REPORT ON EXAMINATION

of the

AMERICAN GENERAL PROPERTY INSURANCE COMPANY

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Dept. Of Commerce & Insurance
Company Examinations

458N American General Center

Nashville, Tennessee 37250

as of

December 31, 2006

DEPARTMENT OF COMMERCE AND INSURANCE

STATE OF TENNESSEE

NASHVILLE, TENNESSEE

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STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE
INSURANCE DIVISION
500 JAMES ROBERTSON PARKWAY - 4TH FLOOR
NASHVILLE, TENNESSEE 37243-1135

Nashville, Tennessee
June 2, 2008

Honorable Alfred W. Gross Chairman, NAIC Financial Condition (E) Committee Virginia Bureau of Insurance P. O. Box 1157 Richmond, Virginia 23218-1157	Honorable Leslie A. Newman Commissioner of Commerce & Insurance State of Tennessee 500 James Robertson Parkway Nashville, Tennessee 37243
Honorable Thomas R. Sullivan Secretary, Northeastern Zone, NAIC Connecticut Department of Insurance 153 Market Street, 7th Floor Hartford, CT 06103	Honorable Scott Richardson Secretary, Southeastern Zone, NAIC South Carolina Department of Insurance Capital Center 1201 Main Street, Suite 1000 Columbia, SC 29201
Honorable Merle D. Scheiber Secretary, Midwestern Zone, NAIC South Dakota Division of Insurance Department of Revenue and Regulation 445 East Capital Avenue Pierre, South Dakota 57501-3185	Honorable Morris Chavez Secretary, Western Zone, NAIC New Mexico Insurance Division PERA Building 1120 Paseo de Peralta Santa Fe, NM 87501

Commissioners:

Pursuant to your instructions and in accordance with the Tennessee Insurance Laws, regulations, and resolutions adopted by the National Association of Insurance Commissioners (NAIC), a financial examination was made of the conditions and affairs of the

AMERICAN GENERAL PROPERTY INSURANCE COMPANY
NASHVILLE, TENNESSEE

as of December 31, 2006, hereinafter and generally referred to as the "Company" or AGPIC.

INTRODUCTION

This examination was arranged by the Department of Commerce and Insurance of the State of Tennessee (TDCI or Department) under rules promulgated by the NAIC. It was commenced on June 4, 2007, and was conducted by duly authorized representatives of the TDCI. Due to the Company being licensed in many states, this examination is classified as an Association examination and therefore was called through the NAIC's Examination Tracking System. However, notice of intent to participate was not received from any other state. This examination was made simultaneously with the Company's affiliate, American General Life and Accident Insurance Company (AGLA).

The previous examination was made as of December 31, 2001, by examiners of the State of Tennessee, and an examiner from the State of Delaware representing the Northeastern NAIC zone. Their report on examination contained a few criticisms requiring corrective action by the TDCI. The three (3) recommendations and subsequent Directives from the Examination Order from the prior report concerned excess statutory deposits, free access to books and records, and following SSAP No. 10 guidance as to its method of accounting for Federal Income Tax recoverables. The Company corrected all of the problems stated in the last report.

SCOPE OF EXAMINATION

This examination covers the period January 1, 2002, through December 31, 2006, and includes any material transactions and/or events occurring subsequent to the examination date which were noted during the course of examination.

During the course of examination, assets were verified and valued, and liabilities were determined or estimated as of December 31, 2006, in accordance with rules and procedures as prescribed by the statutes of Tennessee, the Company's state of domicile. The examination of the financial condition of the Company was conducted in accordance with guidelines and procedures contained in the *NAIC Financial Condition Examiners Handbook.*

An examination of all assets and liabilities contained in the financial statement of this report was made and individual items were verified with a degree of emphasis determined by the examiner-in-charge during the planning stage of the examination. Independent actuaries were utilized in the review of the Company's loss reserves and loss adjustment expense reserves. In addition, independent reinsurance specialists were utilized in the review of the Company's reinsurance agreements and overall reinsurance program.

A letter of representation, dated as of the date of this report and certifying that management has disclosed all significant matters and records, was obtained from management and has been included in the work papers of this examination.

The Company is audited annually as part of the audit conducted for the holding company system, of which it is a member, by an independent accounting firm. The auditors' workpapers for the year ended 2006 were made available to the examiners during the planning phase of this examination. Workpapers of the auditors' substantive testing and their documentation of the Company's procedures and verification of internal controls were relied upon where sufficient for the purposes of this examination. Copies of these workpapers are included in the examination files where appropriate.

An examination was also made into the following matters:

- Company History
- Growth of Company
- Charter and Bylaws
- Management and Control
- Holding Company System
- Pecuniary Interest of Officers and Directors
- Corporate Records
- Fidelity Bond and Other Insurance
- Employee Benefits and Pension Plans
- Territory and Plan of Operation
- Loss Experience
- Reinsurance
- Agreements with Parent, Subsidiaries and Affiliates
- Litigation and Contingent Liabilities
- Statutory Deposits
- Accounts and Records
- Financial Statements

These will be discussed as follows:

COMPANY HISTORY

The Company was incorporated as NPO Insurance Company (NPO), a Tennessee company, on September 24, 1974. NPO was wholly-owned by NLT Corporation (NLT). Another wholly-owned subsidiary of NLT, Service Casualty Company of New York was incorporated under the laws of New York on August 31, 1945. The name of this company was changed to The National Property Owners Insurance Company on February 13, 1974. On January 1, 1975, National Property Owners Insurance Company was merged with and into NPO and the name of the surviving corporation was immediately changed to The National Property Owners Insurance Company (National Property Owners).

NLT became a wholly-owned subsidiary of American General Corporation (AGC) via an Agreement of Merger, supplemented by an Agreement and Plan of Merger, effective November 4, 1982. Effective January 27, 1984, NLT paid a dividend of the outstanding capital stock of National Property Owners to AGC, and on December 20, 1985, the TDCI approved a petition for the acquisition of National Property Owners by Maryland Casualty Company, a subsidiary of AGC.

On May 15, 1989, Maryland Casualty was acquired by Zurich Insurance Company and National Property Owners was given as a dividend to AGC. National Property Owners changed its name to American General Property Insurance Company (the Company) effective January 1, 1990. On June 30, 1992, the Company merged with Interstate Fire Insurance Company, with the Company being the surviving entity.

The Company's Parent, AGC, completed its acquisition of the Independent Insurance Group, Inc. (IIG) of Jacksonville, Florida, on February 29, 1996. IIG's subsidiaries included four property and casualty insurance companies that write basic needs fire products, primarily in the Southeast. Subject to the terms of an Agreement and Plan of Reorganization, one of IIG's subsidiaries, Independent Fire Insurance Company (IFIC), was merged with the Company effective February 28, 1999. In accordance with the terms of the Agreement, the Company transferred 150,741 of its issued and outstanding shares to IFIC, a Florida-domiciled insurer, in exchange for IFIC's assets exclusive of its certificates to write insurance in the various states in which it is licensed. The assets were transferred subject to all liabilities, obligations, claims, security interests and encumbrances of IFIC which were assumed by the Company. The TDCI approved the transfer and the Agreement and Plan of Reorganization between IFIC and the Company on May 7, 1999.

On March 30, 1999, pursuant to a Stock Purchase Agreement between AGC Life Insurance Company (AGC Life), AGLA and State National Holdings, Inc., dated October 5, 1998, IFIC was sold to State National Holdings, Inc., an unaffiliated Delaware corporation. The sale of IFIC was approved by the Florida Department of Insurance via a Consent Order issued on March 17, 1999. On March 30, 1999 at the closing of the sale of IFIC to State National Holdings, Inc., 150,741 of the issued and outstanding shares of the Company were transferred by IFIC to its sole shareholders, AGC Life and AGLA in the following numbers and percentages:

a. 66,130 shares were transferred to AGC Life. AGC Life previously held 25,000 shares of the Company. Following the transfer, AGC Life owns 91,130 shares of the Company, representing 51.85% of the total issued and outstanding shares of the Company.

b. 84,611 shares were transferred to AGLA. AGLA did not previously hold any of the Company's shares; AGLA now owns 48.15% of the total and issued outstanding shares of the Company.

Although the Company's immediate ownership was affected by this transaction, AGC remained the ultimate controlling person of the Company, AGC Life and AGLA.

On August 29, 2001, AGC was acquired by American International Group (AIG), a Delaware corporation. AIG is the leading U.S. based international insurance and financial services organization and the largest underwriter of commercial and industrial insurance in the United States. In connection with the acquisition, AIG issued approximately 290 million shares of its common stock in an exchange for all of the outstanding common stock of AGC based on an exchange ratio of 0.5790 of a share of AIG common stock for each share of AGC common stock. For a full description of the Company's stockholders and their ownership refer to the Holding Company System section on page 8 and the organizational chart in Attachment A of this report.

The Company's capital structure appears in the 2006 Annual Statement as follows:

Common capital stock	$17,574,100
Gross paid-in and contributed surplus	27,166,656
Unassigned funds (surplus)	6,730,956
Total surplus as regards policyholders	$51,471,712

GROWTH OF COMPANY

The following exhibit depicts certain aspects of the growth and financial history of the Company for the period subject to this examination according to its annual statements as filed with the TDCI:

Year	Admitted Assets	Liabilities	Surplus as Regards Policyholders	Premiums Earned
2002	$90,518,389	$19,166,922	$71,351,467	$21,752,218
2003	62,253,908	17,513,152	44,740,756	19,115,158
2004	62,116,598	16,836,046	45,280,552	14,855,932
2005	62,525,087	15,175,552	47,349,535	10,861,121
2006	65,270,522	13,798,810	51,471,712	8,757,318

CHARTER AND BYLAWS

The original Charter of the Company was filed with the Tennessee Secretary of State on September 23, 1974. The Charter of the Company in effect at December 31, 2006, is the Company's Amended and Restated Charter that was adopted by the Board of Directors, since the last amendment on September 23, 1998. No Amendments or Restatements were made to the Company's Charter during the period of examination.

The Bylaws of the Company in effect at December 31, 2006, are the Company's Amended and Restated Bylaws that were adopted by the Board of Directors on November 8, 2004, filed with

TDCI on June 1, 2005, and went into effect on April 27, 2005. There were only minor changes made to the Company's Bylaws from the one (1) previously in effect since February 11, 1991. The Bylaws provide for an annual shareholders' meeting at which a Board of Directors is elected. Officers are elected by the Board of Directors. The Bylaws are such as generally found in corporations of this type and contain no unusual provisions. They provide for the regulation of the business and for the conduct of the affairs of the Company, the Board of Directors and its shareholders.

Dividends to Stockholders

The Company paid one cash dividend to its shareholders during the period of examination. The dividend of $35,000,000 was determined to be extraordinary based upon its definition as stated in Tenn. Code Ann. § 56-11-206(b)(2). The Company notified the TDCI of the extraordinary cash dividend on November 20, 2003 in accordance with Tenn. Code Ann. § 56-11-205(e). The Company paid the stated dividend to its shareholders on December 30, 2003.

MANAGEMENT AND CONTROL

The Company's Bylaws state that the business and affairs of the corporation shall be managed by a Board of Directors who shall be elected at the annual meeting of the shareholders. Directors need not be shareholders. The Company's Bylaws state that the number of directors shall consist of five (5) or more as set forth from time to time by resolution of the Board of Directors. A majority of directors constitutes a quorum.

On January 3, 2006, the Board of Directors resolved to increase the Board to nine (9) members. Directors serve until the next annual meeting of the shareholders and thereafter, until a successor has been elected.

The following persons were duly elected by the shareholders on May 1, 2006, and were serving as members of the Board of Directors at December 31, 2006:

Name	**Principal Occupation**
Rodney Owen Martin, Jr.	Sr. Chairman of the Board (AGPIC, AGLA)
Matthew Evan Winter	Chairman of the Board (AGPIC, AGLA)
James Arthur Mallon	President and CEO (AGPIC, AGLA)
Mary Jane Bartolotta Fortin	Chief Financial Officer (AGPIC, AGLA)
Gary Dalton Reddick	Chief Administrative Officer (AGPIC, AGLA)
Gregory Alan Hayes	Senior Vice President and Treasurer (AGPIC, AGLA)
Merton Bernard Aidinoff	External Director for AIG
David Lawrence Herzog	Controller for AIG Corporate
Christopher Jerome Swift	CFO for AIG Worldwide Life Insurance Group

The Company's Bylaws require that the Board hold an annual meeting of the stockholders for the purpose of electing directors and for such other business, shall be held at such place, either within or without Tennessee, and at such time and date before July 1 of each year. The Company's general practice is to hold its annual shareholders meetings in early May.

The Bylaws allow any action required or permitted to be taken at a meeting of the Board, or of any committee thereof, may be taken without a meeting, if prior to such action a written consent thereto is signed by all Board or committee members and such written consent is filed with the minutes of proceedings. Such consent shall have the same force and effect as a vote at a meeting. Any or all of the stockholders, directors, or committee members may participate in meetings by means of conference telephone or similar communication equipment.

The Bylaws provide that the officers of the corporation shall consist of a President, Treasurer, and a Secretary and such other officers or assistant officers, including Chairman of the Board, Vice Presidents and Treasurer, as may be designated and elected by the Board of Directors. The President shall be a director; however none of the other officers need be directors. One person may simultaneously hold more than two offices except the President may not simultaneously hold the office of Secretary.

The following persons were duly elected by the Board of Directors on May 1, 2006, and were serving as officers of the Company at December 31, 2006:

Name:	**Title:**
Rodney Owen Martin, Jr.	Sr. Chairman of the Board
Matthew Evan Winter	Chairman of the Board
James Arthur Mallon	President and CEO
Mary Jane Bartolotta Fortin	Chief Financial Officer
Gary Dalton Reddick	Chief Administrative Officer
Gregory Alan Hayes	Senior Vice President and Treasurer
Charles Kenneth Gibson	Vice President and Controller
Elizabeth Margaret Tuck	Secretary

Executive Vice Presidents:

Mary Jane Bartolotta Fortin	David William O'Leary	Gary Dalton Reddick

Senior Vice Presidents:

Verna Celeste Anderson	Robert Michael Beuerlein	Jeffrey Howard Carlson
Brenda Sue Curtis	Scott Alan German	Gregory Alan Hayes
Robert Frank Herbert, Jr.	Kyle Lynn Jennings	Edmund David McClure

Vice Presidents:

Rick Allen Borchert	David Scott Brasington
Charles Kenneth Gibson	Richard Waldo Scott

The Board of Directors may designate, establish and charter such committees as it deems necessary or desirable, each comprised of two (2) or more directors. The executive committee shall have all the powers of the Board in the interim between meetings of the Board. Other committees shall have and exercise only that authority of the Board delegated to it by the resolution creating such committee.

As of the examination date, the Company only had an executive committee. Members of the executive committee at the examination date were as follows:

Executive Committee
Rodney Owen Martin, Jr. *
Matthew Evan Winter
James Arthur Mallon
Mary Jane Bartolotta Fortin
Gary Dalton Reddick

* - denotes committee chairman

HOLDING COMPANY SYSTEM

The Company is a member of an insurance holding company system as defined by Tenn. Code Ann. § 56-11-201. The company is a wholly-owned subsidiary of AGC Life. AGC Life has 51.85% of direct stockholdings in the Company and 48.15% of indirect stockholdings through its wholly-owned subsidiary, AGLA. AGC Life is a wholly-owned subsidiary of AIG Life Holdings (US) Inc., formerly AGC. AIG Life Holdings (US) Inc. is owned directly by AIG. AIG is the ultimate parent of the Company. The Company operates as a subsidiary of the AIG, a non-insurance holding company incorporated in Delaware. AIG files a Holding Company Registration Statement annually as required by Tenn. Code Ann. § 56-11-205.

In addition, the company has a wholly-owned subsidiary, American General Property Insurance Company of Florida (AGPIC-FL).

AIG Life Holdings (US) Inc., AGC Life, AGLA, and AGPIC-FL are also included in the holding company group of AIG. AIG stock is publicly traded on the NYSE, under the ticker symbol AIG. An organizational chart is included at the end of this report.

PECUNIARY INTEREST OF OFFICERS AND DIRECTORS

The Company's ultimate parent, AIG, has established a conflict of interest policy for its officers, directors and employees. The policy in effect as of the examination date was enacted after the Company and its Parent Company merger in 2001. The Company is subject to AIG's Code of Conduct which contains a discussion of Ethical Business Standards. The policy is detailed and describes all aspects of what constitutes a conflict, how they should be avoided and employee procedures related to them. The Company's officers, directors, and employees complete the AIG Code of Conduct Re-Certification and Questionnaire on an annual basis. AIG's Corporate Legal Compliance Group (CLCG) has direct responsibility for the distribution, collection and review of the Code of Conduct questionnaire. The human resource manager at each company helps ensure that officers, directors, and employees complete the questionnaire on a timely basis. Any potential conflict of interests is brought to the immediate attention of an attorney in the CLCG.

This questionnaire is used for all entities within the holding company system and persons required to complete the certificate sign only one form regardless of the number of positions they hold with different companies throughout the system. In 2002, the CLCG implemented a process whereby officers and directors can complete the annual Code of Conduct questionnaire online via AIG's intranet site. The examiner reviewed the questionnaires completed by the Company's directors and major officers for the period under review with no exceptions.

CORPORATE RECORDS

The minutes of meetings of the Company's Shareholders, Board of Directors, and committees were reviewed for the period under examination. They appear to properly reflect the acts of these respective bodies.

FIDELITY BOND AND OTHER INSURANCE

The Company is listed as a named insured on a Financial Institution Bond carried by AIG. Other insurance policies were reviewed and the Company is listed as a named insured on the following insurance coverages maintained by AIG at December 31, 2006:

Professional Liability	Director and Officer Liability
Blanket Property, Boiler, & Machine	Automobile Liability
Commercial General Liability	Commercial Umbrella Liability
Workers' Compensation	Commercial Umbrella Excess Liability

The Company's fidelity coverage is in excess of the suggested minimum amount per the *NAIC Financial Condition Examiners Handbook*. The bonds and policies affording the aforementioned coverages were inspected and appear to be in-force as of the date of this examination. All of the above policies were issued by companies licensed to transact business in the State of Tennessee or by authorized surplus lines insurers. Similar coverage's were in effect as of the date of this examination report.

EMPLOYEE BENEFITS AND PENSION PLANS

The Company receives all management, administrative and general services from AIG in accordance with the Services and Expense Agreement that is described later in the report under the heading Agreements with Parent, Subsidiaries and Affiliates. As of December 31, 2006, the Company had no employees, therefore no employee benefit plans. However, AIG provides its employees with term life insurance, medical insurance, disability insurance, a defined benefit pension plan and a 401(k) retirement plan.

TERRITORY AND PLAN OF OPERATION

Territory

As of December 31, 2006, and as of the date of this examination report, the Company is a stock for profit property and casualty insurance company licensed to transact business in the District of Columbia, and all states except for Alaska, Hawaii, Nevada, New Hampshire, New Jersey, New York and Wyoming. Certificates of Authority granted by the licensed states were reviewed and found to be in force at year-end 2006.

The Company currently has no applications pending for admission to any other states or territories. However, the Company does intend to apply for additional licenses during 2008, as management anticipates that the Company will be used in the future to market personal lines products of AIG's Property & Casualty Group, provided that all required regulatory approvals are obtained. Premium tax records were reviewed for all states in which the Company writes business and no exceptions were noted.

Plan of Operation

The Company is a property and casualty insurance company domiciled in Tennessee. The Company specializes in fire and allied lines of insurance with fire lines representing approximately 80% of premium volume. The Company's products are marketed through agents of AGLA in 11 of the 44 states in which the Company is licensed, with primary focus in Alabama, Georgia, Mississippi, South Carolina and Tennessee. Agents of AGLA service the policies of the Company, and employees of American General Life Companies (AGLC) provide substantially all administrative services. An organizational chart is attached as an Appendix.

The Company began non-renewing all of its remaining business in most states beginning in January 2007, with the exception of Louisiana and Georgia. The Company began non-renewals in these two states in March and July 2007, respectively. After the remaining inforce policies have been non-renewed, the Company's remaining operations will primarily pertain to the settlement of claims associated with old assumed reinsurance business.

LOSS EXPERIENCE

As developed from applicable amounts included in the Company's annual statements filed with the TDCI, the ratios of losses and loss adjustment expenses ("LAE") incurred to earned premiums for the period subject to this examination were as follows:

Year	Losses & LAE Incurred	Earned Premiums	Loss Ratio
2002	$11,549,905	$21,752,218	53.1%
2003	9,834,475	19,115,158	51.4%
2004	7,844,971	14,855,932	52.8%
2005	6,155,063	10,861,121	56.7%
2006	4,707,083	8,757,318	53.8%
Total All Years	$40,091,497	$75,341,747	53.2%

REINSURANCE AGREEMENTS

The Company routinely assumed and ceded reinsurance with other insurance companies. Certain Company reinsurance agreements are summarized below.

Assumed Reinsurance with Affiliates

American Home Assurance Company

The Company participated in three reinsurance treaties individually at 11.11% where a pool of companies took the following:

1. 2.5% of a layer of reinsurance whereby the Pool assumed all classes of Bodily and Personal Injury Liability and Property Damage Liability, Workers Compensation, Employers Liability, Voluntary Compensation, Occupational Disease, Glass, and Excess Casualty business thru an excess of loss agreement effective July 1, 1970. The Pool participated in the layer of reinsurance in the amount of $2.2 million in excess of $1 million.
2. 5% whereby the Pool assumed the layer of reinsurance in the amount of $1.3 million in excess of $3.2 million in regards to the risks in the above referenced treaty.
3. 5% participation of 43.69% (AGPIC's participation was .5555% of 100% (11.11% of 5%) of 100%) whereby the Pool assumed the layer of reinsurance in the amount of $1 million in excess of $4.5 million in regards to the risks in the above referenced treaty.

The agreements with American Home were terminated effective September 1, 1971.

Lexington Insurance Company

The Company participated in a reinsurance treaty individually at 3.9% where a pool of companies took the following:

A reinsurance treaty at 2.5% whereby the Pool assumed Occupational and Other Diseases risks thru an excess of loss agreement effective January 1, 1974. The Pool participates in the layer of reinsurance in the amount of $3 million in excess of $2 million. This agreement was terminated for new business effective January 1, 1976.

Yosemite Insurance Company

The Company participated in a reinsurance treaty at 10% where a pool of companies took the following:

The Pool participated in a reinsurance treaty at 1.5% whereby the Pool assumed Umbrella Liability risks thru an excess of loss agreement effective December 1, 1972. The Pool participated in the layer of reinsurance in the amount of $4 million in excess of $1 million. This agreement was terminated for new business effective December 31, 1974.

In another reinsurance treaty, the Company participated at 2.5% where a pool of companies took the following:

The Pool participated in a reinsurance treaty at 3% whereby the Pool assumed Umbrella Liability risks thru an excess of loss agreement effective December 1, 1972. The Pool participated in the layer of reinsurance in the amount of $4 million in excess of $1 million. This agreement was terminated for new business effective December 31, 1974.

Ceded Reinsurance with Affiliates

National Union Fire Insurance Company of Pittsburgh

The company cedes its personal lines property catastrophe risks thru an excess of loss agreement with National Union Fire Insurance Company of Pittsburgh. The property risks include, but are not limited to, homeowners multiple peril (property perils only), dwelling and home service fire and inland marine. Auto coverage is excluded.

The agreement provides $14 million in excess of $1.5 million per loss occurrence only when two or more risks or policies are involved in the same loss occurrence with one full reinstatement during the term of the agreement.

Other Considerations:

All of the Company's significant reinsurance agreements were found to contain such language as recommended by the NAIC and as required for reinsurance credit pursuant to Tenn. Code Ann. § 56-2-207(a)(2). All agreements also appear to effectuate proper transfer of risk in accordance with SSAP No. 62 and NAIC guidelines.

AGREEMENTS WITH PARENT, SUBSIDIARIES AND AFFILIATES

The Company had five (5) agreements with affiliated companies in effect as of December 31, 2006. The following are summaries of the agreements in effect as of this examination of the Company:

Service and Expense Agreement with AIG:

Effective January 1, 2002, the Company entered into a Service and Expense Agreement with its ultimate parent, AIG. This Agreement replaces the Original Servicing Agreement dated July 31, 1975, with American General Group.

According to the terms and provisions of the Agreement, AIG agrees to provide the Company and it subsidiaries and affiliates of AIG certain expenses with certain administrative services for its internal operations and processing its insurance business. Such services include managerial and administrative support, equipment, office space, and marketing and product support and such other services as may be required.

The Company has no employees of its own. Services necessary to its business are provided by AIG pursuant to the Agreement. The compensation paid by the Company to AIG shall be paid monthly by an installment advance on the current quarter's billing equal to approximately one-third of the quarter's total billing determined on the basis of previous billings. The amount of the quarterly billing, less installment payments shall be payable upon receipt of the billing by the Companies as per Addendum No. 1, dated May 21, 1975. Transactions under the Agreement for Services were reviewed for compliance with the Agreement and charges appear to be commensurate with services rendered.

The original Service and Expense Agreement was executed on February 1, 1974, and the Company was added by the 28th amendment on January 1, 2002, as were other entities as they were acquired by AIG. The Agreement was determined to satisfy the requirements of Tenn. Code Ann. § 56-11-206(a)(1).

Consolidated Federal Income Tax Allocation Agreement with AGPIC-FL:

The Company is party to an Agreement concerning the filing of Consolidated Federal Income tax Returns beginning Tax Year 2001. The Agreement was entered into between the Company and its subsidiary AGPIC-FL.

The Agreement states the Consolidated Group elects to file their federal income tax return pursuant to elections under Sections 1502 and 1504(c)(2) of the Internal Revenue Code of 1986. The consolidated tax liability is allocated to each member of the consolidated group based upon the percentage of each member's tax computed on a separate return basis to the total tax so computed for all members. In lieu of actual payments, adjustments to intercompany payables and receivables will be made if such exist on the Company's books. Transactions under the Tax Allocation Agreement were reviewed for compliance with the Contract with no exceptions.

The Agreement was executed on September 11, 2002, and approved by the TDCI on April 4, 2002, in accordance with Tenn. Code Ann. § 56-11-206(2)(D). The Agreement terminated as of December 31, 2006 pursuant to its terms. The Company paid AGPIC-FL $225,931 for the purpose of settling its federal income tax liability for the tax year ended December 31, 2006.

This agreement was disclosed by the Company in its 2006 Holding Company Registration Statement.

Short-term Investment Pool Participation Agreement with American International Group Global Investment Corporation (AIGGIC):

Effective January 1, 2002, the Company entered into a Short-Term Investment Pool Participation Agreement with an affiliate, American International Group Global Investment Corporation (AIGGIC), which replaced the prior Investment Manager, American General Investment Management, LLC, (AGIM).

The terms and conditions under the AIGGIC Investment Pool Agreement will remain the same it just replaced AGIM with AIGGIC. The agreement permits the insurers and other AIG affiliates to invest funds in three short-term pools: a liquidity pool consisting of money market instruments with short maturities, a money market pool consisting of intermediate-term money market instruments; and a securities lending pool consisting of money market instruments with intermediate maturities. The agreement states that AIGGIC will manage the pool and State Street Bank and Trust Company will be the fund custodian. The proposed Investment Pool Agreement dated April 28, 1999 was submitted for prior approval to the TDCI on July 9, 1999 in accordance with Tenn. Code Ann. § 56-11-206 (2) (D) and received approval on August 18, 1999.

The Company is party to the Investment Pool Agreement with all other entities in the American General Group. The companies and State Street have amended this agreement four times: July 11, 2000; September 11, 2000; October 16, 2000, and January 1, 2002. The Fourth Amendment agrees to change the name of the three separate Investment Pools and to replace AGIM with AIGGIC as manager of the Pools. AIGGIC assumes the duties and responsibilities of manager under this Agreement. The First Amendment removed "certain provisions which unnecessarily" restricted the Pools investment opportunities. The Second and Third Amendments added "certain subsidiaries and affiliates of AGC" as a party to this Agreement upon signature.

In consideration of the services provided, the Company compensates the investment pool manager, "AIGGIC will be paid a fee mutually agreed to from time to time by AIGGIC and the companies that is approved by the insurance department of each of the companies' state of domicile, if required". Transactions under the Investment Pool Agreement were reviewed for compliance with the Contract with no exceptions.

Investment Advisory Agreement with American International Group Global Investment Corporation (AIGGIC):

The Company's investment manager, American General Investment Management LP (AGIM), was replaced by AIG Global Investment Corp (AIGGIC) in an Investment Advisory Agreement executed on January 1, 2002. This Agreement provides that AIGGIC manages the Company's assets.

Under the terms of the agreement, the Company is provided investment advisory and management services subject to the guidelines as specified in the agreement. In consideration of the services provided, the Company compensates the investment manager quarterly in arrears at six (6) basis points per annum (or less) of the market value, including cash and accrued interest, of the Portfolio's assets under management as of the final business day of the quarter. Transactions under the Investment Advisory Agreement were reviewed for compliance with the Contract with no exceptions.

This agreement was submitted for prior approval to the TDCI in accordance with Tenn. Code Ann. § 56-11-206 (2) (D) and received approval on March 22, 2002.

Memorandum of Understanding with AGLA:

The Company is also a party to a Memorandum of Understanding between itself and AGLA whereby AGLA's sales personnel will issue and service insurance policies on behalf of the Company. In return, the Company agrees to "pay AGLA for its services an amount equal to ten percent (10%) of Insurance Revenues [premiums collected less returns]."

This Memorandum which was addressed in the previous examination is an "informal interpretation of one aspect of the services that are to be provided under the terms and conditions of the Servicing Agreement" (discussed above). The Servicing Agreement was determined in the previous examination to satisfy the requirements of Tenn. Code Ann. § 56-11-206(a) (1).

LITIGATION AND CONTINGENT LIABILITIES

During the period of examination and as of December 31, 2006, the Company is a party to various pending legal proceedings arising in the ordinary course of business, including some asserting significant damages arising from claims under insurance policies, disputes with agents and other matters. Based in part upon the opinion of its counsel as to the ultimate disposition of such lawsuits and claims, Company management believes that the liability, if any, resulting from the disposition of such proceedings will not be material to the Company's financial condition or results of operations.

STATUTORY DEPOSITS

In compliance with statutory and other requirements, the Company maintained deposits with the named jurisdictions or custodians as of December 31, 2006.

The following are deposits with states where special deposits are for the benefit of all policyholders, claimants, and creditors of the Company:

Jurisdiction	Description of Security	Book/Adjusted Carrying Value	Fair Value	Par Value
Tennessee - Department of Insurance	US Treasury Bonds 5.250%, Due 11-15-2028 CUSIP# 912810FF0	$118,977	$115,354	$110,000
Tennessee - Department of Insurance	US Treasury Notes 6.625%, Due 05-15-2007 CUSIP# 9128272U5	1,700,508	1,699,447	1,690,000
Tennessee - Department of Insurance	US Treasury Notes 6.125%, Due 08-15-2007 CUSIP# 9128273E0	130,076	130,823	130,000
Tennessee - Department of Insurance	US Treasury Notes 3.625%, Due 05-15-2013 CUSIP# 912828BA7	498,854	489,959	520,000
	Sub-Total	$2,488,415	$2,435,583	$2,450,000

The following are deposits with jurisdictions where special deposits are **not** for the benefit of all policyholders, claimants, and creditors of the Company:

Jurisdiction	Description of Security	Book/Adjusted Carrying Value	Fair Value	Par Value
Florida - Department of Insurance	Cook Cnty, IL Bonds 5.125%, Due 11-15-2026 CUSIP# 213185AA9	$110,290	$116,349	$110,000
Florida - Department of Insurance	Cook Cnty, IL Bonds 5.125%, Due 11-15-2026 CUSIP# 213185AB7	40,073	41,718	40,000
Georgia - Department of Insurance	US Treasury Bonds 5.375%, Due 02-15-2031 CUSIP# 912810FP8	34,686	37,491	35,000
Louisana - Department of Insurance	US Treasury Notes 6.625%, Due 05-15-2007 CUSIP# 9128272U5	70,435	70,391	70,000
New Mexico - Department of Insurance	Los Angeles CA Bonds 5.000%, Due 07-01-2025 CUSIP# 544644M61	52,364	53,347	50,000
New Mexico - Department of Insurance	US Treasury Bonds 5.250, Due 02-15-2029 CUSIP# 912810FG8	49,631	52,438	50,000
New Mexico - Department of Insurance	US Treasury Notes 3.625%, Due 05-15-2013 CUSIP# 912828BA7	259,021	254,402	270,000
North Carolina - Department of Insurance	US Treasury Notes 6.625%, Due 05-15-2007 CUSIP# 9128272U5	85,528	85,475	85,000
North Carolina - Department of Insurance	US Treasury Notes 3.625%, Due 05-15-2013 CUSIP# 912828BA7	287,802	282,669	300,000
Oregon - Department of Insurance	US Treasury Notes 3.625%, Due 05-15-2013 CUSIP# 912828BA7	393,329	386,314	410,000
South Carolina - Department of Insurance	US Treasury Bonds 5.250%, Due 11-15-2028 CUSIP# 912810FF0	21,632	20,973	20,000
South Carolina - Department of Insurance	US Treasury Notes 6.625%, Due 5-15-2007 CUSIP# 9128272U5	100,621	101,112	100,000

Jurisdiction	Description of Security	Book/Adjusted Carrying Value	Fair Value	Par Value
South Carolina - Department of Insurance	US Treasury Notes 3.625%, Due 05-15-2013 CUSIP# 912828BA7	124,714	122,489	130,000
Texas - Department of Insurance	US Treasury Notes 3.625%, Due 05-15-2013 CUSIP# 912828BA7	47,967	47,112	50,000
Virginia - Department of Insurance	US Treasury Notes 5.625%, Due 05-15-2008 CUSIP# 9128274F6	335,705	334,202	300,000
	Sub-Total	$2,013,798	$2,005,928	$2,020,000
	Grand-Total	$4,462,213	$4,441,511	$4,470,000

Deposits with said jurisdictions or custodians were verified by direct correspondence with the custodians of such deposits.

ACCOUNTS AND RECORDS

Tenn. Comp R. & Regs., ch. 0780-1-65.07 (3) states that no partner or other person responsible for rendering a report by a certified public accounting firm may act in that capacity for more than seven (7) consecutive years. In 2002, the Company switched accounting firms to PricewaterhouseCoopers LLP. Therefore, the Company is in compliance with this regulation.

During the course of the examination, accounts were verified by various tests and procedures deemed necessary to establish values for assets and liabilities appearing in the Company's financial statements. Test checks, for selected periods, were made of premium receipts, investment income, interest due and accrued, claim payments, and other disbursements. All annual statements for the period under examination were reviewed for completeness and adequacy of disclosure. The Company's risk-based capital filings were reviewed and a sample was tested for correctness. These test checks and reviews revealed no material discrepancies.

Financial Statement

There follows a statement of assets, liabilities and a statement of income as of December 31, 2006, together with a reconciliation of capital and surplus for the period under review, as established by this examination.

Assets

	Assets	Non-Admitted Assets As a Result of the Exam	Net-Admitted Assets
Bonds	$50,345,512		$50,345,512
Common Stocks	11,611,808		11,611,808
Cash and Cash Equivalents	1,196,344		1,196,344
Receivables for securities	12,096		12,096
Investment Income Due and Accrued	741,464		741,464
Premiums and Considerations:			
Uncollected premiums and agents' balances in course of collection	334,222		334,222
Reinsurance:			
Amounts recoverable from reinsurers	9,935		9,935
Current federal and foreign income tax recoverable	147,513		147,513
Net deferred tax asset	555,121		555,121
Guaranty funds receivable or on deposit	26,661		26,661
Receivables from parent, subsidiaries and affiliates	289,846		289,846
Totals	$65,270,522	$0	$65,270,522

Liabilities, Surplus and Other Funds

Losses		$12,074,493
Reinsurance payable on paid losses and LAE		69,325
Loss adjustment expenses (LAE)		84,401
Commissions payable, contingent commissions and other similar charges		16,809
Other expenses		17,933
Taxes, licenses and fees		512,140
Unearned premiums		341,061
Advance premiums		132,927
Ceded reinsurance premiums payable		(43,359)
Remittances and items not allocated		97,877
Provision for reinsurance		1,892
Payable to parent, subsidiaries and affiliates		11,901
Aggregate write-ins for liabilities		481,410
Total Liabilities		$13,798,810
Common capital stock	$17,574,100	
Gross paid in and contributed surplus	27,166,656	
Unassigned funds (surplus)	6,730,956	
Surplus as Regards Policyholders		51,471,712
Totals		$65,270,522

Statement of Income

UNDERWRITING INCOME:		
Premiums earned		$8,757,318
Losses incurred	$3,992,325	
Loss expenses incurred	714,758	
Other underwriting expenses incurred	2,738,326	
Aggregate write-ins for underwriting deductions	200	
Total underwriting deductions		7,445,609
Net Underwriting Gain or (Loss)		$1,311,709
INVESTMENT INCOME:		
Net investment income earned	$2,587,819	
Net realized capital gains or (losses)	(702)	
Net Investment Gain or (Loss)		2,587,117
OTHER INCOME:		
Aggregate write-ins for miscellaneous income	$22,706	
Total Other Income		22,706
Net income before dividends to policyholders and before federal and foreign income taxes		$3,921,532
Dividends to policyholders		0
Net income, after dividends to policyholders but before federal and foreign income taxes		$3,921,532
Federal and foreign income taxes incurred		437,389
Net Income		$3,484,143

Capital and Surplus Account

	2002	2003	2004	2005	2006
Total Surplus as Regards Policyholders December 31, prior year	$63,962,239	$71,351,467	$44,740,756	$45,280,552	$47,349,535
Net income or (loss)	$5,053,829	$14,747,808	$3,689,121	$2,853,860	$3,484,143
Change in net unrealized capital gains or (losses)	2,232,264	(5,989,597)	(1,798,302)	(501,483)	809,177
Change in net deferred income tax	230,517	(498,284)	(21,573)	311,946	(248,062)
Change in non-admitted assets	(128,687)	129,059	(1,329,450)	(593,448)	76,919
Change in provision for reinsurance	1,305	303	-0-	(1,892)	-0-
Dividends to stockholders	-0-	(35,000,000)	-0-	-0-	-0-
Net change in surplus as regards policyholders for the year	$7,389,228	($26,610,711)	$539,796	$2,068,983	$4,122,177
Total Surplus as Regards Policyholders December 31, current year	$71,351,467	$44,740,756	$45,280,552	$47,349,535	$51,471,712

ANALYSIS OF CHANGES IN FINANCIAL STATEMENT AND COMMENTS RESULTING FROM EXAMINATION

Total Surplus as Regards Policyholders: $51,471,712

Total surplus as regards policyholders as established by this examination is the same as what was reported by the Company in its December 31, 2006, Annual Statement. There were no changes made to any asset or liability items or comments derived as a result of our examination as performed as of December 31, 2006.

Tenn. Code Ann. §§ 56-2-114 and 115 require an insurer of this Company's type to maintain a minimum capital and surplus of two million dollars ($2,000,000). Therefore, the Company as of December 31, 2006, for this examination does maintain the required minimum capital and surplus as stated in the Tenn. Code Ann.

COMMENTS AND RECOMMENDATIONS

There are no comments or recommendations made as a result of this examination.

CONCLUSION

The customary insurance examination practices and procedures, as promulgated by the NAIC have been followed in connection with the verification and valuation of assets and the determination of liabilities of American General Property Insurance Company located in Nashville, Tennessee.

In such manner, it was found that as of December 31, 2006, the Company had admitted assets of $65,270,522 and liabilities, exclusive of surplus, of $13,798,810. Thus, there existed for the additional protection of the policyholders, the amount of $51,471,712 in the form of common capital stock, gross paid in and contributed surplus and unassigned funds.

The courteous cooperation of the officers and employees of the Company, extended during the course of the examination, is hereby acknowledged.

In addition to the undersigned, Brian Sewell, CFE, Donnie Nicholson, Mitchell Walker, examiners with the State of Tennessee, Gregory S. Wilson, FCAS, MAAA, of the contracting actuarial firm, Lewis & Ellis, Inc., Richardson, Texas, and Norman Chandler, CPA, CPCU, ARe, AIAF, ARC, ACP, of the contracting reinsurance specialist firm, TaylorChandler, LLC, Montgomery, Alabama, participated in the work of this examination.

Respectfully submitted,

A. Jay Uselton, CFE
Examiner-in-Charge
State of Tennessee
Southeastern Zone, NAIC

Kurt Polasko, CFE
Insurance Examiner, AFE
State of Tennessee
Southeastern Zone, NAIC

Gregory Bronson, AIE
Insurance Examiner, III
State of Tennessee
Southeastern Zone, NAIC

Mike Bacon
Insurance Examiner, III
State of Tennessee
Southeastern Zone, NAIC

Sandy Banks
Insurance Examiner, II
State of Tennessee
Southeastern Zone, NAIC

EXAMINATION AFFIDAVIT

The undersigned deposes and says that he has duly executed the attached examination report of American General Property Insurance Company located in Nashville, Tennessee dated June 2, 2008, and made as of December 31, 2006, on behalf of the Tennessee Department of Commerce and Insurance. Deponent further says he is familiar with such instrument and the contents thereof, and the facts therein set forth are true to the best of his knowledge, information and belief.

A. Jay Uselton, CFE
Examiner-in-Charge
State of Tennessee
Southeastern Zone, NAIC

County Davidson

State Tennessee

Subscribed and sworn to before me this 2nd day of June, 2008

Helen W. Dorsey
(NOTARY)

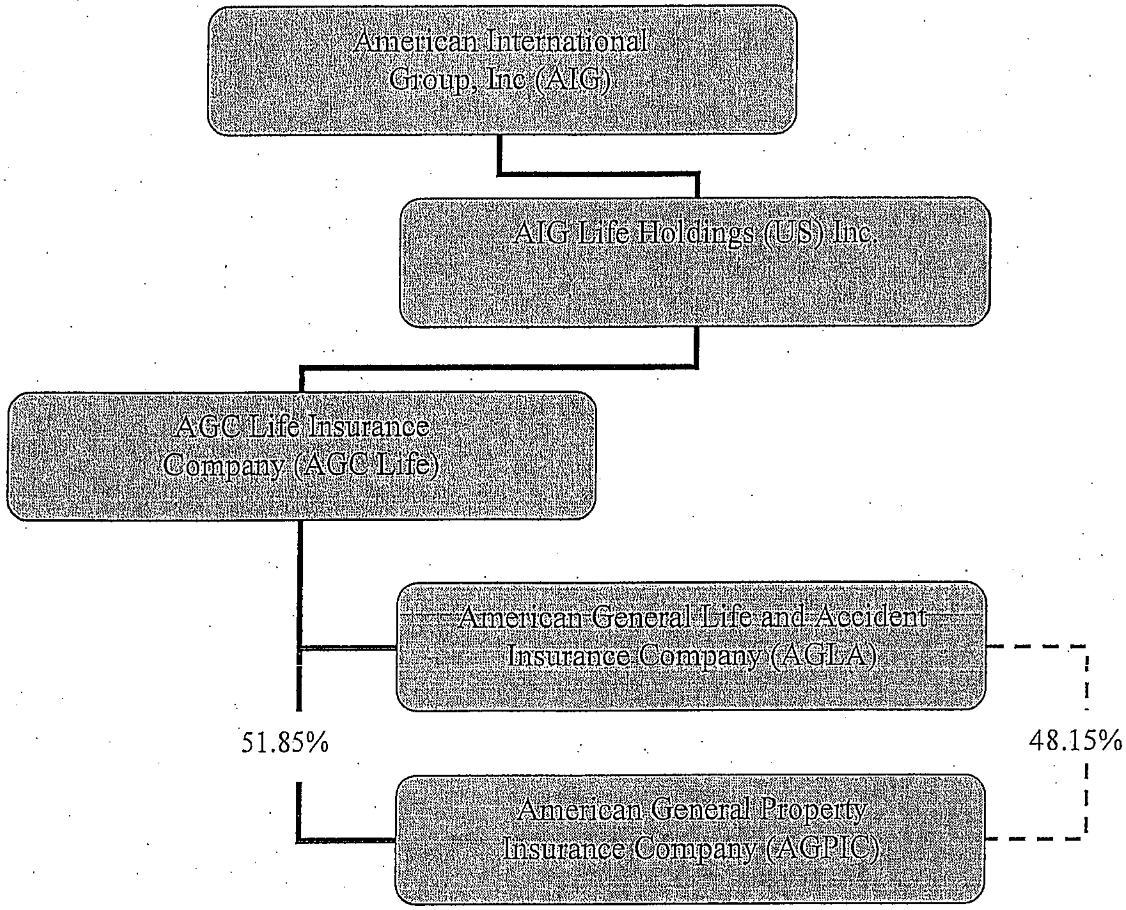
My Commission Expires

05/22/2010

HELEN W. DORSEY STATE OF TENNESSEE NOTARY PUBLIC DAVIDSON COUNTY, TENN.

My Commission Expires MAY 22, 2010

Organizational Chart



Organizational Chart showing all affiliated companies of AIG Holding Company as filed with Holding Company Registration Statements follows this page.

ATTACHMENT A

SCHEDULE Y

EXPLANATION OF ORGANIZATION CHART PRESENTATION:
CERTAIN AFFILIATES ARE NOT DISPLAYED SINCE THEY DO NOT MEET THE REPORTING THRESHOLD BASED ON THENAIC ANNUAL STATEMENT INSTRUCTIONS.

American International Group, Inc.

- 100% AIG Property Casualty Group, Inc.
  - 100% American International Insurance Company of Delaware; A.I.G. Managing General Agency, Inc.; AIG Marketing Inc.
  - 100% AIG Commercial Insurance Group, Inc.
    - 100% American Home Assurance Company
      - 100% AIG Hawaii Insurance Company, Inc.
        - 100% American Pacific Insurance Company, Inc.
        - 87.5% AIG Hawaii Technologies Solutions, LLC — A
        - 95.5% AIG HawaiiLTC Solutions, LLC — B
      - 33.41% Transatlantic Holdings, Inc. — C
      - 100% Transatlantic Reinsurance Company
        - 100% Putnam Reinsurance Company; Trans Re Zurich
        - 40% Kuwait Reinsurance Company (K.S.C)
      - 100% AIG Non-Life Holding Company (Japan), Inc.
      - 20.04% Fuji Fire & Marine Insurance Company Limited — D
      - 100% American Fuji Fire & Marine Insurance Company; Fuji Life Insurance Company; Fuji International Insurance Company, Limited
    - 100% New Hampshire Insurance Company
      - 100% New Hampshire Indemnity Company Inc.
      - 100% AIG National Insurance Company, Inc.
      - 100% American International Pacific Insurance Company; American International South Insurance Company; Granite State Insurance Company; Illinois National Insurance Co.
      - 70.48% AIG Europe, S.A. — E
      - 100% ZAO AIG Insurance & Reinsurance Company; AIG Europe (Netherlands)N.V.
    - 100% Audubon Insurance Company
      - 100% Agency Management Corporation
      - 100% The Gulf Agency, Inc.
      - 100% Audubon Indemnity Company
    - 100% National Union Fire Insurance Company of Pittsburgh, Pa.
      - 100% National Union Fire Insurance Company of Louisiana; National Union Fire Insurance Company of Vermont
      - 70% American International Specialty Lines Insurance Company — F
      - 70% Lexington Insurance Company — F
        - 50% JI Accident & Fire Insurance Company, Ltd.
        - 100% AIG Centennial Insurance Company
        - 100% AIG Auto Insurance Company of New Jersey; AIG Preferred Insurance Company
        - 100% AIG Premier Insurance Company
        - 100% AIG Indemnity Insurance Company
      - 100% Starr Excess Liability Insurance Company Ltd.
      - 100% Starr Excess Liability Insurance International Limited
      - 100% AIG Lodging Opportunities, Inc.
    - 100% The Insurance Company of the State of Pennsylvania; Landmark Insurance Company; AIG Casualty Company; Commerce and Industry Insurance Company of Canada
    - 52% AIU Insurance Company — G
    - 100% Commerce and Industry Insurance Company
      - 50% American International Insurance Company — H
      - 100% AIG Advantage Insurance Company; American International Insurance Company of California, Inc.; American International Insurance Company of New Jersey
      - 98.5% AIG Polska Towarzystwo UbezpieczenSpolka Akcyjna — I
- 100% HSB Group, Inc.
  - 100% The Hartford Steam Boiler Inspection and Insurance Company
    - 100% EIG, Co.
    - 100% HSB Engineering Insurance Limited
    - 100% The Boiler Inspection and Insurance Company of Canada
    - 100% Global Standards, LLC
    - 100% The Hartford Steam Boiler Inspection & Insurance Co. of Connecticut
    - 100% HSB Professional Loss Control, Inc.
    - 100% HSB Associates, Inc.; HSB Solomon Associates, LLC
  - 100% HSB Engineering Finance Corporation
- 36.31% United Guaranty Corporation — J
  - 100% AIG Centre Capital Group, Inc.; AIG United Guaranty Agenzia DiAssicurazione S.R.L.; AIG United Guaranty Insurance (Asia) Limited; AIG United Guaranty Re, Ltd.; AIG United Guaranty, Sociedad Limitada; United Guaranty Services, Inc.; United Guaranty Insurance Company; United Guaranty Partners Insurance Company; United Guaranty Mortgage Insurance Company; United Guaranty Direct Insurance Services, Inc.; United Guaranty Mortgage Insurance Company of North Carolina; AIG United Guaranty Mortgage Insurance Company of Canada; United Guaranty Residential Insurance Company of North Carolina
  - 75.03% United Guaranty Residential Insurance Company — K
    - 100% United Guaranty Mortgage Indemnity Company; United Guaranty Credit Insurance Company; United Guaranty Commercial Insurance Company of North Carolina
  - 82.12% A.I.G. Mortgage Holdings Israel, Ltd.
    - 100% E.M.I.-EzerMortgage Insurance Company Ltd.
  - 57.43% Educational Loan Servicing, LLC
- 62.19% 21st Century Insurance Group — L
  - 100% 21stCentury Casualty Company; 21stCentury Insurance Company; 21stCentury Insurance Company of the Southwest; 21stCentury Life Insurance Company

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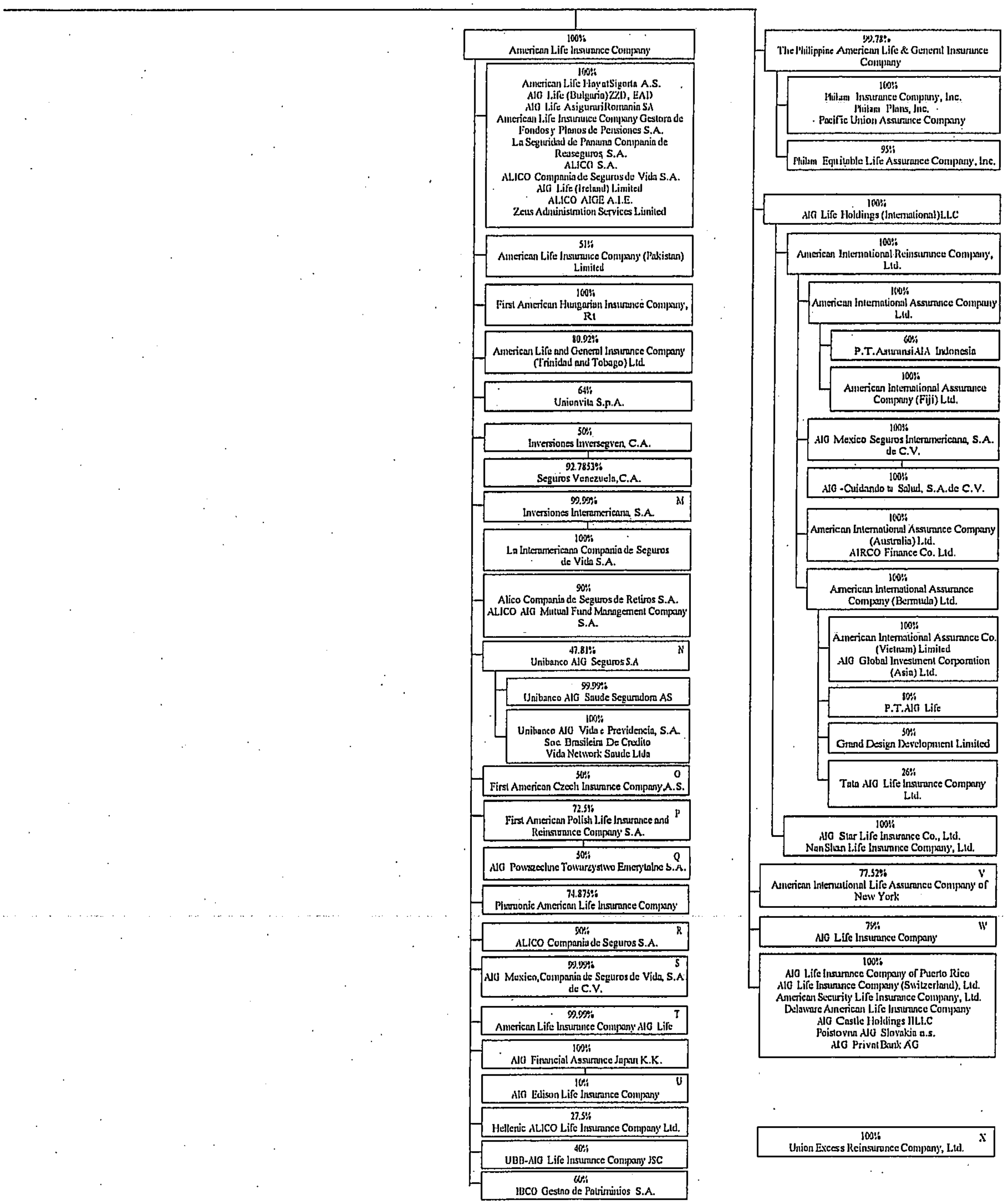
- A. 12.5% American Pacific Insurance Company, Inc.
- B. 0.5% American Pacific Insurance Company
- C. 25.9% American International Group, Inc.
- D 2.1% AIU Insurance Company
- E. 1.17% American International Overseas Association; 4.49% American Home Assurance Company; 6.98% American International Underwriters Overseas, Ltd; 16.88% National Union Fire Insurance Company of Pittsburgh, PA
- F. 10% AIG Casualty Company; 20% The Insurance Company of the State of Pennsylvania
- G. 32% National Union Fire Insurance Company of Pittsburgh, Pa; 8% AIG Casualty Company; 8% The Insurance Company of the State of Pennsylvania
- H 25% American Home Assurance Company; 25% AIU Insurance Company
- I. 0.75% American Life Insurance Company; 0.75% AIU Insurance Company
- J. 45.88% National Union Fire Insurance of Pittsburgh, PA; 16.95% New Hampshire Insurance Company; .86% The Insurance Company of the State of Pennsylvania PA
- K. 24.97% UnitedGuaranty Residential Insurance Company of North Carolina
- L. Held by Various Subsidiaries

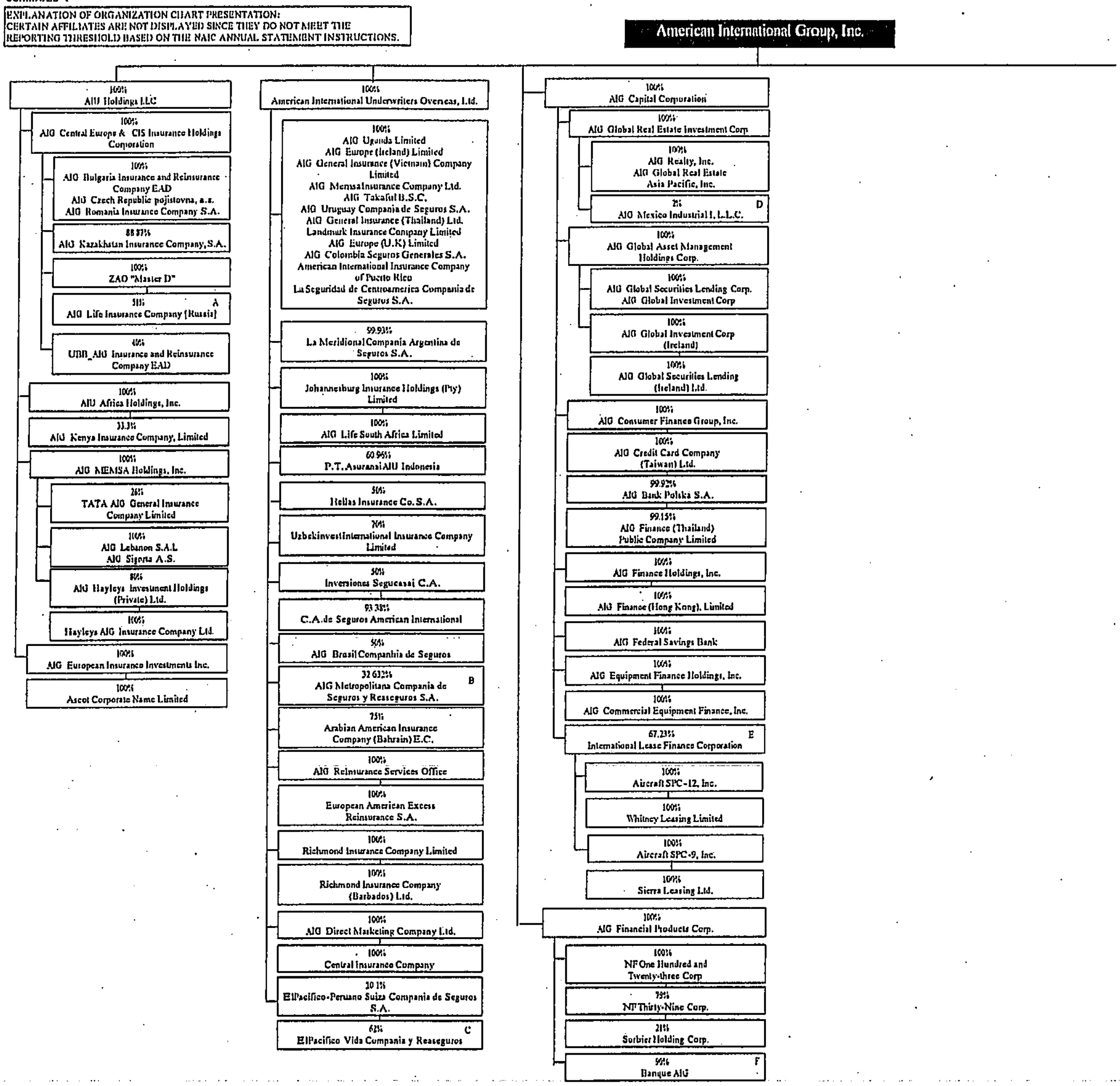


M. .01% International Technical Advisory Services Limited
N. 1.7141% American International Underwriters Overseas, Ltd
.48% American Home Assurance Company
These percentages represent both common and preferred stock.
O. 50% Commerce and Industry Insurance Company
P. 27.5% Commerce and Industry Insurance Company
Q. 50% American Life Insurance Company
R. 10% International Technical and Advisory Services Limited
S .0001% International Technical and Advisory Services Limited
T .0005% International Technical Advisory Services, Inc.
U. 90% American International Reinsurance Company, Ltd
V. 22.48% American Home Assurance Company
W. 21% Commerce and Industry Insurance Company
X. Although no AIG company owns an equity interest in Union Excess, control over Union Excess may be implied through the timing and nature of certain reinsurance commutations

December 31, 2006

SCHEDULE Y

EXPLANATION OF ORGANIZATION CHART PRESENTATION:
CERTAIN AFFILIATES ARE NOT DISPLAYED SINCE THEY DO NOT MEET THE
REPORTING THRESHOLD BASED ON THE NAIC ANNUAL STATEMENT INSTRUCTIONS.



A. 49% American Life Insurance Company
B. 19.15% American Home Assurance Company
C. 38% American Life Insurance Company
D. 49% American Home Assurance Company
49% Lexington Insurance Company
E. 35.15% National Union Fire Insurance Company of Pittsburgh, PA

F. 10% AIG Matched Funding Corp
G. 48.15% American General Life And Accident Insurance Company
H 70% SunAmerica Life Insurance Company
I. 1% AIU Latin American Investments LLC
J. 49% American International Group, Inc.

- 100% American General Corporation
  - 100% AGC Life Insurance Company
    - 100% AIG Life of Bermuda, Ltd.
      - 100% AIG Worldwide Life Insurance Company of Bermuda
        - 100% Rokland Limited
    - 100% American General Life and Accident Insurance Company
    - 100% AIG Annuity Insurance Company
      - 100% SAI Hedge Fund Holdings, LLC
    - 100% American General Life Insurance Company
      - 100% American General Annuity Service Corporation / AIG Enterprise Services, LLC / American General Life Companies, LLC
      - 100% The Variable Annuity Life Insurance Company
        - 100% SunAmerica Hedge Fund Holdings, LLC
      - 100% American General Equity Services Corporation
    - 100% The United States Life Insurance Company in the City of New York
    - 51.85% American General Property Insurance Company G
      - 100% American General Property Insurance Company of Florida
    - 100% AIG Life Holdings (Canada), ULC
      - 100% AIG Life Insurance Company of Canada
        - 100% 3830446 Canada Inc.
          - 100% 3682498 Canada Inc.
            - 100% AIG Assurance Canada
  - 100% American General Assurance Company
    - 100% American General Indemnity Company
  - 100% Knickerbocker Corporation
  - 100% American General Finance Corporation [IN]
    - 100% Yosemite Insurance Company
      - 100% Merit Life Insurance Co.
  - 100% American General Finance, Inc. [Indiana]
    - 100% American General Finance Services of Alabama, Inc.
    - 100% American General Finance Corporation [IN]
      - 100% American General Consumer Discount Company / American General Financial Services of Illinois, Inc. / American General Financial Services, Inc. [DE] / American General Financial Services, Inc. [IN] / American General Financial Services, Inc. [OH] / American General Financial Services, Inc. [TX] / American General Financial Services of America, Inc. [DE] / MorEquity, Inc. [NV]
    - 100% American General Financial Services of America, Inc. [DE]
      - 100% American General Home Equity, Inc. [DE]
- 100% AIG Retirement Services, Inc.
  - 100% SunAmerica Life Insurance Company
    - 100% AIG SunAmerica Life Assurance Company
      - 100% AIG SunAmerica Asset Management Corp.
    - 100% First SunAmerica Life Insurance Company / SA Affordable Housing, LLC / SunAmerica Virginia Properties, Inc. / UG Corporation / SAL Investment Group, Inc. / DelMonte Regional Mall, LLC
    - 88.75% Sun Quorum LLC
  - 33% New California Life Holdings, Inc.
    - 100% Aurora National Life Assurance Company
  - 30% SunAmerica Investments, Inc. H
    - 100% SunAmerica Cayman Insurance Company, Ltd.
    - 100% AIG Advisor Group, Inc.
      - 100% Royal Alliance Associates, Inc. / SunAmerica Securities, Inc. / Financial Service Corporation / Advantage Capital Corporation / AIG Financial Advisor, Inc. / American General Securities Incorporated
  - 84% Solus Hotel Portfolio Holding Company, LLC
    - 100% Solus Carnegie Charlotte, LLC
- 100% AIG Technologies, Inc.
  - 100% American International Group KK
- 100% AIG Credit Corp.
  - 100% A.I. Credit Corp.
- 100% Equitable Investment Co. (Hong Kong) Ltd.
  - 100% SEA Insurance Co. Limited / SEA Insurance Sendirian Berhad
- 90% AIG Egypt Insurance Company S.A.E.
- 50.01% AIG Israel Insurance Company Ltd.
- 99% AIG Union y Desarollo, S.A. I
  - 99.9% AIG Seguros de Personas, S.A.
- 99.9% La Interamericana Compania de Seguros Generales S.A. (Chile)
- 100% Caravan Investment, Inc.
  - 51% AIG Caspian Insurance Company J
- 100% AIG Global Trade & Political Risk Insurance Company
  - 50% Latin American Investment Guarantee Company, Ltd.
- 100% AIU North America, Inc.
- 49% AIG Ukraine

December 31, 2006

AIG AMERICAN GENERAL

Charles K. Gibson, CPA
Vice President and
Controller

June 10, 2008

RECEIVED
JUN 12 2008
Dept. Of Commerce & Insurance
Company Examinations

Mr. Philip Blustein, CFE
Insurance Examinations Director
State of Tennessee
Department of Commerce and Insurance
500 James Robertson Parkway
Nashville, TN 37243

Re: Financial Condition Examination of
American General Life and Accident Insurance Company
American General Property Insurance Company
Made as of December 31, 2006

Dear Mr. Blustein:

The purpose of this letter is to respond to your letter dated June 2, 2008 regarding the Reports on Examination for American General Life and Accident Insurance Company ("AGLA") and American General Property Insurance Company ("AGPIC") for the period ending December 31, 2006. We have reviewed the Report on Examination for each company and are in agreement with the contents. There are no issues for which we want to submit a rebuttal.

If you require any additional information, please contact me at 615-749-2499.

Sincerely,

Charles K. Gibson, CPA
Vice President and Controller

American General Life and Accident Insurance Company
Member of American International Group, Inc.
American General Center • Nashville, TN 37250-0001 • 615.749.2499 • Fax 615.749.1251 • charles_gibson@agfg.com