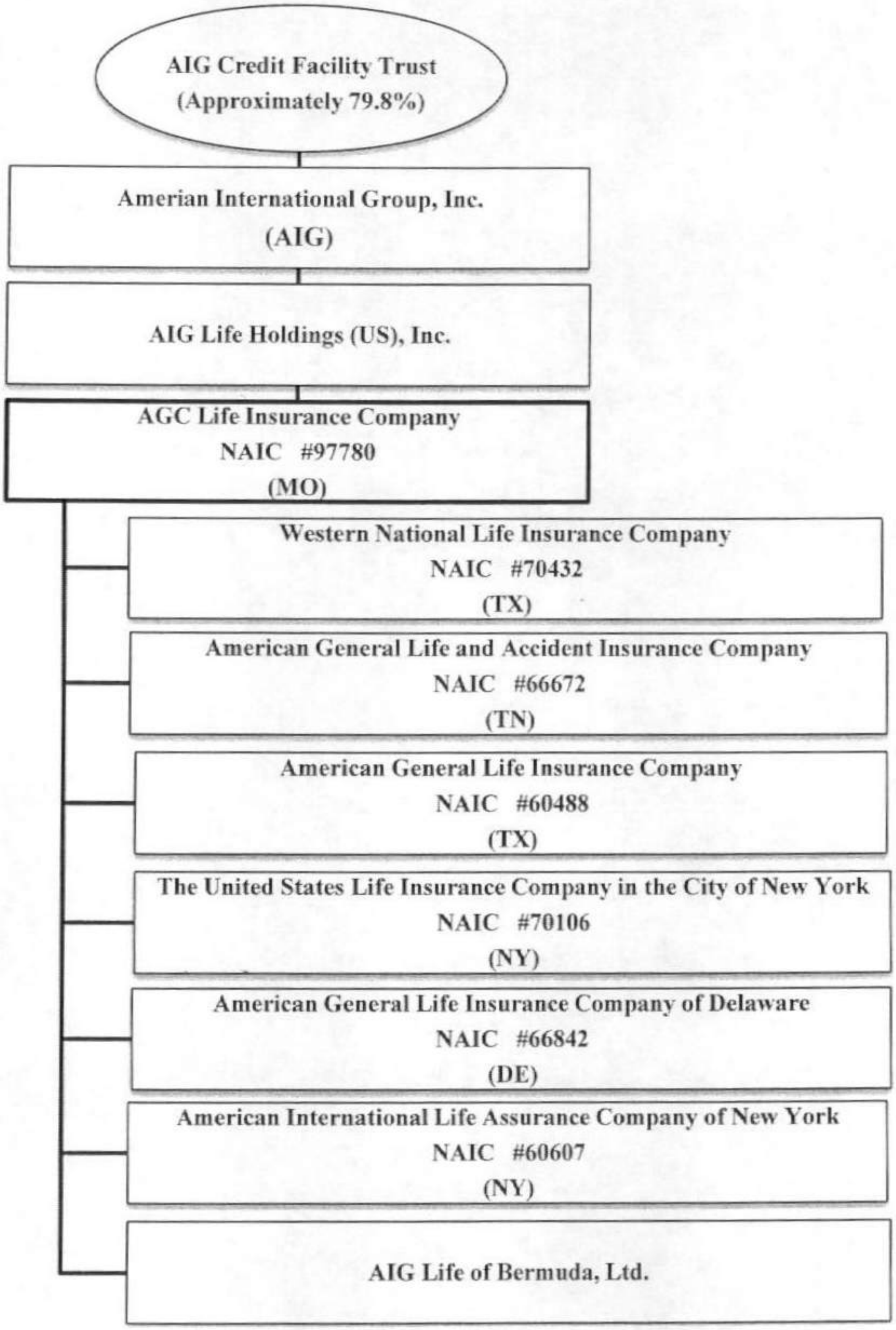
Holding Company, Subsidiaries and Affiliates

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 AIG Life Holdings (US) Inc., which in turn is a wholly owned subsidiary of AIG. The AIG Credit Facility Trust, through its 79.8% ownership of AIG, is the ultimate controlling entity.

Organization Chart

The following organizational chart depicts an abreviated portion of the holding company system at December 31, 2009. The chart only includes the Company, its parents and its directly owned subsidiaries. As shown on the chart, the AIG Credit Facility Trust now owns 79.8 % of AIG and is the Ultimate Controlling Entity.

AIG Credit Facility's ownership consists of 100% of the Series C Perpetual, Convertible, Participating Series C Preferred Stock, issued in 2009 for the benefit of the United States Treasury. The Series C Preferred Stock may be converted into approximately 79.8% of the voting shares of AIG. Public shareholders own the other 20.2% of voting shares. All subsidiaries shown are wholly owned.


AIG Credit Facility Trust
(Approximately 79.8%)
Amerian International Group, Inc.
(AIG)
AIG Life Holdings (US), Inc.
AGC Life Insurance Company
NAIC #97780
(MO)
Western National Life Insurance Company
NAIC #70432
(TX)
American General Life and Accident Insurance Company
NAIC #66672
(TN)
American General Life Insurance Company
NAIC #60488
(TX)
The United States Life Insurance Company in the City of New York
NAIC #70106
(NY)
American General Life Insurance Company of Delaware
NAIC #66842
(DE)
American International Life Assurance Company of New York
NAIC #60607
(NY)
AIG Life of Bermuda, Ltd.

Affiliated Transactions

The Company has entered into various agreements with affiliates. The agreements are discussed below:

Service and Expense Agreement

Effective January 1, 2002, the Company became a party to a Service and Expense Agreement originally effective February 1, 1974, under which American International Group, Inc. agreed to furnish or cause to be furnished at cost, services and facilities required by the Company. The Company paid $420,000 annually for services received in 2007 through 2009.

Administrative Services Agreement

Effective December 1, 2002, AGC became a party to an agreement under which Integra Business Processing Solutions Inc. (formerly known as AIG Business Processing Services, Inc.) will provide limited administrative services on behalf of the Company, including data entry, policyholder updates, processing of uncontested claims, accounts payable processing, bank account reconciliations and preparation of policyholder correspondence. In return for these services Integra Business Processing Services, Inc. will charge fees based upon the direct and indirect costs incurred plus a 10 percent markup. No fees were incurred under this agreement during the examination period.

Investment Advisory Agreement

Effective January 1, 2002, the Company agreed to the transfer by American General Investment Management, L.P. to AIG Global Investment Corp. of all its rights and all its obligations under the Advisory Agreement effective June 1, 1998. The advisory fees under the agreement are equal to .01 percent of the market value of assets managed. The Company incurred fees of $36,872, $17,807 and $27,544 in 2009, 2008 and 2007, respectively. As part of the sale of AIG's third party asset management business, the Advisory Agreement was assigned to AIG Asset Management (U.S.), LLC.

Federal Income Tax Allocation Agreements

Effective August 30, 2001, the Company entered into a consolidated federal income tax return with its life insurance subsidiaries. This agreement provides that the Company will charge the subsidiaries a portion of the consolidated tax liability that would have been paid by each subsidiary had the subsidiary filed a separate federal income tax return. Subsidiaries are reimbursed for any tax benefits from net losses within ninety days after filing of the consolidated federal income tax return for the year in which the losses are used.

The Company entered into a consolidated federal income tax allocation agreement with AIG in 2007. This agreement provides that AIG will charge AGC for that portion of the consolidated tax liability, before tax credits, that would have been paid by the Company if it had filed a separate return, and will reimburse the Company for certain deductions and tax credits. Under this agreement AIG agrees not to charge the Company a greater portion of tax liability than would have been paid by the Company if it had filed a separate return.

Intercompany Borrowing Agreement
AGC participates in an intercompany grid borrowing agreement effective January 1, 1996, whereby AGC and other subsidiaries of AGC are permitted to borrow necessary funds from AGC on a short-term basis. The funds are due on demand and bear interest quarterly based on the 30-day average commercial paper rate. No costs were incurred relating to this agreement during the examination period.

Guaranty of Structured Settlements
AGC has guaranteed the obligations and responsibilities of American General Annuity Service Corporation ("AGAS") under a structured settlements program undertaken on or after October 1, 2001. Under the program, third party defendants, or their liability insurance companies, transfer future payment obligations along with a lump sum of money to AGAS. AGAS then purchases, at fair market value, a single premium immediate annuity insurance policy from American General Life Insurance Company to cover obligations owed under the settlement or judgment.

Guaranty of AIG Life of Bermuda, Ltd Policies
Beginning in 2003, 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, AIG Life of Bermuda, Ltd.

Short-Term Investment Pool
AGC is a participant in a Short-Term Investment Pool Participation Agreement with AIG Asset Management, LLC as manager and State Street Bank and Trust Company as custodian. Funds are invested in three separate investment pools distinguishable by the maturities of the short-term money market instruments purchased.

FIDELITY BOND AND OTHER INSURANCE

The Company is insured under a Financial Institution Bond with a limit of $100 million 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, Automobile Liability, Workers' Compensation and Employer's Liability, Directors' and Officers' Liability, Property and Boiler and Machinery Insurance, Sabotage and Terrorism Insurance, Cyber Risk, and Umbrella Insurance. The Company's coverage is purchased by AIG.

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 2009, 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's only direct business is a negligible amount of group life insurance.

GROWTH OF COMPANY

AGC Life Insurance Company operates as a holding company rather than as an operating insurance entity. Consequently, as shown by the following table, the majority of its growth develops from either capital transactions with its parent or from the results of operations of its subsidiaries rather than from results of its own insurance operations. It is noted that the results of subsidiaries' operations are the primary component of the item below titled Change in Net Unrealized Capital Gains.

Year	Net Income	Change in Net Unrealized Capital Gains	Paid In Surplus	Dividends to Stockholders	Year End Capital & Surplus
2005	$ 744,711,600	$ (386,706,416)	$ 281,797,000	$ 539,900,000	$ 7,932,523,788
2006	815,791,629	(651,497,428)	69,574,418	617,450,000	7,353,471,705
2007	1,257,732,864	(1,301,918,152)	1,664,394,189	1,033,000,000	7,743,405,952
2008	(7,764,795)	(21,171,358,111)	19,336,973,307	-	5,901,925,125
2009	(120,796,803)	559,035,169	1,162,527,862	169,100,000	8,154,647,866

The most significant item in the above table is the $21 billion loss in the value of AGC's subsidiaries in 2008. This loss resulted primarily from losses experienced by the subsidiaries as a result of their participation in AIG's securities lending program. These losses aggregated approximately $17.5 billion in 2008, far in excess of AGC's total capital and surplus at any time during the last five years.

AGC's subsidiaries were Participants in AIG's securities lending program whereby an affiliated company ("AIG Securities Lending Corp.") was the Agent who managed investments and held collateral related to the securities lending transactions. AIG Securities Lending Corp. held the collateral in a restricted account that was not available for general use of the Company or any Participants. AIG Securities Lending Corp. invested a significant portion of the collateral in loan-backed and structured security investments with expected maturities that were longer than the corresponding liabilities to securities lending counterparties. During 2008 the value of the collateral securities declined significantly and the market for the securities became extremely restricted. As a result, AGC's subsidiaries recognized net realized losses on collateral assets totaling $17.475 billion in 2008 related to investments in the collateral account. AIG subsequently agreed to make contributions to the collateral account up to $5 billion to offset the obligations of Participants to contribute to the collateral account for investment losses incurred from the sale of investments made with the Securities Lending Program's collateral on and after

January 1, 2008. During the third quarter of 2008 the counterparties began requiring the return of the cash collateral. Due to liquidity restrictions, AIG entered into a Gurarantee and Pledge Agreement with the Federal Reserve Bank of New York by which the New York Fed provided AIG with an $85 billion line of revolving credit to provide liquidity for the return of collateral to the counterparties. As a result of these losses AIG made capital contributions that were passed through to AGC, (reflected above as Paid In Surplus), and AGC in turn passed the majority of the contributions on to its subsidiaries. These contributions substantially offset the securities lending losses and restored the subsidiaries to near their previous capital positions.

The securities lending program was terminated in 2008 so further losses from participation in this program will not occur. However AIG was dependent on funds received from the U.S. government Troubled Asset Relief Program to make these capital contributions subsequent to September 2008 and one repercussion of receiving these funds was damage to AIG's reputation that extended to other companies in the AIG organization, including AGC's subsidiaries. The reputational damage incurred by AGC's subsidiaries resulted in significant loss of sales that may threaten their current and future profitability. Consequently they could be dependent on additional capital contributions from AIG in the future to maintain their capital positions.

As a result of the damage to its financial condition that developed out of the 2008 financial crisis, AIG's management performed an assessment in 2009 of its ability to continue as a going concern for the next twelve months. Its conclusion was that it will have adequate liquidity to finance and operate its businesses and repay its obligations for at least the next twelve months. However it also concluded that it is possible that the actual outcome of its plans could be materially different and that one or more of its significant judgments or estimates about the potential effects of the risks and uncertainties could prove to be materially incorrect. If one of these adverse outcomes occurs AIG may need additional support from the U.S. government to meet its obligations as they come due and if this support is not provided there could be substantial doubt about AIG's ability to continue to operate as a going concern. If AIG is unable to meet its obligations as they come due, AGC's management believes this could have a material effect on AGC and its operations.

LOSS EXPERIENCE

The following exhibit shows that the Company has minimal insurance operations and that net income results almost entirely from investments, interest on surplus notes and tax benefits.

Year	Premium Revenues	Total Benefits & Expenses	Investment Income	Net Income
2005	$ 334,930	$ (2,015,190)	$ 676,915,162	$ 744,711,600
2006	3,038,650	2,784,302	762,330,654	815,791,629
2007	2,701,755	3,108,168	1,204,002,449	1,257,732,864
2008	1,484,362	4,989,411	(75,338,696)	(7,764,795)
2009	2,877,787	(6,293,973)	(242,845,323)	(120,796,803)

REINSURANCE

General

Premiums reported during the current examination period were as follows:

Premiums		2009		2008		2007
Direct Business	$	45	$	762	$	926
Reinsurance Assumed		2,877,742		1,490,367		2,707,105
Reinsurance Ceded		-		6,767		6,276
Net Premiums	$	2,877,787	$	1,484,362	$	2,701,755

Assumed

The Company assumes reinsurance from two affiliates under three agreements.

Stop-loss

Under a treaty effective October 1, 2002 (amended December 31, 2005), the Company assumes from American General Life and Accident Insurance Company ("AGLA") 100% of AGLA's liability with respect to whole and term life policies ceded by AGLA to RGA Reinsurance Company, previously Sun Life Reinsurance Company, Limited. This treaty is not significant to the Company's operations, producing only $100,000 in premium in 2009.

Co-insurance/Modified co-insurance

Under a treaty effective January 1, 2000, the Company assumed on a coinsurance/modified coinsurance basis from American General Life Insurance Company ("AGLI") 100% of AGLI's net position after 80% of the mortality risk had been reinsured through YRT coverage with a pool of reinsurers with respect to certain Universal Life policies issued by AGLI on or after January 1, 2000. These policies are designated by AGLI as Star Survivor or Medalist Select. (Riders and policy loans are specifically excluded.) AGLI retains control of all assets related to the modco reserves. This treaty was originally between the Company and All American Life Insurance Company prior to All American Life's merger into American General Life Insurance Company.

Under a treaty effective January 1, 2000, the Company assumed on a coinsurance/modified coinsurance basis from American General Life Insurance Company ("AGLI") 100% of AGLI's net position after 80% of the mortality risk had been reinsured through YRT coverage with a pool of reinsurers with respect to certain Universal Life policies issued by AGLI on or after January 1, 2000. These policies are designated by AGLI as AG Classic Plus, AG Prime Survivor Plus or UL Elite Plus. (Riders and policy loans are specifically excluded.) AGLI retains control of all assets related to the modco reserves. This treaty was originally between the Company and Old Line Life Insurance Company prior to Old Line Life's merger into American General Life Insurance Company.

Ceded

The Company discontinued ceding reinsurance business in 2009.

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.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the Department of Insurance, Financial Institutions and Professional Registration as of December 31, 2009, 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
U.S. Treasury Note	$ 2,000,000	$ 2,045,300	$ 1,979,804

Deposits with Other States

The Company also has funds on deposit with South Carolina. Those funds on deposit as of December 31, 2009, were as follows:

State	Type of Security	Par Value	Market Value	Statement Value
South Carolina	US Treasury Note	$ 125,000	$ 136,729	$ 127,152

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company as of December 31, 2009, 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		Nonadmitted Assets		Net Admitted Assets
Bonds	$	310,028,524	$	-	$	310,028,524
Preferred stocks		8,500,000		-		8,500,000
Common stocks		11,357,981,978		-		11,357,981,978
Mortgage loans: First Liens		45,731		-		45,731
Cash		118,938,763		-		118,938,763
Investment income due and accrued		4,009,786		-		4,009,786
Uncollected premiums		696,119		-		696,119
Other amounts rec under reins contracts		1,337,253		-		1,337,253
Net deferred tax asset		1,350,662		1,350,662		
Receivables from affiliates		300		-		300
Other receivables		8,603,096		8,603,096		-
Interest maintenance reserve		631,131		631,131		-
Totals	$	11,812,123,343	$	10,584,889	$	11,801,538,454

LIABILITIES, SURPLUS AND OTHER FUNDS

		Current Year
Aggregate reserve for life contracts	$	22,458,612
Other amounts payable on reinsurance		434,459
Commissions and expense allowances payable on reinsurance assumed		67,352
Taxes, licenses and fees due and accrued		83,700
Current federal and foreign income taxes		36,160,787
Borrowed money		116,242,633
Asset valuation reserve		16,473,706
Payable to affiliates		110,299
Deferred gain on subsidiaries intercompany reinsurance agreements		3,425,043,362
Deferred gain		29,815,678
Total liabilities	$	3,646,890,588
Common capital stock	$	14,104,100
Surplus notes		2,533,206,472
Gross paid-in and contributed surplus		26,572,584,522
Unassigned funds (surplus)		(20,965,247,228)
Surplus as regards policyholderes	$	8,154,647,866
Total Liabilities, Capital and Surplus	$	11,801,538,454

SUMMARY OF OPERATIONS

		Current Year
Premiums and annuity considerations	$	2,877,787
Net investment income		(242,845,323)
Amortization of interest maintenance reserve		(24,758)
Total	$	(239,992,294)
Death benefits	$	434,940
Surrender benefits and withdrawals for life contracts		769,902
Increase in aggregate reserves for life and A&H contracts		(9,809,073)
Total	$	(8,604,231)
Commissions and expense allowances on reinsurance assumed	$	345,302
General insurance expenses		460,274
Insurance taxes, licenses and fees		41,578
Reserve adjustments and asset transfers		1,463,104
Total	$	2,310,258
Net gain from operations before dividends and federal income taxes	$	(233,698,321)
Federal and foreign income taxes incurred		(70,875,453)
Net realized capital gains (losses)		42,026,065
Net income	$	(120,796,803)

CAPITAL AND SURPLUS

		Current Year
Capital and surplus, December 31, 2008	$	5,901,925,125
Net Income	$	(120,796,803)
Change in unrealized net capital gains (losses)		559,035,169
Change in net deferred income tax		(3,955,271)
Change in nonadmitted assets		(4,053,129)
Change in asset valuation reserve		(15,436,004)
Change in surplus notes		(58,000,000)
Paid in surplus adjustment		1,162,527,862
Dividends to stockholders		(169,100,000)
Cumulative effect of correction of prior period deferred gain		608,828,917
Cumulative effect of correction of prior period common stock		235,672,000
Interest expense on surplus notes		58,000,000
Change in Capital and surplus for the year	$	2,252,722,741
Capital and surplus, December 31, 2009	$	8,154,647,866

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, John Boczkiewicz, CFE, CPA, examiner for the Missouri Department of Insurance, Financial Institutions and Professional Registration 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
Richard Hayes, CFE
Examiner-in-Charge
Department of Insurance, Financial Institutions
and Professional Registration

Sworn to and subscribed before me this 6 day of August 2010
My commission expires:

Kathy L. Egan
Notary Public

Kathy L. Egan

KATHY L. EGAN
Notary Public - Notary Seal
STATE OF MISSOURI
St. Louis County
My Commission Expires: July 27, 2013
Commission # 09844667

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