



**DEPARTMENT OF INSURANCE, FINANCIAL
INSTITUTIONS AND PROFESSIONAL REGISTRATION**

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

ORDER

After full consideration and review of the report of the financial examination of AGC Life Insurance Company for the period ended December 31, 2016, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director of the 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, territory and plan of operation, growth of company, loss experience, reinsurance, accounts and records, financial statements, analysis of examination changes, comments on financial statements, and summary recommendations.

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, 2016 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) 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 26th day of September, 2018.



Chlora Lindley-Myers

Chlora Lindley-Myers, Director
Department of Insurance, Financial Institutions
and Professional Registration

REPORT OF
FINANCIAL EXAMINATION

AGC Life Insurance Company

As of:
DECEMBER 31, 2016



STATE OF MISSOURI
DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND PROFESSIONAL REGISTRATION
JEFFERSON CITY, MISSOURI

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August 30, 2018
Saint Louis, MO

Honorable Chlora Lindley-Myers, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65101

Director Lindley-Myers:

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 Life" or as the "Company." The Company's main administrative office is located at 2727-A Allen Parkway, 3-D1, Houston, TX 77019, telephone number (713) 522-1111. This examination began on January 16, 2018, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

We have performed a multi-state examination of AGC Life. The last examination was completed as of December 31, 2011. This examination covers the period of January 1, 2012 through December 31, 2016. This examination also included material transactions or events occurring subsequent to December 31, 2016.

Procedures

This full-scope 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 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, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

This examination was coordinated with the examinations of the other life insurance company subsidiaries within the American International Group, Inc. (AIG) organization. Texas is designated as the AIG life subgroup's Lead State and acted as Exam Facilitator for the coordinated examination of the life insurance subsidiaries. Missouri and New York contributed as participating states to the coordinated examination.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This includes assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment is documented separately following the Company's financial statements. The following key activities were identified during the examination: Affiliated Companies, Investments/Treasury, Reinsurance, Taxes and Capital and Surplus.

This examination report includes significant findings of fact and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

There were no material adverse findings, significant non-compliance issues or material changes to the balance sheet or income statement identified during the examination.

SUBSEQUENT EVENTS

In March 2018, AGC Life submitted a filing to the Department requesting approval of an amendment to a reinsurance agreement where AGC Life assumes business from an affiliate, American General Life Insurance Company (AGL). The amendment would restructure the coinsurance reserve factors and risk charges of the reinsurance agreement. According to the filing, the Company's assumed reserves would grow from approximately \$190 million to roughly \$2.2 billion over the next five years.

Consulting actuary, Randall Stevenson, ASA, MAAA, of Hause Actuarial Solutions, Inc. (Hause), was engaged to perform a review of the amendment. Hause concluded the treaty appears to satisfy the requirements of NAIC's model statutes and guidance for life reinsurance; the treaty is not financial reinsurance and should be allowed to be accounted under reinsurance accounting; the treaty appears to be an arm's length transaction based on reasonable risk charges, reasonable risk exchange, reasonable assumptions and mutual benefit; and the proposed capital requirements are reasonable.

COMPANY HISTORY

General

The Company was incorporated in Missouri on September 1, 1982, under the provisions of Chapter 376 RSMo, (Life, Health and Accident Insurance). The Company was licensed as a life and health insurer with lines of authority including life, annuities, and accident and health. The

Company is currently licensed in three additional states including Pennsylvania, South Carolina, and Tennessee. The Company is also an Accredited Reinsurer in the states of Illinois and Texas.

The Company is a wholly-owned subsidiary of AIG Life Holdings, Inc. (AIG Life Holdings), formerly SunAmerica Financial Group, Inc., which in turn is a wholly-owned, indirect subsidiary of AIG. AIG Life Holdings was acquired by AIG in August 2001.

Capital Stock and Paid In Surplus

The Articles of Incorporation authorize the Company to issue 250,000 shares of \$100 par value common stock, of which 141,041 shares are issued and outstanding to the Company's parent, AIG Life Holdings.

Gross paid in and contributed surplus totaled \$6,737,564,497 as of December 31, 2016. The following table shows the changes to the gross paid in and contributed surplus account during the examination period.

Paid-In:	2012	2013	2014	2015	2016
Beginning	\$ 8,626,307,864	\$ 13,039,140,777	\$ 12,056,916,396	\$ 9,862,291,783	\$ 8,362,170,772
Adjustment	5,801,757,367	474,840,721	101,664,000	3,279,159	(1,624,606,275)
Return	(1,388,924,454)	(1,457,065,102)	(2,296,288,613)	(1,503,400,170)	0
Totals	<u>\$ 13,039,140,777</u>	<u>\$ 12,056,916,396</u>	<u>\$ 9,862,291,783</u>	<u>\$ 8,362,170,772</u>	<u>\$ 6,737,564,497</u>

The \$5.8 billion paid in surplus adjustment in 2012 resulted primarily from two intercompany transactions that were approved by the DIFP. The first was the forgiveness by AIG Life Holdings in May 2012 of surplus notes totaling \$2.5 billion. The second was a contribution by AIG Life Holdings to the Company in December 2012 of 100% of its ownership interest in two subsidiaries. The combined value of the two subsidiaries was \$3.2 billion.

Dividends

With DIFP approval, portions of dividends paid during the examination period were classified as a return of capital. The following shows the allocation of dividends to return of capital:

Booked To:	2012	2013	2014	2015	2016
Dividends	\$ 1,019,300,000	\$ 3,280,872,421	\$ 6,739,883,291	\$ 2,043,202,298	\$ 2,883,993,725
Return of Capital	1,388,924,454	1,457,065,102	569,611,305	3,230,077,478	1,624,606,275
Totals	<u>\$ 2,408,224,454</u>	<u>\$ 4,737,937,523</u>	<u>\$ 7,309,494,596</u>	<u>\$ 5,273,279,776</u>	<u>\$ 4,508,600,000</u>

All dividends paid during the examination period were to AIG Life Holdings.

Acquisitions, Mergers and Major Corporate Events

In 2008, liquidity concerns at AIG surfaced due to its securities lending program. AIG was no longer able to secure financing, raise capital, or borrow funds from insurance company subsidiaries and relied on the U.S. government for support to meet its obligations. As a result, AIG issued billions of dollars in stock to the U.S. Department of Treasury (Treasury) and terminated its securities lending program. At year-end 2010, the Treasury owned approximately 92% of the outstanding AIG common stock. In March 2013, AIG completed the repurchase of

stock issued to the Treasury, and as a result, Treasury no longer has any residual ownership interest in AIG.

In December 2012, AIG reorganized its life and retirement division and several mergers occurred. The purpose of the reorganization was to implement a more efficient legal entity structure while continuing to market products and services under existing brands. As a result of the reorganization the number of AIG subsidiaries was reduced and the Company became the wholly-owned parent of three U.S. subsidiaries, American General Life Insurance Company (AGL), Variable Annuity Life Insurance Company (VALIC), and The United States Life Insurance Co. in the City of New York (USLIC).

Surplus Debentures

The Company had three outstanding surplus notes at the end of the prior examination period totaling \$2.5 billion, each payable to AIG Life Holdings. AIG Life Holdings forgave these surplus notes in May of 2012 and the Company booked the transactions to Gross Paid In and Contributed Surplus. As a result the Company did not have any surplus debentures outstanding at December 31, 2016.

CORPORATE RECORDS

The Company's Articles of Incorporation and Bylaws were reviewed. There were no amendments to either document during the examination period.

The minutes of the shareholder, board of directors and relevant committee 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 Board of Directors of the Company consists of nine members, elected for one year terms. The members elected and serving as of December 31, 2016, were as follows:

<u>Name</u>	<u>Principal Occupation</u>
Katherine A. Anderson Houston, Texas	Senior Vice President and Chief Risk Officer American General Life Companies
Thomas J. Diemer Houston, Texas	Executive Vice President and Chief Financial Officer American General Life Companies
Deborah A. Gero Los Angeles, California	Senior Vice President and Chief Investment Officer AIG Asset Management, (U.S.), LLC

Jana W. Greer Los Angeles, California	President Individual Retirement SAFG Retirement Services, Inc.
Elias F. Habayeb New York, NY	Deputy Chief Financial Officer AIG, Inc.
Michael P. Harwood Houston, Texas	Senior Vice President and Chief Actuary American General Life Companies
Kevin T. Hogan New York, NY	President and Chief Executive Officer, Consumer Insurance AIG, Inc.
Jonathan J. Novak New York, NY	President Institutional Markets AIG, Inc.
Rodney E. Rishel Houston, Texas	Chief Executive Officer Life, Health and Disability AIG, Inc.

Officers

The Senior Officers elected and serving as of December 31, 2016, as reported on the Jurat Page of the Annual Statement, were as follows:

<u>Name</u>	<u>Office</u>
Kevin T. Hogan	Chairman of the Board, CEO and President
Thomas J. Diemer	Executive Vice President and Chief Financial Officer
Jana W. Greer	President Individual Retirement
Michael P. Harwood	Senior Vice President and Chief Actuary

Committees

Members of the Committees serving as of December 31, 2016, were as follows:

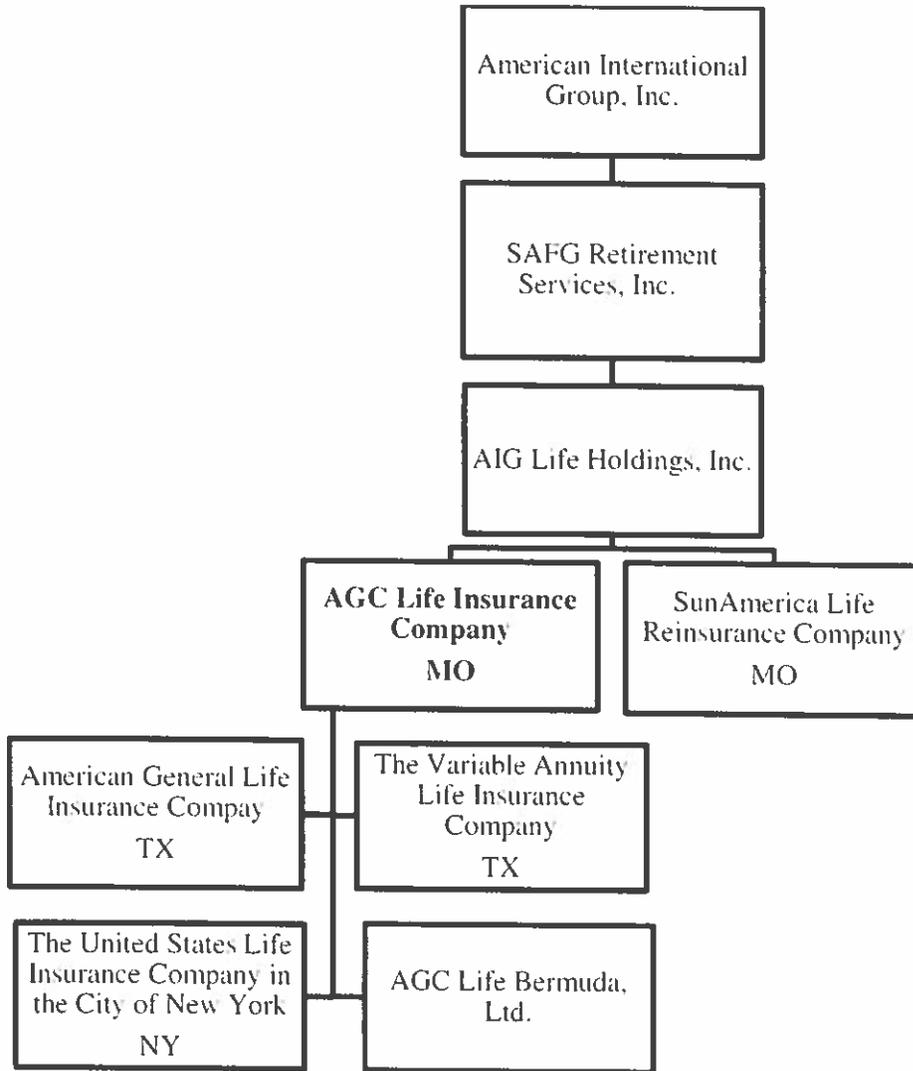
<u>Executive Committee</u>	<u>Audit Committee</u>	<u>Investment Committee</u>
Kevin T. Hogan, <i>Chairman</i>	Kevin T. Hogan, <i>Chairman</i>	Kevin T. Hogan, <i>Chairman</i>
Thomas J. Diemer	Katherine A. Anderson	Thomas J. Diemer
Katherine A. Anderson	Michael P. Harwood	Deborah A. Gero

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, which in turn, is a wholly owned subsidiary of AIG. AIG is the ultimate parent of the holding company system. An Insurance Holding Company Registration Statement was filed by AIG for each year under examination.

Organization Chart

The following organizational chart depicts a portion of the holding company system at December 31, 2016, of which the Company is directly a part, and includes other Missouri domestic insurance company affiliates and their subsidiaries. All subsidiaries are wholly owned.



Affiliated Transactions

AGC Life was party to the following intercompany agreements as of December 31, 2016:

Service and Expense Agreement

Parties: AGC Life, AIG and other affiliates
Effective: February 1, 1974. AGC Life was added effective January 1, 2002.
Terms: Each party agrees to provide services to other parties as requested.
Rate(s): Costs are allocated in conformity with insurance accounting principles.

Administrative Services Agreement

Parties: AGC Life and Integra Business Processing Solutions Inc. (Integra) (fka AIG Business Processing Services, Inc.)
Effective: December 1, 2002.
Terms: Integra provides limited administrative services on behalf of AGC Life, including data entry, policyholder updates, processing of uncontested claims, accounts payable processing, bank account reconciliations, and preparation of policyholder correspondence.
Rate(s): The fees charged are based upon the direct and indirect costs incurred plus a 5% markup.

Investment Advisory Agreement

Parties: AGC Life and American General Investment Management, L.P.
Effective: January 1, 1998. Assigned to AIG Global Investment Corp. effective January 1, 2002. Assigned to AIG Asset Management (U.S.), LLC (AMG) effective December 1, 2009.
Terms: AMG provides investment advisory services.
Rate(s): The fee charged AGC Life equals 0.01 percent of the market value of assets managed.

Tax Payment Allocation Agreement

Parties: AGC Life, AIG, and other affiliates.
Effective: January 1, 2007.
Terms: AIG files on behalf of participants. 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.
Rate(s): Each quarter, AGC Life pays AIG an amount determined to be its portion of the consolidated estimated tax of the group. All differences in estimated liability or benefit and actual liability or benefit are settled within ninety (90) days of filing the consolidated return.

Guaranty of Structured Settlements

Parties: AGC Life and American General Annuity Services Corporation (AGASC)
Effective: July 1, 2001
Terms: AGC Life guarantees the obligations of AGASC arising from structured settlement annuities and qualified assignment agreements assumed by AGASC from third party defendants or liability insurance companies. AGASC funds the structured settlement obligations through the purchase of annuities from AGL.
Rate(s): No costs associated with this guaranty.

AGC Life Insurance Company Corporate Guarantee

Parties: AGC Life and AGASC
Effective: December 21, 2011
Terms: AGC Life guarantees the obligations of AGASC arising from structured settlement annuities and qualified assignment agreements in New York assumed by AGASC. AGASC funds the structured settlement obligations through the purchase of annuities from USLIC.
Rate(s): No costs associated with this guarantee.

Guarantee of AGC Life Insurance Company

Parties: AGC Life and AIG Life of Bermuda, Ltd (AIGB)
Effective: December 19, 2002 and March 1, 2003
Terms: AGC Life guarantees the obligations and responsibilities with respect to certain Global Estate Manager series flexible premium variable universal life insurance policies issued by AIGB in favor of the Balder Trust, Pine Tree Trust and KBBG International, Inc.
Rate(s): No costs associated with this guarantee.

Short-Term Investment Pool Participation Agreement

Parties: AGC Life, American General Investment Management, L.P. (AGIM), affiliated pool participants and State Street Bank and Trust Company (unaffiliated custodian)
Effective: April 28, 1999. Fourth Amendment replaced AGIM with AIG Global Investment Corp (AIGGIC) effective January 1, 2002. Fifth Amendment replaced AIGGIC with AIG Asset Management (U.S.), LLC (AMG) effective December 1, 2009.
Terms: Funds are invested in three separate investment pools distinguishable by the maturities of the short-term money market instruments purchased and places therein.
Rate(s): Mutually agreed-upon fees subject to regulatory approval.

Administrative Services Agreement

Parties: AGC Life and SunAmerica Life Reinsurance Company (SALRE)
Effective: December 28, 2011
Terms: AGC Life provides compliance/legal support, reinsurance administration, tax reporting and tax accounting, banking and other administrative services to SALRE.
Rate(s): SALRE agrees to reimburse AGC Life at cost for the services provided by AGC Life pursuant to the Agreement. The charge to SALRE shall include all directly and indirectly allocable expenses determined in accordance with applicable law, regulations and customary insurance accounting practices.

Master Intra-Company Services Agreement

Parties: AGC Life, SALRE, and AIG Technologies, Inc. (AIGT) (fka AIG Global Services, Inc.)
Effective: December 31, 2012
Terms: AIGT will provide network connectivity, application hosting, and other information technology services.
Rate(s): Fees are based on a rate card developed by a third party IT advisory consultant.

Master Intra-Company Data Services Agreement

Parties: AGC Life, SALRE, and AIG Offshore Systems Services, Inc. (AIGOSS)
Effective: March 1, 2015
Terms: AIGOSS will provide data quality management, data architecture, data reporting and visualization, and related technical support.
Rate(s): Fees are based on direct and indirect costs, except where transfer pricing provisions apply or a profit margin is required by law.

Services Agreement

Parties: AGC Life and AIG Markets, Inc. (AIG Markets)
Effective: September 22, 2014
Terms: AIG Markets provide certain derivatives execution and support services, collateral management services, short-term investment management (including repurchase agreements and securities lending), and operational support services to AGC Life.
Rate(s): The fee charged represents the actual costs and expenses, both external and internal, allocated to or incurred by AIG Markets in providing such services.

TERRITORY AND PLAN OF OPERATION

AGC Life is licensed with the DIFP under Chapter 376 RSMo (Life, Health and Accident Insurance) to write life, annuities and endowments, and accident and health insurance. At year-end 2016 the Company was also licensed in Pennsylvania, South Carolina and Tennessee. The Company is also an accredited reinsurer in Texas and Illinois. The Company does not write direct business.

Prior to 2011, AGC Life operated almost exclusively as an intermediate holding company in the AIG organization. AGC Life's primary business function changed in 2011 as a result of the execution of a reinsurance agreement with AGL. At that time AGC Life began operating as a reinsurance company with significant assumptions from affiliates. This plan of operations continued through the current examination period. Effective December 31, 2016, AGL recaptured the business ceded pursuant to the 2011 treaty, which nearly eliminated AGC Life's book of assumed business. At the same time, AGC Life entered into plans with AGL to begin assuming a different block of business in 2017. AGC Life expects the 2017 block of business, along with the new 2018 business described in the Subsequent Events section above, should result in assumed reserves growing to \$2.2 billion by 2022.

GROWTH OF COMPANY

The following table shows the primary sources of the Company's growth during the examination period.

	2012	2013	2014	2015	2016
Net Premium Income	\$ 1,077,592,516	\$ 1,123,435,951	\$ 1,204,940,527	\$ 1,259,970,535	\$ (14,503,967,216)
Total Admitted Assets	19,938,322,909	20,893,329,012	18,475,485,963	15,059,478,279	14,756,689,450
Total Liabilities	5,255,490,771	5,855,064,734	8,598,750,080	6,683,203,407	2,445,478,205
Unassigned Surplus	1,629,587,261	2,967,243,782	340,000	0	5,559,542,648
Capital and Surplus	14,682,832,138	15,038,264,278	9,876,735,883	8,376,274,872	12,311,211,245

Net premium income was relatively steady from 2012 through 2015, but decreased by \$15.8 billion in 2016 to a negative \$14.5 billion. This decrease was the result of the recapture of a major reinsurance treaty in 2016 by the Company's subsidiary, AGL, as discussed in Territory and Plan of Operations. Simultaneous with this recapture, AGL ceded a majority of the recaptured business to Hannover Life Reassurance Company of America (Hannover). The recapture and cession to Hannover produced the significant changes shown above to the assets and liabilities. The 2016 gain that resulted from the recapture was partially offset by dividends paid to AGC Life's parent.

The 2014 and 2015 changes in the capitalization accounts resulted primarily from dividends and a return of capital distributions to AGC Life's parent.

LOSS EXPERIENCE

The following exhibit illustrates the Company's underwriting results during the examination period.

	2012	2013	2014	2015	2016
Net Premium Income	\$ 1,077,592,516	\$ 1,123,435,951	\$ 1,204,940,527	\$ 1,259,970,535	\$ (14,503,967,216)
Net Investment Income	924,005,040	3,736,976,075	8,524,260,118	2,804,454,193	3,494,102,173
Benefits and Expenses	1,447,201,842	1,388,345,322	1,609,384,814	1,511,812,285	(20,903,501,330)
Net Income	547,673,719	3,668,038,171	8,210,637,307	2,590,114,714	7,961,895,925

The Company reported net underwriting and investment gains in each year of the examination period. The underwriting experience resulted primarily from the business assumed from AGL pursuant to the 2011 reinsurance agreement. The recapture of this business on December 31, 2016 produced the significant changes shown above in premium income, benefits and expenses, and net income. The large investment income increase in 2014 resulted from increased dividends received from subsidiaries.

REINSURANCE

General

AGC Life's primary purpose is to operate as a reinsurance company for AIG's consumer life operations. The Company does not write direct business. All premium recorded during the examination period was assumed from affiliate AGL.

The Company's written premium activity on an assumed and ceded basis for the period under examination is detailed below:

Reinsurance:	2012	2013	2014	2015	2016
Assumed	\$ 1,067,428,190	\$ 1,119,496,440	\$ 1,167,694,652	\$ 1,241,097,365	\$ (14,514,995,548)
Ceded	515,334	392,544	32,804	(212,094)	0
Net Premium Written	\$ 1,066,912,856	\$ 1,119,103,896	\$ 1,167,661,848	\$ 1,241,309,459	\$ (14,514,995,548)

Assumed

There are currently two reinsurance agreements in effect where AGC Life assumes business from AGL. The first agreement, effective January 1, 2000, is a modified coinsurance agreement that covers a closed block of universal life products with secondary guarantees. The second agreement, effective January 1, 2011, is a modified coinsurance agreement that covers term life insurance policies with long-term premium guarantees and universal life policies with secondary guarantees subject to NAIC Model Regulation XXX.

Effective December 31, 2016, AGL recaptured the term and universal life policies under the agreement. As a result of the recapture, AGC Life's reserves decreased from \$6.1 billion to \$19.7 million.

In conjunction with the 2011 reinsurance agreement noted above, AGC Life entered into a Capital Maintenance Agreement (CMA). The CMA contained the following three major provisions:

- The Company is required to maintain a Risk-Based Capital (RBC) ratio of at least 2.5 times the Company's Regulatory Action Level RBC, as defined by the NAIC.
- The ratio of the 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 non-affiliated investment-grade liquid assets equal to at least 10% of the reinsured reserves at all time, with these liquid assets having a duration not exceeding 10 years to maturity.

The Company discusses and provides documentation of the status of its continuing compliance with the above three CMA provisions to regulators on a quarterly basis.

Ceded

The Company entered into a funds withheld coinsurance agreement with affiliate SALRE effective December 31, 2011. The agreement with SALRE was commuted on October 1, 2015, with no material impact on the Company's financial statements. The Company is contingently liable for all reinsurance losses ceded to others. This contingent liability would become an actual liability in the event that an assuming reinsurer fails to perform its obligations under the reinsurance agreement.

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 Frank Kophamel, FSA, MAAA, Vice President and Appointed Actuary.

Aaron Hodges, ASA, MAAA and Sean Fulton, ASA, MAAA, both staff actuaries for the Texas Department of Insurance, reviewed the adequacy of the Company's reserves. Their review concluded that the Company's reserves were reasonable as of the examination date.

Information Systems

Courtney Hamill, Information Systems Examiner with the Texas Department of Insurance led a team of examiners during the review of the Company's information systems. She found the Company's information technology general controls to be effective.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements as filed by AGC Life with the DIFP and present the financial condition of the Company as of December 31, 2016, 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 the Financial Statements," which follow the financial statements.

There may have been additional differences found in the course of this examination, which are not shown in the "Comments on the Financial Statements." These differences, if any, 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

	<u>Assets</u>	<u>Non-Admitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$ 1,090,471,015		\$ 1,090,471,015
Preferred stocks	8,500,000		8,500,000
Common stocks	13,215,987,470		13,215,987,470
Cash, cash equivalents and short-term investments	6,542,029		6,542,029
Receivables for securities	441,225		441,225
Subtotals: cash and invested assets	<u>\$ 14,321,941,739</u>	<u>-</u>	<u>\$ 14,321,941,739</u>
Investment income due and accrued	6,694,160		6,694,160
Uncollected premiums	342,220,022		342,220,022
Other amounts receivable	85,833,529		85,833,529
TOTAL ASSETS	<u>\$ 14,756,689,450</u>	<u>-</u>	<u>\$ 14,756,689,450</u>

Liabilities, Surplus and Other Funds

Aggregate reserve for life contracts	\$ 19,771,230
Life (contract claims)	357,826,217
Provision for experience rating refunds	455,566
Other amounts payable on reinsurance	3,146,018
Interest maintenance reserve	2,307,835
Commissions and expense allowances payable on reinsurance assumed	42,267,794
Taxes, licenses and fees due or accrued	109,970
Current federal and foreign income taxes	1,886,994,564
Remittances and items not allocated	38,391
Asset valuation reserve	6,006,960
Payable to parent, subsidiaries and affiliates	224,252
Deferred Gain on Subsidiaries Intercompany Reinsurance Agreements	48,740,200
Deferred Gain on Lighthouse	47,773,530
Deferred Gain	29,815,678
TOTAL LIABILITIES	<u>\$ 2,445,478,205</u>
Common capital stock	\$ 14,104,100
Gross paid in and contributed surplus	6,737,564,497
Unassigned funds (surplus)	5,559,542,648
Surplus	12,297,107,145
TOTAL CAPITAL AND SURPLUS	<u>\$ 12,311,211,245</u>
TOTAL LIABILITIES AND SURPLUS	<u>\$ 14,756,689,450</u>

Summary of Operations

Premiums and annuity considerations	\$ (14,503,967,216)
Net investment income	3,494,102,173
Amortization of Interest Maintenance Reserve	780,687
Total Revenues	<u>\$ (11,009,084,356)</u>
Death benefits	\$ 753,959,389
Surrender benefits and withdrawals for life contracts	12,419,107
Increase in aggregate reserves for life and accident and health contracts	(6,181,580,120)
Commissions and expense allowances on reinsurance assumed	(6,329,771,500)
General insurance expenses	420,658
Insurance taxes, licenses and fees	26,250
Modco Reserve Adjustment on Assumed Reinsurance	(9,158,975,114)
Total Underwriting Deductions	<u>\$ (20,903,501,330)</u>
Net gain from operations before federal income taxes and capital gains (losses)	\$ 9,894,416,974
Federal and foreign income taxes incurred	1,932,199,432
Net realized capital gains or (losses)	(321,617)
NET INCOME	<u>\$ 7,961,895,925</u>

Reconciliation of Capital and Surplus

Net income	\$ 7,961,895,925
Chg unrealized cap gains	518,576,782
Chg in AVR	(233,233)
Paid in surplus adj's	(1,624,606,275)
Dividends stockholders	(2,883,993,725)
Lighthouse deferred gain	27,642,870
Prior period adjustment	(64,345,971)
Net change for year	<u>\$ 3,934,936,373</u>
Capital and Surplus, December 31, 2016	<u>\$ 12,311,211,245</u>

ANALYSIS OF EXAMINATION CHANGES

No adjustments or reclassifications were made as a result of the examination.

COMMENTS ON THE FINANCIAL STATEMENTS

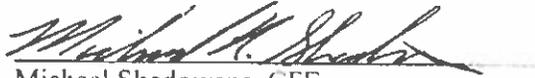
There are no comments on the financial statements.

SUMMARY OF RECOMMENDATIONS

There are no recommendations.

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