STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON THE FINANCIAL CONDITION EXAMINATION

OF THE

AMERICAN INTERNATIONAL LIFE ASSURANCE COMPANY

OF NEW YORK

CONDITION:	DECEMBER 31, 2007
DATE OF REPORT:	JANUARY 30, 2009

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EXAMINER: MARC A. TSE

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STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NEW YORK 10004

David A. Paterson
Governor

Eric R. Dinallo
Superintendent

May 14, 2009

Honorable Eric R. Dinallo
Superintendent of Insurance
Albany, New York 12257

Sir:

In accordance with instructions contained in Appointment No. 22734, dated January 15th 2008, and annexed hereto, an examination has been made into the financial condition and affairs of American International Life Assurance Company of New York hereinafter referred to as “the Company,”or “AIL,” at its office located at 3600 Route 66, Neptune, NJ 07753.

Wherever “Department” appears in this report, it refers to the State of New York Insurance Department.

The report indicating the results of this examination is respectfully submitted.

1. EXECUTIVE SUMMARY

Significant events occurred during 2008, after the period covered by this examination, as more fully described in Section 6. As widely reported, in September 2008 the Company's ultimate parent, American International Group, Inc. ("AIG"), experienced a severe strain on its liquidity that resulted in AIG entering into a revolving credit facility with an initial maximum amount of $85 billion and a guarantee and pledge agreement with the Federal Reserve Bank of New York.

The Company reported capital contributions totaling $951.8 million in 2008 from its parent to alleviate large net realized capital losses from the securities lending program and write-downs on bonds and loan-backed securities due to other than temporary declines. (See Section 6B of this report).

The Company participated in AIG's U.S. securities lending program. Under the securities lending program, securities were loaned to various financial institutions. The market value of securities purchased with the cash collateral received for the loaned securities declined significantly during 2008 and trading in these securities became extremely limited. The Company's losses related to securities lending for 2008 were $771.4 million. On December 12, 2008, the securities lending program was terminated. (See Section 6C of this report).

During the review of reserves for December 31, 2007 the Department recommended more conservatism in assumptions and methodology used for asset adequacy analysis pursuant to Department Regulation No. 126. In response, the Company incorporated the various stipulated adjustments in a manner acceptable to the Department. As stated in the Company's December 31, 2008 Actuarial Memorandum, "Primary areas of differences between the Company and the Department include the level of credit risk charges modeled, the applicability of a covariance effect and the probability weighting of interest rate scenarios. Because of these differences, the Company holds $200 million of cash flow testing reserves and looks forward to further discussion of these differences, with the objective of reaching a mutually agreeable framework for future valuations." The adjustments were implemented for the December 31, 2008 reserves. These adjustments produced additional reserves in the amount of $200 million. Due to the extraordinary circumstances which occurred during the second half of 2008 the Department's certificate of reserve valuation for December 31, 2007 is being held in abeyance until the Department has completed its subsequent review of the December 31, 2008 reserves. The examiner recommends that the Company continue to compute cash flow testing reserves using the assumptions and methodology as agreed upon with the Department. (See Section 5D of this report).

2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 2002. This examination covers the period from January 1, 2003 through December 31, 2007. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2007 but prior to the date of this report (i.e., the completion date of the examination).

The examination comprised a verification of assets and liabilities as of December 31, 2007 to determine whether the Company's 2007 filed annual statement fairly presents its financial condition. The examiner reviewed the Company's income and disbursements necessary to accomplish such verification and utilized the National Association of Insurance Commissioners' Examiners Handbook or such other examination procedures, as deemed appropriate, in such review and in the review or audit of the following matters:

Company history
Management and control
Corporate records
Fidelity bond and other insurance
Territory and plan of operation
Growth of Company
Business in force by states
Mortality and loss experience
Reinsurance
Accounts and records
Financial statements

The examiner reviewed the corrective actions taken by the Company with respect to the financial violations contained in the prior report on examination. The results of the examiner's review are contained in item 7 of this report.

This report on examination is confined to financial statements and comments on those matters which involve departure from laws, regulations or rules, or which require explanation or description.

3. DESCRIPTION OF COMPANY

A. History

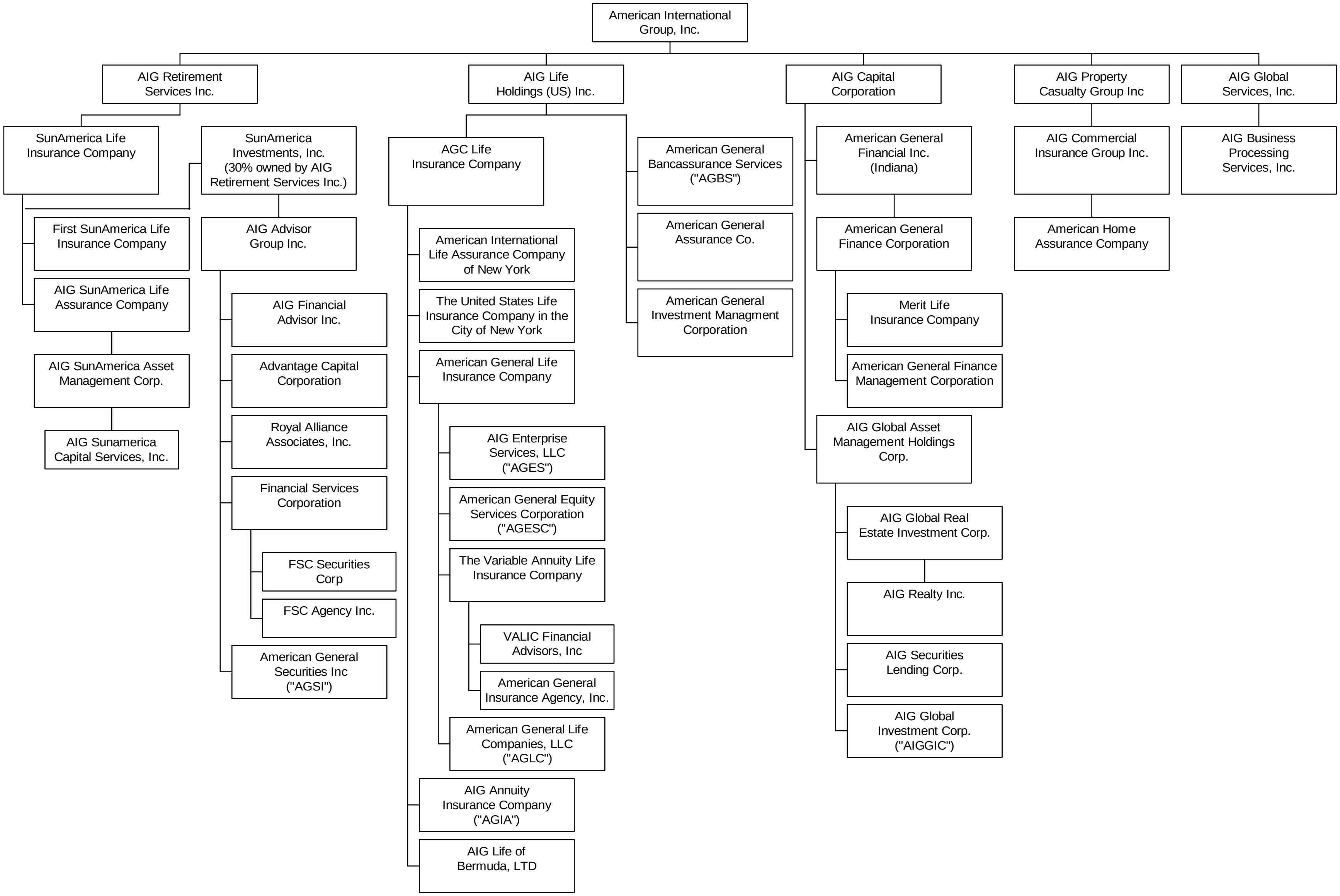
The Company was incorporated as a stock life insurance company under the laws of New York on March 16, 1962, was licensed on November 28, 1962 and commenced business on November 28, 1962. Initial resources of $2,000,000, consisting of common capital stock of $1,000,000 and paid in and contributed surplus of $1,000,000, were provided through the sale of 10,000 shares of common stock (with a par value of $100 each) for $200 per share.

As of December 31, 2007 AIL had 16,125 shares of issued and outstanding common stock with a par value of $200 per share. Capital and paid in and contributed surplus were $3,225,000 and $244,198,007, respectively, as of December 31, 2007. The Company paid cash dividends of $50,000,000, $62,000,000 and $100,000,000 in 2005, 2006 and 2007 respectively.

Prior to December 18, 2007, American International Group, Inc, ("AIG"), held 78% of the outstanding stock of AIL and the remaining 22% was held by AIG's New York subsidiary, American Home Assurance Company ("AHAC"). On December 31, 2007 AHAC sold its 22% share to AIG effective December 18, 2007. AIG then contributed 100% of the shares to AIG Life Holdings, which in turn contributed all the shares to AGC Life Insurance Company, ("AGC Life"), a Missouri company, making AGC Life the sole shareholder of AIL as of December 31, 2007.

B. Holding Company

The Company is a wholly owned subsidiary of AGC Life a Missouri domiciled life insurer. AGC Life is in turn a wholly owned subsidiary of AIG Life Holdings (US) Inc., a Texas holding company. The ultimate parent of the Company is AIG, a Delaware holding company. The Company has two affiliates, The United States Life insurance Company in the City of New York ("USL") and First Sunamerica Life Insurance Company ("FSA") that are domiciled in New York. The Company has another affiliate, The Variable Annuity Life Insurance Company ("VALIC') that is domiciled in Texas and licensed to sell in New York. An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2007 follows:


American International Group, Inc.
AIG Retirement Services Inc.
AIG Life Holdings (US) Inc.
AIG Capital Corporation
AIG Property Casualty Group Inc
AIG Global Services, Inc.
SunAmerica Life Insurance Company
SunAmerica Investments, Inc. (30% owned by AIG Retirement Services Inc.)
AGC Life Insurance Company
American General Bancassurance Services ("AGBS")
American General Financial Inc. (Indiana)
AIG Commercial Insurance Group Inc.
AIG Business Processing Services, Inc.
First SunAmerica Life Insurance Company
AIG Advisor Group Inc.
American International Life Assurance Company of New York
American General Assurance Co.
American General Finance Corporation
American Home Assurance Company
AIG SunAmerica Life Assurance Company
AIG Financial Advisor Inc.
The United States Life Insurance Company in the City of New York
American General Investment Managment Corporation
Merit Life Insurance Company
AIG SunAmerica Asset Management Corp.
Advantage Capital Corporation
American General Life Insurance Company
American General Finance Management Corporation
AIG Sunamerica Capital Services, Inc.
Royal Alliance Associates, Inc.
AIG Enterprise Services, LLC ("AGES")
AIG Global Asset Management Holdings Corp.
Financial Services Corporation
American General Equity Services Corporation ("AGESC")
AIG Global Real Estate Investment Corp.
FSC Securities Corp
The Variable Annuity Life Insurance Company
FSC Agency Inc.
AIG Realty Inc.
VALIC Financial Advisors, Inc
American General Securities Inc ("AGSI")
AIG Securities Lending Corp.
American General Insurance Agency, Inc.
American General Life Companies, LLC ("AGLC")
AIG Global Investment Corp. ("AIGGIC")
AIG Annuity Insurance Company ("AGIA")
AIG Life of Bermuda, LTD

The Company had 5 service agreements in effect with affiliates during the examination period.

Type of Agreement and Department File Number	Effective Date	Provider(s) of Service(s)	Recipient(s) of Service(s)	Specific Service(s) Covered	Income/ (Expense)* For Each Year of the Examination
1. Administrative Services Agreement (File # 35399)	4/01/2005	American General Life Companies, LLC (“AGLC”)	The Company	Accounting, underwriting, Actuarial, claims, policyholder services, marketing and distribution.	2003 $ 0 2004 $ 0 2005 $(2,599,053) 2006 $(4,267,323) 2007 $(6,028,550)
2. Short Term Investment Pool Agreement (File # 30615	3/06/2003	AIG Global Investment Corp	The Company	Allows USL and AI Life and affiliates to invest funds in 3 short term pools	2003 $(61,796) 2004 $(172,167) 2005 $(210,056) 2006 $(523,632) 2007 $(335,666)
3. Distribution Agreement (File # 31961A)	10/01/2003	American General Equity Services Corporation	The Company	American General Equity Services Corporation acts as underwriter/distributor of AI Life variable products	2003 $ 0 2004 $ 0 2005 $ 0 2006 $ 0 2007 $ 0
4. Service and Expense Agreement (File # 31886)	2/01/1974	AIG and its subsidiaries	The Company	Expense sharing of Accounting underwriting and premium collection services.	2003 $ (8,300,434) 2004 $ (12,339,355) 2005 $(10,042,272) 2006 $ (9,655,013) 2007 $ (9,622,051)
5. Securities Lending Agency Agreement	5/31/1999	AIG Global Securities Lending Corp	The Company	AIG Global Securities Lending Corp acts as agent in connection with loans to third party borrowers	2003 $(2,544,860) 2004 $(2,798,047) 2005 $(2,457,802) 2006 $(2,502,578) 2007 $(2,383,039)

* Amount of Income or (Expense) Incurred by the Company

The Company participates in a federal income tax allocation agreement with its parent and affiliates.

C. <u>Management</u>

The Company’s by-laws provide that the board of directors shall be comprised of not less than 13 and not more than 21 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in April of each year. As of December 31, 2007, the board of directors consisted of 14 members. Meetings of the board are held at such time and place as the directors may determine by resolution.

The 14 board members and their principal business affiliation, as of December 31, 2007 were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
Mertin Bernard Aidinoff* New York, NY	Senior Counsel Sullivan and Cromwell	2002
Patrick J. Foley* Atlantis, FL	Retired	1996
Mary Jane B. Fortin Houston, TX	Executive Vice President and Chief Financial Officer American International Life Assurance Company of New York	2006
James A. Galli New York, NY	Senior Vice President American International Life Assurance Company of New York	2007
Cecil Gamwell, III* Charlestown, RI	Retired	1994
Jack R. Harnes* Pawling, NY	Retired	1971
David L. Herzog St. Albans, MO	Executive Vice President and Chief Financial Officer American International Group, Inc	2002
Richard A. Hollar Houston, TX	President & Chief Executive Officer of Life Profit Center American General Life Companies, LLC	2005
John I. Howell* Springfield Center, NY	Retired	1988
Rodney O. Martin, Jr. Houston, TX	Chairman American International Life Assurance Company of New York	2002
David W. O'Leary Houston, TX	President and Chief Executive Officer of Specialty Markets Group American General Life Companies, LLC	2007
Gary D. Reddick The Woodlands, TX	Executive Vice President American International Life Assurance Company of New York	2002

Name and Residence	Principal Business Affiliation	Year First Elected
Christopher J. Swift New Canaan, CT	Vice President American International Group, Inc	2003
Matthew E. Winter Houston, TX	President and CEO American International Life Assurance Company of New York	2006

* Not affiliated with the Company or any other company in the holding company system

The examiner's review of the minutes of the meetings of the board of directors and its committees indicated that meetings were well attended and that each director attended a majority of meetings.

The following is a listing of the principal officers of the Company as of December 31, 2007:

Name	Title
Rodney O. Martin, Jr.	Chairman
Matthew E. Winter	President and Chief Executive Office
Mary Jane B. Fortin	Executive Vice President and Chief Financial Officer
Gary W. Parker	Executive Vice President and Chief Product Officer
Gary D. Reddick	Executive Vice President
Wayne A. Barnard	Senior Vice President
Robert M. Beuerlein	Senior Vice President and Chief and Appointed Actuary
Jeffrey H. Carlson	Senior Vice President and Chief Information Officer
Robert F. Herbert, Jr.	Senior Vice President, Controller and Treasurer
Kyle L. Jennings	Senior Vice President and General Counsel
Edward F. Bacon	Vice President
Timothy H. Bolden*	Vice President and Chief Compliance Office
Richard W. Scott	Vice President and Chief Investment Officer
Elizabeth M. Tuck	Secretary

* Designated consumer services officer per Section 216.4(c) of Department Regulation No. 64

D. Territory and Plan of Operation

The Company is authorized to write life insurance, annuities and accident and health insurance as defined in paragraphs 1, 2 and 3 of Section 1113(a) of the New York Insurance Law.

The Company is licensed to transact business in all states, except Arizona, Connecticut, and Maryland. In addition, it is licensed in the District of Columbia, American Samoa, Guam, and the Virgin Islands.

In 2007, 53.6% of life premiums, 98.0% of accident and health premiums, and 65.1% of annuity considerations were received from New York. Policies are written on a non-participating basis.

The Company's major product is a single premium immediate annuity, which it markets as a structured settlement and terminal funding vehicle.

The Company's agency operations are conducted on a general agency basis.

E. Reinsurance

As of December 31, 2007, the Company had reinsurance treaties in effect with 34 companies, of which 20 were authorized or accredited. The Company's life and accident and health business is reinsured on a coinsurance and yearly renewable term basis. Reinsurance is provided on both an automatic and facultative basis.

The standard retention limit for individual life contracts is $10,000,000. Additional amounts may be retained on a case by case, exception basis, up to a maximum of $15,000,000 on any single insured. The total face amount of life insurance ceded as of December 31, 2007, was $506,962,861, which represents 11% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies, totaled $3,236,772, and was supported by letters of credit and trust agreements.

The total face amount of life insurance assumed as of December 31, 2007, was $685,782,799.

4. SIGNIFICANT OPERATING RESULTS

Indicated below is significant information concerning the operations of the Company during the period under examination as extracted from its filed annual statements. Failure of items to add to the totals shown in any table in this report is due to rounding.

The following table indicates the Company's financial growth during the period under review:

	December 31, 2002	December 31, 2007	Increase (Decrease)
Admitted assets	$7,962,836,448	$7,092,806,593	$(870,029,855)
Liabilities	$7,521,774,376	$6,540,169,987	$(981,604,389)
Common capital stock	$ 3,225,000	$ 3,225,000	$ 0
Gross paid in and contributed surplus	238,025,000	244,198,007	6,173,007
Group Contingency reserve	12,402,665	20,289,933	7,887,268
Annuity mortality fluctuation fund	270,480	131,631	(138,849)
Unassigned funds (surplus)	187,138,927	284,792,036	97,653,109
Total capital and surplus	$ 441,062,072	$ 552,636,607	$ 111,574,535
Total liabilities, capital and surplus	$7,962,836,448	$7,092,806,593	$(870,029,854)

The Company's admitted assets decreased by $870,029,855 during the period under examination. This reduction is mainly due to the sale of bonds to pay individual and group annuity surrender benefits. Correspondingly, the Company's liabilities decreased by $981,604,389 during the same period, as the reserves pertaining to the surrendered contracts were removed.

The Company's invested assets as of December 31, 2007, exclusive of separate accounts, were mainly comprised of bonds (86.4%), and mortgage loans (7.1%). The majority (92.8%) of the Company's $5,960,133,773 bond portfolio, as of December 31, 2007, was comprised of investment grade obligations, with 56.3% and 36.5% in NAIC Class 1 and Class 2, respectively.

The following indicates, for each of the years listed below, the amount of Group life insurance issued and in force by type (in thousands of dollars):

	Group Life	
Year	Issued & Increases	In Force
2003	$ 33,047	$35,465,731
2004	$3,256,106	$38,678,370
2005	$ 196,497	$ 1,533,457
2006	$1,394,634	$ 2,844,215
2007	$ 234,890	$ 2,971,580

Group Life insurance in force decreased by 96% in 2005 compared to 2004 mainly due to the termination of a large group policyholder.

The following has been extracted from the Exhibits of Annuities in the filed annual statements for each of the years under review:

	Ordinary Annuities				
	2003	2004	2005	2006	2007
Outstanding, end of previous year	50,872	49,547	47,462	45,118	40,437
Issued during the year	707	606	512	572	558
Other net changes during the year	(2,032)	(2,691)	(2,856)	(5,253)	(12,703)
Outstanding, end of current year	49,547	47,462	45,118	40,437	28,292

The Company's number of ordinary annuity contracts declined by 44.4% during the period under examination. This decrease in the number of annuity contracts is primarily due to an increasing trend in surrenders. The Company attributes the increased surrender activity to a large number of annuities aging beyond the surrender charge period as well as the reduction of applied interest to these contracts.

Group Annuities

	2003	2004	2005	2006	2007
Outstanding, end of previous year	117,306	119,233	112,998	107,249	97,443
Issued during the year	4,101	1,188	1,197	583	3,229
Other net changes during the year	(2,174)	(7,423)	(6,854)	(10,389)	(11,516)
Outstanding, end of current year	119,233	112,998	107, 249	97,443	89,156

The Company's number of group annuity contracts declined by 24% during the period under examination. This reduction is mainly due to an increasing trend in surrenders. The increase in surrenders primarily reflected higher terminations for fixed deferred annuities issued in 2001 and 2002 as these products completed their surrender charge period of approximately five years.

The following is the net gain (loss) from operations by line of business after federal income taxes but before realized capital gains (losses) reported for each of the years under examination in the Company's filed annual statements:

	2003	2004	2005	2006	2007
Ordinary:					
Life insurance	$ 2,077,303	$ 3,633,498	$ 6,206,062	$ 610,858	$ 5,281,257
Individual annuities	59,732,202	33,007,017	57,685,836	6,520,319	38,750,749
Supplementary contracts	(359,935)	164,505	1,366,168	656,526	402,902
Total ordinary	$ 61,449,570	$ 36,805,020	$ 65,258,066	$ 7,787,703	$44,434,908
Credit life	$ (53,692)	$ 11,969	$ 8,545	$ (52,722)	$ 14,894
Group:					
Life	$ 9,111,132	$ 8,713,886	$ 14,256,138	$ (7,887,477)	$ 9,822,007
Annuities	57,496,837	67,566,206	88,053,654	67,648,391	35,121,043
Total group	$ 66,607,969	$ 76,280,092	$102,309,792	$59,760,914	$44,943,050
Accident and health:					
Group	$ (232,470)	$ (416,023)	$ 3,739,175	$ (3,102,761)	$ 587,120
Credit	55,635	(2,421)	0	0	0
Other	(939,431)	(662,542)	104,296	(1,398,746)	(62,460)
Total accident and health	$ (1,116,266)	$ (1,080,986)	$ 3,843,471	$ (4,501,507)	$ 524,660
Total	$126,887,581	$112,016,095	$171,419,874	$62,994,388	$89,917,513

For individual annuities, gains decreased from $57,685,836 in 2005 to $6,520,319 in 2006, the decrease of $51,165,517 was mainly due to an increase of reserves. The Company reported a one time adjustment of $47 million in 2006 due to a reclass of deposit type contracts to the individual annuity line.

The Company reported a loss of $7,887,477 for group life in 2006. The loss is mainly due to a decrease in premiums of $4,425,616, an increase in reserves of $5,347,092 and an increase in general expenses of $1,005,209 when compared to the 2005 amounts.

The gains reported for group annuities decreased from $88,053,654 in 2005 to $35,121,043 in 2007. This decrease was mainly due to increased surrender activity in 2006 and 2007.

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2007, as contained in the Company's 2007 filed annual statement, a condensed summary of operations and a reconciliation of the capital and surplus account for each of the years under review

A. ASSETS, LIABILITIES, CAPITAL AND SURPLUS AS OF DECEMBER 31, 2007

Admitted Assets

Bonds	$5,868,678,202
Stocks:	
Preferred stocks	229,255,847
Common stocks	16,963,736
Mortgage loans on real estate	
First liens	481,640,567
Real estate	
Properties held for sale	24,822,693
Cash, cash equivalents and short term investments	90,194,706
Contract loans	9,438,094
Other invested assets	71,700,309
Rockwood Escrow	947,300
Investment income due and accrued	92,016,631
Premiums and considerations	
Uncollected premiums and agents' balances in the course of collection	5,577,012
Reinsurance:	
Amounts recoverable from reinsurers	1,466,294
Other amounts receivable under reinsurance contracts	174,901
Current federal and foreign income tax recoverable and interest thereon	13,212,344
Net deferred tax asset	15,035,593
Guaranty funds receivable or on deposit	5,063,506
Receivables from parent, subsidiaries and affiliates	4,897,692
Health care and other amounts receivable	1,141,478
Due from Brokers	4,423,059
TCW Global Project Fund	6,191,750
Revenue Sharing Receivable	44,881
From Separate Accounts, Segregated Accounts and Protected Cell Accounts	149,919,999
Total admitted assets	$7,092,806,593

Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$5,434,651,787
Aggregate reserve for accident and health contracts	31,416,311
Liability for deposit-type contracts	656,711,737
Contract claims:	
Life	15,464,976
Accident and health	1,962,418
Premiums and annuity considerations for life and accident and health contracts received in advance	304,919
Contract liabilities not included elsewhere:	
Provision for experience rating refunds	13,632,128
Interest maintenance reserve	16,250,075
Commissions to agents due or accrued	361,271
General expenses due or accrued	58,493
Transfers to Separate Accounts due or accrued	(1,393,610)
Taxes, licenses and fees due or accrued, excluding federal income taxes	341,297
Unearned investment income	5,415
Amounts withheld or retained by company as agent or trustee	33,678
Remittances and items not allocated	10,851,110
Miscellaneous liabilities:	
Asset valuation reserve	109,779,695
Reinsurance in unauthorized companies	18,021
Payable to parent, subsidiaries and affiliates	21,029,026
Drafts outstanding	640,342
Payable for securities	155,303
Derivative liabilities	24,814,612
Other real estate liabilities	7,800,597
Security lending payable	32,176,173
Liability for Unclaimed funds	1,564,285
TCW Global Project Fund	6,890,000
GFA assessment liability	4,729,203
Miscellaneous payable	725
From Separate Accounts statement	149,919,999
Total liabilities	$6,540,169,987
Common capital stock	$ 3,225,000
Gross paid in and contributed surplus	244,198,007
Group contingency reserve	20,289,933
Annuity mortality fluctuation fund	131,631
Unassigned funds (surplus)	284,792,036
Total capital and surplus	$ 552,636,607
Total liabilities, capital and surplus	$7,092,806,593

B. CONDENSED SUMMARY OF OPERATIONS

	2003	2004	2005	2006	2007
Premiums and considerations	$435,854,767	$ 452,678,137	$270,903,377	$ 313,043,826	$ 384,162,220
Investment income	549,874,124	552,068,636	585,885,583	522,622,223	492,688,047
Commissions and reserve adjustments on reinsurance ceded	2,531,749	3,590,542	3,726,570	4,470,253	4,937,576
Miscellaneous income	4,500,040	4,593,870	4,210,586	4,048,379	4,028,711
Total income	$992,760,680	$1,012,931,185	$864,726,116	$ 844,184,681	$ 885,816,554
Benefit payments	$698,284,773	$ 743,624,840	$765,888,575	$1,085,993,485	$1,460,417,029
Increase in reserves	93,421,758	58,878,554	(144,924,228)	(356,857,874)	(681,071,292)
Commissions	17,443,484	18,875,574	15,707,576	21,546,544	18,284,200
General expenses and taxes	27,354,082	23,739,460	11,031,600	17,360,044	20,270,495
Increase in loading on deferred and uncollected premiums	(35,019)	(44,431)	18,158	10,507	(17,364)
Net transfers to (from) separate accounts	(21,702,533)	(26,896,940)	(21,593,783)	(28,730,089)	(38,650,492)
Experience rating refunds	7,549,229	20,234,478	4,185,805		
ASO Fee Expense	0	0	0	4,554	0
State Fines and penalties	34,580	4,604	104,473	15,497	15,402
Total deductions	$822,350,354	$ 838,416,139	$630,418,177	$ 739,342,668	$ 779,247,978
Net gain (loss)	$170,410,326	$ 174,515,046	$234,307,939	$ 104,842,013	$ 106,568,576
Federal and foreign income taxes incurred	43,522,745	62,498,951	62,888,065	41,847,625	16,651,063
Net gain (loss) from operations before net realized capital gains	$126,887,581	$ 112,016,095	$171,419,874	$ 62,994,388	$ 89,917,513
Net realized capital gains (losses)	(36,956,350)	(17,342,868)	(16,238,327)	(915,476)	(11,604,852)
Net income	$ 89,931,231	$ 94,673,227	$155,181,547	$ 62,078,912	$ 78,312,661

Premiums and annuity considerations decreased by $181,774,760 in 2005 compared to 2004. This decrease is mainly due to reduced sales of individual annuities and the loss of a large group annuity case. Premiums and annuity considerations increased by $42,140,449 in 2006 compared to 2005. This increase was due to an increase in individual annuity sales. Premiums and annuity considerations increased by $71,118,394 in 2007 compared to 2006. This increase was due to an increase in sales of group annuity terminal funding product.

Benefit payments exhibited an increasing trend, while increase in reserves exhibited a declining trend. These trends are mainly due to increases in surrender activity.

C. CAPITAL AND SURPLUS ACCOUNT

	2003	2004	2005	2006	2007
Capital and surplus, December 31, prior year	$441,062,070	$496,240,335	$565,892,517	$625,835,738	$606,125,812
Net income	$ 89,931,231	$ 94,673,227	$155,181,547	$ 62,078,912	$ 78,312,661
Change in net unrealized capital gains (losses)	5,560,651	2,314,174	(4,913,606)	2,057,595	(7,122,534)
Change in net unrealized foreign exchange capital gain (loss)	0	58,015	(595,459)	802,696	7,986,793
Change in net deferred income tax	(20,090,803)	1,410,180	(22,989,629)	19,661,286	(9,676,390)
Change in non-admitted assets and related items	(13,738,360)	217,816	21,278,163	(3,552,182)	(10,372,381)
Change in liability for reinsurance in unauthorized companies	(11,354)	9,742	0	0	0
Change in asset valuation reserve	(6,473,100)	(29,030,972)	(29,572,565)	(23,745,892)	(14,753,335)
Surplus adjustments: paid in	0	0	0	0	6,173,007
Dividends to stockholders	0	0	(50,000,000)	(62,000,000)	(100,000,000)
Correction of prior period reserves	0	0	(10,568,207)	0	(4,508,304)
Correction of prior period cash distributions on partnerships	0	0	15,604,505	0	0
Correction of prior period real estate on partnerships	0	0	(13,481,528)	1,837,753	0
Correction to prior period investment income and related effects	0	0	0	0	(2,302,180)
Correction of prior period derivatives, AVR, and related effects	0	0	0	(6,850,094)	0
Voluntary reserve	0	0	0	(10,000,000)	0
Correction to prior period to balance underlying policy administration systems	0	0	0	0	(239,808)
Correction of prior period benefits	0	0	0	0	3,013,266
Net change in capital and surplus for the year	$ 55,178,265	$ 69,652,182	$ 59,943,221	$(19,709,926)	$(53,489,205)
Capital and surplus, December 31, current year	$496,240,335	$565,892,517	$625,835,738	$606,125,812	$552,636,607

D. RESERVES

The Department conducted a review of reserves as of December 31, 2007. During the review, the Department recommended more conservatism in assumptions and methodology used for asset adequacy analysis pursuant to Department Regulation No. 126. In response, the Company incorporated the various stipulated adjustments in a manner acceptable to the Department. As stated in the Company's December 31, 2008 Actuarial Memorandum, "Primary areas of differences between the Company and the Department include the level of credit risk charges modeled, the applicability of a covariance effect and the probability weighting of interest rate scenarios. Because of these differences, the Company holds $200 million of cash flow testing reserves and looks forward to further discussion of these differences, with the objective of reaching a mutually agreeable framework for future valuations." The changes were then implemented for December 31, 2008 reserves. These adjustments produced additional reserves in the amount of $200 million. Due to the extraordinary circumstances which occurred during the second half of 2008 (described in Section 6), a review of the December 31, 2008 reserves is in progress. This may lead to further adjustments in the Department Regulation No. 126 asset adequacy analysis and potential increases or decreases to the additional reserves that have already been established. To the extent an increase or decrease in reserves proves necessary, this is expected to be reflected as of the quarter end immediately following the conclusion of the Department's review. The certificate of reserve valuation for the December 31, 2007 reserves is being held in abeyance until the Department has completed its subsequent review of the December 31, 2008 reserves.

The examiner recommends that the Company continue to compute reserves using the assumptions and methodology as agreed upon with the Department.

6. SUBSEQUENT EVENTS

A. Holding Company

In September 2008 the Company's ultimate parent, AIG, experienced a severe strain on its liquidity that resulted in AIG entering into a revolving credit facility with an initial maximum amount of $85 billion (as later amended and supplemented the "Fed Facility") and a guarantee and pledge agreement with the Federal Reserve Bank of New York ("NY Fed") on September 22, 2008. Under the Fed Facility agreement, AIG has, among other things, issued 100,000 shares of Series C Perpetual, Convertible, Participating Preferred Stock ("Series C Preferred Stock") to the AIG Credit Facility Trust, a trust established for the sole benefit of the United States Treasury. The Series C Preferred Stock is entitled to vote with AIG's common stock on all matters submitted to AIG shareholders and holds approximately 79.9% of the aggregate voting power of the common stock. The United States Department of the Treasury additionally holds warrants exercisable for 53,801,776 shares of AIG's common stock.

The Fed Facility obligations are guaranteed by certain AIG subsidiaries and the obligations are secured by a pledge of certain assets of AIG and its subsidiaries. The Company is not a guarantor of the credit facility obligation and it has not pledged any assets to secure those obligations.

Additional information concerning AIG and its transactions with the NY Fed and the United States Department of the Treasury are provided in the Company's 2008 annual statement and its quarterly statutory financial statement for the three months ended March 31, 2009, as filed with the Department.

B. Capital Contributions

The Company reported capital contributions totaling $951.8 million in 2008 from its parent. The contributions consisted of cash and securities and were made to alleviate large net realized capital losses. The capital losses were from the securities lending program and write-downs on bonds and loan backed securities due to other than temporary declines.

C. Securities Lending Program

The Company historically participated in AIG's U.S. securities lending program (the "securities lending program") which was managed by an affiliated agent, AIG Securities

Lending Corp. (the "Agent"), and an affiliated investment advisor for the benefit of AIG's domestic insurance company participants (including the Company). Under the securities lending program, securities were loaned to various financial institutions. A significant portion of the cash collateral received was invested in residential mortgage backed securities with expected maturities longer than the liabilities to the securities lending counterparties. The value of the collateral securities declined significantly during 2008.

During 2008, participants in the securities lending program recorded significant realized capital losses, including other-than-temporary impairment charges and losses on sales, related to declines in the values of investments made with collateral in the securities lending program. The participants received capital contributions from AIG which largely offset the pretax impact of these realized losses. The Company's losses related to securities lending for 2008 were $771.4 million.

On December 12, 2008, the securities lending program was terminated, following the sale of long-term investments held by the Agent in the securities lending program's collateral account and the settlement of all domestic outstanding securities lending transactions.

7. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the financial violations contained in the prior report on examination and the subsequent actions taken by the Company in response to each citation:

Item	Description
A	The Company violated Section 1505(d)(3) of the New York Insurance Law for failing to file an investment advisory agreement prior to its use.
	The Examiner's review did not reveal instance whereby the Company failed to file service agreements prior to their use.
B	The Company violated Section 91.4(c) of Department Regulation No. 33 by not utilizing one of the prescribed methods to allocate net investment income by line of business.
	A review of the Company's net investment income allocation method revealed that the Company utilized a prescribed method, namely mean reserves.

8. SUMMARY AND CONCLUSIONS

Following is the violation, recommendation and comments contained in this report:

Item	Description	Page No(s).
A	The certificate of reserve valuation for December 31, 2007 reserves is being held in abeyance until the Department has completed its subsequent review of the December 31, 2008 reserves.	20
B	The examiner recommends that the Company continue to compute reserves using the assumptions and methodology as agreed upon with the Department	20
C	In September 2008 the Company's ultimate parent, AIG, experienced a severe strain on its liquidity that resulted in AIG entering into a revolving credit facility with an initial amount of $85 billion and a guarantee and pledge agreement with the Federal Reserve Bank of New York.	21
D	The Company received capital contributions totaling $951.8 million in 2008 from its parent to alleviate large net realized capital losses due to other than temporary declines and securities lending.	21
E	The Company's losses related to securities lending for 2008 were $771.4 million. The Company received capital contributions for losses related to securities lending. The Company terminated the securities lending program on December 12, 2008.	22

Respectfully submitted,

/s/

Marc A. Tse
Associate Insurance Examiner

STATE OF NEW YORK)
)SS:
COUNTY OF NEW YORK)

Marc A. Tse, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

/s/

Marc A. Tse

Subscribed and sworn to before me

this__________ day of ___________________

APPOINTMENT NO. 22734

STATE OF NEW YORK

INSURANCE DEPARTMENT

I, ERIC R. DINALLO, Superintendent of Insurance of the State of New York,

pursuant to the provisions of the Insurance Law, do hereby appoint:

MARC TSE

as a proper person to examine into the affairs of the

AMERICAN INTERNATIONAL LIFE ASSURANCE COMPANY OF NEW YORK

and to make a report to me in writing of the condition of the said

COMPANY

with such other information as he shall deem requisite.

In Witness Whereof, I have hereunto subscribed by name
and affixed the official Seal of the Department
at the City of New York

this 15th day of January, 2008

ERIC R. DINALLO
Superintendent of Insurance

Superintendent