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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Nashville, Tennessee
June 2, 2008

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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:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Common capital stock</td>
<td>$17,574,100</td>
</tr>
<tr>
<td>Gross paid-in and contributed surplus</td>
<td>27,166,656</td>
</tr>
<tr>
<td>Unassigned funds (surplus)</td>
<td>6,730,956</td>
</tr>
<tr>
<td><strong>Total surplus as regards policyholders</strong></td>
<td><strong>$51,471,712</strong></td>
</tr>
</tbody>
</table>

**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:

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

**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:

<table>
<thead>
<tr>
<th>Name</th>
<th>Principal Occupation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rodney Owen Martin, Jr.</td>
<td>Sr. Chairman of the Board (AGPIC, AGLA)</td>
</tr>
<tr>
<td>Matthew Evan Winter</td>
<td>Chairman of the Board (AGPIC, AGLA)</td>
</tr>
<tr>
<td>James Arthur Mallon</td>
<td>President and CEO (AGPIC, AGLA)</td>
</tr>
<tr>
<td>Mary Jane Bartolotta Fortin</td>
<td>Chief Financial Officer (AGPIC, AGLA)</td>
</tr>
<tr>
<td>Gary Dalton Reddick</td>
<td>Chief Administrative Officer (AGPIC, AGLA)</td>
</tr>
<tr>
<td>Gregory Alan Hayes</td>
<td>Senior Vice President and Treasurer (AGPIC, AGLA)</td>
</tr>
<tr>
<td>Merton Bernard Aidinoff</td>
<td>External Director for AIG</td>
</tr>
<tr>
<td>David Lawrence Herzog</td>
<td>Controller for AIG Corporate</td>
</tr>
<tr>
<td>Christopher Jerome Swift</td>
<td>CFO for AIG Worldwide Life Insurance Group</td>
</tr>
</tbody>
</table>
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:**
- Rodney Owen Martin, Jr.
- Matthew Evan Winter
- James Arthur Mallon
- Mary Jane Bartolotta Fortin
- Gary Dalton Reddick
- Gregory Alan Hayes
- Charles Kenneth Gibson
- Elizabeth Margaret Tuck

**Title:**
- Sr. Chairman of the Board
- Chairman of the Board
- President and CEO
- Chief Financial Officer
- Chief Administrative Officer
- Senior Vice President and Treasurer
- Vice President and Controller
- 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
- Charles Kenneth Gibson
  - David Scott Brasington
  - 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
- Blanket Property, Boiler, & Machine
- Commercial General Liability
- Workers’ Compensation
- Director and Officer Liability
- Automobile Liability
- Commercial Umbrella Liability
- 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:

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

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 its 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.


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:

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Description of Security</th>
<th>Book/Adjusted Carrying Value</th>
<th>Fair Value</th>
<th>Par Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tennessee - Department of Insurance</td>
<td>US Treasury Bonds</td>
<td>$118,977</td>
<td>$115,354</td>
<td>$110,000</td>
</tr>
<tr>
<td></td>
<td>5.250%, Due 11-15-2028</td>
<td>CUSIP# 912810FF0</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>US Treasury Notes</td>
<td>1,700,508</td>
<td>1,699,447</td>
<td>1,690,000</td>
</tr>
<tr>
<td>Tennessee - Department of Insurance</td>
<td>6.625%, Due 05-15-2007</td>
<td>CUSIP# 9128272U5</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>US Treasury Notes</td>
<td>130,076</td>
<td>130,823</td>
<td>130,000</td>
</tr>
<tr>
<td>Tennessee - Department of Insurance</td>
<td>6.125%, Due 08-15-2007</td>
<td>CUSIP# 9128273B0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tennessee - Department of Insurance</td>
<td>US Treasury Notes</td>
<td>$2,488,415</td>
<td>$2,435,583</td>
<td>$2,450,000</td>
</tr>
<tr>
<td></td>
<td>3.625%, Due 05-15-2013</td>
<td>CUSIP# 912828BA7</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Description of Security</th>
<th>Book/Adjusted Carrying Value</th>
<th>Fair Value</th>
<th>Par Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Florida - Department of Insurance</td>
<td>Cook Cnty, IL Bonds</td>
<td>$110,290</td>
<td>$116,349</td>
<td>$110,000</td>
</tr>
<tr>
<td></td>
<td>5.125%, Due 11-15-2026 CUSIP# 213185AA9</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Florida - Department of Insurance</td>
<td>Cook Cnty, IL Bonds</td>
<td>40,073</td>
<td>41,718</td>
<td>40,000</td>
</tr>
<tr>
<td></td>
<td>5.125%, Due 11-15-2026 CUSIP# 213185AB7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Georgia - Department of Insurance</td>
<td>US Treasury Bonds</td>
<td>34,686</td>
<td>37,491</td>
<td>35,000</td>
</tr>
<tr>
<td></td>
<td>5.375%, Due 02-15-2031 CUSIP# 912810FP8</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Louisiana - Department of Insurance</td>
<td>US Treasury Notes</td>
<td>70,435</td>
<td>70,391</td>
<td>70,000</td>
</tr>
<tr>
<td></td>
<td>6.625%, Due 05-15-2007 CUSIP# 9128272U5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Mexico - Department of Insurance</td>
<td>Los Angeles CA Bonds</td>
<td>52,364</td>
<td>53,347</td>
<td>50,000</td>
</tr>
<tr>
<td></td>
<td>5.000%, Due 07-01-2025 CUSIP# 544644M61</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Mexico - Department of Insurance</td>
<td>US Treasury Bonds</td>
<td>49,631</td>
<td>52,438</td>
<td>50,000</td>
</tr>
<tr>
<td></td>
<td>5.250, Due 02-15-2029 CUSIP# 912810FG8</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Mexico - Department of Insurance</td>
<td>US Treasury Notes</td>
<td>259,021</td>
<td>254,402</td>
<td>270,000</td>
</tr>
<tr>
<td></td>
<td>3.625%, Due 05-15-2013 CUSIP# 912828BA7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>North Carolina - Department of Insurance</td>
<td>US Treasury Notes</td>
<td>85,528</td>
<td>85,475</td>
<td>85,000</td>
</tr>
<tr>
<td></td>
<td>6.625%, Due 05-15-2007 CUSIP# 9128272U5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>North Carolina - Department of Insurance</td>
<td>US Treasury Notes</td>
<td>287,802</td>
<td>282,669</td>
<td>300,000</td>
</tr>
<tr>
<td></td>
<td>3.625%, Due 05-15-2013 CUSIP# 912828BA7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oregon - Department of Insurance</td>
<td>US Treasury Notes</td>
<td>393,329</td>
<td>386,314</td>
<td>410,000</td>
</tr>
<tr>
<td></td>
<td>3.625%, Due 05-15-2013 CUSIP# 912828BA7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Carolina - Department of Insurance</td>
<td>US Treasury Bonds</td>
<td>21,632</td>
<td>20,973</td>
<td>20,000</td>
</tr>
<tr>
<td></td>
<td>5.250%, Due 11-15-2028 CUSIP# 912810FF0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Carolina - Department of Insurance</td>
<td>US Treasury Notes</td>
<td>100,621</td>
<td>101,112</td>
<td>100,000</td>
</tr>
<tr>
<td></td>
<td>6.625%, Due 5-15-2007 CUSIP# 9128272U5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jurisdiction</td>
<td>Description of Security</td>
<td>Book/Adjusted Carrying Value</td>
<td>Fair Value</td>
<td>Par Value</td>
</tr>
<tr>
<td>--------------------</td>
<td>-------------------------</td>
<td>------------------------------</td>
<td>------------</td>
<td>-----------</td>
</tr>
<tr>
<td>South Carolina - Department of Insurance</td>
<td>US Treasury Notes 3.625%, Due 05-15-2013 CUSIP# 912828BA7</td>
<td>124,714</td>
<td>122,489</td>
<td>130,000</td>
</tr>
<tr>
<td>Texas - Department of Insurance</td>
<td>US Treasury Notes 3.625%, Due 05-15-2013 CUSIP# 912828BA7</td>
<td>47,967</td>
<td>47,112</td>
<td>50,000</td>
</tr>
<tr>
<td>Virginia - Department of Insurance</td>
<td>US Treasury Notes 5.625%, Due 05-15-2008 CUSIP# 91282874F6</td>
<td>335,705</td>
<td>334,202</td>
<td>300,000</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td></td>
<td><strong>$2,013,798</strong></td>
<td><strong>$2,005,928</strong></td>
<td><strong>$2,020,000</strong></td>
</tr>
<tr>
<td><strong>Grand-Total</strong></td>
<td></td>
<td><strong>$4,462,213</strong></td>
<td><strong>$4,441,511</strong></td>
<td><strong>$4,470,000</strong></td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Assets</th>
<th>Non-Admitted Assets As a Result of the Exam</th>
<th>Net-Admitted Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td>$50,345,512</td>
<td>$50,345,512</td>
</tr>
<tr>
<td>Common Stocks</td>
<td>11,611,808</td>
<td>11,611,808</td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>1,196,344</td>
<td>1,196,344</td>
</tr>
<tr>
<td>Receivables for securities</td>
<td>12,096</td>
<td>12,096</td>
</tr>
<tr>
<td>Investment Income Due and</td>
<td>741,464</td>
<td>741,464</td>
</tr>
<tr>
<td>Accrued</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premiums and Considerations:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Uncollected premiums and agents' balances in course of collection</td>
<td>334,222</td>
<td>334,222</td>
</tr>
<tr>
<td>Reinsurance:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amounts recoverable from reinsurers</td>
<td>9,935</td>
<td>9,935</td>
</tr>
<tr>
<td>Current federal and foreign income tax recoverable</td>
<td>147,513</td>
<td>147,513</td>
</tr>
<tr>
<td>Net deferred tax asset</td>
<td>555,121</td>
<td>555,121</td>
</tr>
<tr>
<td>Guaranty funds receivable or on deposit</td>
<td>28,661</td>
<td>26,661</td>
</tr>
<tr>
<td>Receivables from parent, subsidiaries and affiliates</td>
<td>289,846</td>
<td>289,846</td>
</tr>
<tr>
<td>Totals</td>
<td>$65,270,522</td>
<td>$0</td>
</tr>
<tr>
<td>Liabilities, Surplus and Other Funds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>--------------------------------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Losses</td>
<td>$12,074,493</td>
<td></td>
</tr>
<tr>
<td>Reinsurance payable on paid losses and LAE</td>
<td>69,325</td>
<td></td>
</tr>
<tr>
<td>Loss adjustment expenses (LAE)</td>
<td>84,401</td>
<td></td>
</tr>
<tr>
<td>Commissions payable, contingent commissions and other similar charges</td>
<td>16,809</td>
<td></td>
</tr>
<tr>
<td>Other expenses</td>
<td>17,933</td>
<td></td>
</tr>
<tr>
<td>Taxes, licenses and fees</td>
<td>512,140</td>
<td></td>
</tr>
<tr>
<td>Unearned premiums</td>
<td>341,061</td>
<td></td>
</tr>
<tr>
<td>Advance premiums</td>
<td>132,927</td>
<td></td>
</tr>
<tr>
<td>Ceded reinsurance premiums payable</td>
<td>(43,359)</td>
<td></td>
</tr>
<tr>
<td>Remittances and items not allocated</td>
<td>97,877</td>
<td></td>
</tr>
<tr>
<td>Provision for reinsurance</td>
<td>1,892</td>
<td></td>
</tr>
<tr>
<td>Payable to parent, subsidiaries and affiliates</td>
<td>11,901</td>
<td></td>
</tr>
<tr>
<td>Aggregate write-ins for liabilities</td>
<td>481,410</td>
<td></td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>$13,798,810</td>
<td></td>
</tr>
<tr>
<td>Common capital stock</td>
<td>$17,574,100</td>
<td></td>
</tr>
<tr>
<td>Gross paid in and contributed surplus</td>
<td>27,166,656</td>
<td></td>
</tr>
<tr>
<td>Unassigned funds (surplus)</td>
<td>6,730,956</td>
<td></td>
</tr>
<tr>
<td>Surplus as Regards Policyholders</td>
<td>51,471,712</td>
<td></td>
</tr>
<tr>
<td>Totals</td>
<td>$65,270,522</td>
<td></td>
</tr>
</tbody>
</table>
### 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

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

Respectfully submitted,

A. Jay Uzelton, 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

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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 23rd day of June, 2008

Helen W. Dorsey
(NOTARY)

My Commission Expires

05/22/2010

My Commission Expires MAY 22, 2010
Organizational Chart showing all affiliated companies of AIG Holding Company as filed with Holding Company Registration Statements follows this page.
June 10, 2008

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