NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

FINANCIAL CONDITION REPORT ON EXAMINATION

OF

THE UNITED STATES LIFE INSURANCE COMPANY IN THE CITY OF NEW YORK

CONDITION: DECEMBER 31, 2016

DATE OF REPORT: MAY 11, 2018

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EXAMINER:	RACHELLE GOWINS, CFE

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Maria T. Vullo
Superintendent

May 24, 2018

Honorable Maria T. Vullo
Superintendent of Financial Services
New York, New York 10004

Madam:

In accordance with instructions contained in Appointment No. 31662, dated August 21, 2017, and annexed hereto, an examination has been made into the condition and affairs of The United States Life Insurance Company in the City of New York, hereinafter referred to as "the Company," at its administrative office located at 2727-A Allen Parkway, 3-D1, Houston, TX 77019. The Company's home office is located at 175 Water Street, New York, NY 10038.

Wherever "Department" appears in this report, it refers to the New York State Department of Financial Services.

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

1. Executive Summary

The material comment and violation contained in this report are summarized below

- At this juncture, the certificate of reserve valuation is being held and is not expected to be issued until the Department's concerns are resolved. (See item 6F of the report.)
- The Company violated Section 243.2(e) of 11 NYCRR 243 (Insurance Regulation 152) by failing to make available, as requested by the examiner, the data records that support the annual statement exhibits in the format and substance required within a reasonable time frame. This will also be noted in the market conduct report on examination as of December 31, 2016. The market conduct examination is being conducted concurrently with the financial condition examination. This data related matter was raised in the Company's prior market conduct report on examination. (See item 6G of this report.)

2. SCOPE OF EXAMINATION

The examination of the Company was a full-scope examination as defined in the National Association of Insurance Commissioners ("NAIC") *Financial Condition Examiners Handbook, 2017 Edition* (the "Handbook"). The examination covers the five-year period from January 1, 2012, to December 31, 2016. The examination was conducted observing the guidelines and procedures in the Handbook and, where deemed appropriate by the examiner, transactions occurring subsequent to December 31, 2016, but prior to the date of this report (i.e., the completion date of the examination) were also reviewed.

The examination was conducted on a risk-focused basis in accordance with the provisions of the Handbook published by the NAIC . The Handbook's guidance provides for the establishment of an examination plan based on the examiner's assessment of risk in the insurer's operations and utilizing that evaluation in formulating the nature and extent of the examination. The examiner planned and performed the examination to evaluate the current financial condition as well as identify prospective risks that may threaten the future solvency of the insurer. The examiner identified key processes, assessed the risks within those processes and evaluated the internal control systems and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, evaluating the overall financial statement presentation, and determining management's compliance with New York statutes and Department's guidelines, Statutory Accounting Principles as adopted by the Department, and annual statement instructions.

The examination was coordinated and conducted in conjunction with the examinations of the Company's parent, AGC Life Insurance Company ("AGCL"), a Missouri domiciled life insurer, and two of the Company's sister companies, American General Life Insurance Company ("AGL") and The Variable Annuity Life Insurance Company ("VALIC"), both Texas domiciled life insurers. Since all states are accredited by the NAIC, all states deemed it appropriate to rely on each other's work.

Information about the Company's organizational structure, business approach and control environment were utilized to develop the examination approach. The Company's risks and management activities were evaluated incorporating the NAIC's nine branded risk categories. These categories are as follows:

- Pricing/Underwriting

- Reserving
- Operational
- Strategic
- Credit
- Market
- Liquidity
- Legal
- Reputational

The Company was audited annually, for the years 2012 through 2016, by the accounting firm of PricewaterhouseCoopers LLP ("PwC"). The Company received an unqualified opinion in all years. Certain audit workpapers of the accounting firm were reviewed and relied upon in conjunction with this examination. The Company shares an internal audit department with its affiliates in the AIG Life and Retirement group, which was given the task of assessing the internal control structure and compliance with Sarbanes-Oxley Act of 2002 ("SOX"). Where applicable, SOX workpapers and reports were reviewed and portions were relied upon for this examination.

The examiner reviewed the corrective actions taken by the Company with respect to the comment and recommendation contained in the prior financial condition 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 February 25, 1850, and commenced business on March 4, 1850.

Under a special permit issued pursuant to Section 4231 of the New York Insurance Law, the Company writes both participating and non-participating business in all jurisdictions in which it is authorized to do business. The Company is licensed to transact business in all 50 states, the District of Columbia, and the territory of the U.S. Virgin Islands.

On June 17, 1997, American General Corporation ("AGC") acquired control of the Company and its immediate parent, USLIFE Corporation, through the merger of USLIFE Corporation with Texas Stars Corporation, a wholly owned subsidiary of AGC. On August 29, 2001, AGC was acquired by American International Group, Inc. ("AIG"), a Delaware holding corporation, resulting in AIG becoming the Company's ultimate parent.

On December 31, 2002, American General Life Insurance Company of New York, a New York domiciled insurer, merged with and into the Company. On December 31, 2003, North Central Life Insurance Company also merged with and into the Company.

In September 2008, the Company's ultimate parent, AIG, experienced a severe liquidity strain that resulted in AIG entering into a revolving credit facility with the Federal Reserve Bank of New York ("NY Fed"). An initial maximum amount of $85 billion (as later amended and supplemented by a guarantee and pledge agreement (the "Fed Facility Agreement"), effective September 22, 2008) provided AIG and its subsidiaries with the necessary funds to continue its operations. Under the Fed Facility Agreement AIG had, among other things, issued 100,000 shares of Series C Perpetual, Convertible, Participating Preferred Stock (the "Series C Preferred Stock") to AIG Credit Facility Trust, a trust established for the sole benefit of the United States Treasury (the "Treasury"). The Series C Preferred Stock represented approximately 79.9% of the aggregate voting power of AIG's common stock and was entitled to the same voting rights as AIG's other common stock on all matters submitted to AIG's shareholders. The Treasury additionally held warrants exercisable for 53,801,766 shares of AIG's common stock. By the end of 2008, the maximum support authorized by the U.S. Government to AIG reached $182.3 billion.

The obligations created by the Fed Facility Agreement were guaranteed by certain AIG subsidiaries and secured by a pledge of certain assets of AIG and its subsidiaries. The Company neither guaranteed the obligations created by the Fed Facility Agreement, nor pledged any assets to secure those obligations. During the examination period, commitments to the NY Fed and the Treasury had either expired or been paid by AIG through a series of transactions.

During 2009, as part of AIG's restructuring, the Company consolidated its domestic life insurance and retirement services subsidiaries under the SunAmerica Financial Group and the SunAmerica Retirement Services, Inc. umbrellas. The AGC affiliates, including the Company, were realigned under SunAmerica Financial Group.

Effective December 31, 2010, subsequent to the receipt of regulatory approval from the Department, American International Life Assurance Company of New York ("AIL") merged with and into the Company, with the Company being the surviving entity, and effective December 31, 2011, subsequent to the receipt of regulatory approval from the Department, First SunAmerica Life Insurance Company also merged with and into the Company, with Company again being the surviving entity.

In December 2012, AIG reorganized its life insurance and retirement services divisions to implement a less complex and more efficient holding company structure, while continuing to market products and provide services under existing brands. The reorganization required several mergers involving AGCL, a number of AIG's life insurance subsidiaries, and a number of other affiliates. The reorganization involved the following mergers and transactions, which were all completed on December 31, 2012:

SunAmerica Investments, Inc. ("SAII") merged into SunAmerica Life Insurance Company ("SALIC"). The merger was approved by the Arizona Department of Insurance. SAII's wholly owned subsidiaries, SunAmerica Affordable Housing Partners, Inc. ("SAAHP Inc.") and AIG Advisor Group, Inc., became wholly owned subsidiaries of SALIC.

SALIC contributed 100% of its ownership interest in SAAHP Inc. to SA Affordable Housing, LLC, making it a wholly owned subsidiary of the latter. AIG Life Holdings, Inc. (formerly SunAmerica Financial Group, Inc.) contributed 100% of its ownership interests in SALIC and American General Assurance Company ("AGAC") to AGCL, which were recognized by AGCL as capital contributions of $3.1 billion and $66.5 million, respectively, making SALIC and AGAC wholly owned subsidiaries of AGCL.

AGL distributed 100% of its ownership interest in VALIC to AGCL, making VALIC a wholly owned subsidiary of AGCL. The distribution by AGL of its interest in VALIC and the receipt by AGCL of the interest in VALIC were approved by the Texas and Missouri Departments of Insurance.

Concurrent with the distribution of VALIC to AGCL, SunAmerica Annuity and Life Assurance Company merged into SALIC, with SALIC being the surviving entity. Immediately thereafter, SALIC, American General Life & Accident Insurance Company, American General Life Insurance Company of Delaware, AGAC and Western National Life Insurance Company merged into AGL, with AGL being the surviving entity.

As a result of the reorganization, all of AIG's subsidiaries that provided life insurance and retirement services products were merged and reduced into the following three U.S. life insurance companies for which AGCL is now the direct parent: AGL, VALIC and the Company.

B. Holding Company

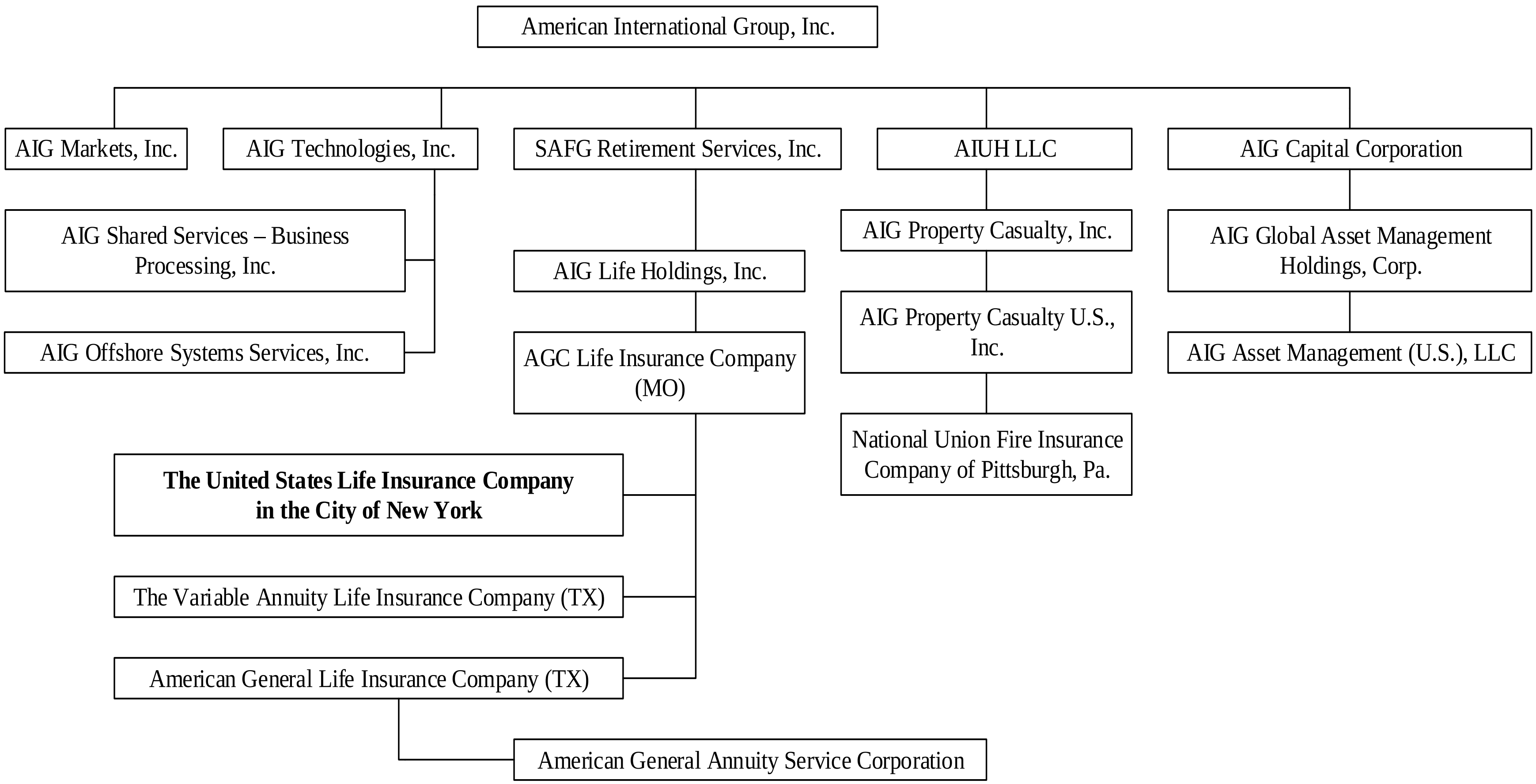
The Company is a wholly owned subsidiary of AGCL. AGCL is in turn a wholly owned subsidiary of AIG Life Holdings (U.S.), Inc., a Texas holding company. The ultimate parent of the Company is AIG.

AIG, through its subsidiaries, provides a wide range of property casualty insurance, life insurance, retirement products, and other financial services to commercial and individual customers in more than 80 countries and jurisdictions.

At the end of 2014, AIG reorganized its insurance businesses into two segments: consumer insurance and commercial insurance. Consumer insurance comprises four modules—individual retirement, group retirement, life insurance and personal insurance. Individual retirement provides variable annuities, fixed annuities, index annuities and retail mutual funds; group retirement provides group variable annuities, group fixed annuities, individual annuity and investment products, group mutual funds, and financial planning and advisory services; life insurance provides term and universal life insurance; and personal insurance provides personal auto and property insurance, voluntary and sponsor-paid personal accident and supplemental health products for individuals, employees, associations and other organizations, a broad range of travel insurance products and services for leisure and business travelers. The statutory premiums for personal insurance are reflected in non-life reporting entities.

C. <u>Organizational Chart</u>

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2016, follows:



D. Service Agreements

The Company had 13 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
Administrative Services and Expense Agreement File No. 31866	02/01/1974	AIG (directly or through its affiliates)	AIG's subsidiaries, including the Company	AIG, directly or through its affiliates, provides various services to other AIG's affiliates at cost. Services include advertising, accounting, actuarial, tax, legal, data processing, payroll, claims adjustments, employee cafeteria, and office space.	2012 $(4,966,331) 2013 $(7,009,783) 2014 $(6,618,546) 2015 $(6,651,684) 2016 $(6,393,128)
Administrative Services and Expense Agreement File No. 31866	02/01/1974	The Company	National Union Fire Insurance Company of Pittsburgh, Pa., Chartis Specialty Insurance Company, Chartis Insurance Agency, Inc., and Chartis Global Services, Inc.	AIG, directly or through its affiliates, provides various services to other AIG's affiliates at cost. Services include advertising, accounting, actuarial, tax, legal, data processing, payroll, claims adjustments, employee cafeteria, and office space.	2012 $31,268,970 2013 $44,613,509 2014 $47,192,813 2015 $46,378,790 2016 $26,213,454
Short Term Investment Pool Agreement (AIG Liquidity Pool) File No. 26949	04/28/1999	AIG Asset Management (U.S.), LLC ("AMG")	AIG subsidiaries, including the Company	It allows the Company and AIG's affiliates that are parties thereto, to invest their short term cash in an investment pool managed by AMG.	Included in the amounts for File No. 44434.
Administrative Services Agreement File No. 35399	05/01/2006	AGL	The Company	AGL provides the Company with various administrative services, including accounting, underwriting, actuarial, claims, policyholder, marketing, distribution on all lines of AIL insurance business.	Included in the amounts for File No. 37012

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
Administrative Services Agreement File No. 37013	01/19/2007	AGL (as successor to Western National Life Insurance Company)	The Company	AGL provides certain administrative and marketing services for the sale of certain fixed annuity products issued by the Company and sold by financial institutions and their affiliated insurance agencies and subagents, with existing relationships with AGL.	Included in the amounts for File No. 37012
Administrative Services Agreement File No. 37012	01/19/2007	AGL	The Company	AGL provides the Company with certain administrative services.	2012 $(123,611,697) 2013 $(156,511,058) 2014 $(147,723,050) 2015 $(137,910,308) 2016 $(128,734,017)
Assignment and Service Agreement File No. 41300	05/01/2009	American General Annuity Service Corporation and AGL	The Company (as successor to AIL)	AGASC acts as assignment company and owner of the Company structured settlement policies, and AGL provides services for structured settlement functions.	2012 $(132,000) 2013 $(134,500) 2014 $(96,500) 2015 $(174,000) 2016 $(213,500)
Amended and Restated Investment Advisory Agreement. File No. 44434	01/01/2011	AMG	The Company	AMG provides investment advisory and management services to the Company with respect to its general account assets portfolio.	2012 $(18,572,837) 2013 $(18,587,378) 2014 $(18,671,247) 2015 $(18,327,639) 2016 $(19,208,844)
Administrative Services Agreement File No. 45269	01/01/2012	AIG Shared Services-Business Processing, Inc. (“AIG Shared Services”)	The Company	AIG Shared Services provides accounting, administrative services, and performs administrative activities related to the Company’s business operations, subject to the cost plus method of the Philippine transfer pricing guidelines.	2012 $(2,549,855) 2013 $(2,791,715) 2014 $(2,960,944) 2015 $(3,212,871) 2016 $(2,688,819)

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
Administrative Services Agreement File No. 45320	01/01/2012	National Union Fire Insurance Company of Pittsburgh, Pa., Chartis Specialty Insurance Company, Chartis Insurance Agency, Inc., and Chartis Global Services, Inc.	The Company	The Company is provided with a number of administrative services, including the following: distribution/producer management, reinsurance and underwriting, policy owner and contract holder services, safeguarding customer information, actuarial services, financial services, information technology, legal services, consumer complaints and other administrative services.	No services were provided to the Company during the examination period.
Master Intra-company Services Agreement File No. 46213	12/31/2012	AIG Technologies, Inc. ("AGT") (formerly AIG Global Services, Inc.)	The Company	AGT provides various information technology services, including connectivity, application hosting, data processing related services, and other information technology related infrastructure services. The arrangement is at cost but could be subject to the cost plus method if the services are provided by an affiliate and the method applies.	2012 $(4,678,281) 2013 $(6,409,711) 2014 $(13,230,675) 2015 $(12,681,257) 2016 $(9,712,090)
Administrative Services Agreement File No. 48076	04/15/2014	AIG Shared Services Corporation (“AGSS”)	The Company	AGSS provides certain data and information technology services and activities related to the Company’s business operations, subject to the cost plus method of the Philippine transfer pricing guidelines.	For 2014 and 2015 the expenses are included in the amount for file no. 45269. 2016 ($88,378)

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
Services Agreement File No. 47161	08/15/2014	AIG Markets, Inc.	The Company	AIG Markets, Inc. provides certain derivatives execution and support services, collateral management services, short term investment management (including repurchase agreements and securities lending), and operational support services.	2014 $0 2015 $0 2016 $0 AIG Markets, Inc. has not yet billed the life insurance companies under this agreement.
Master Intra-Company Data Services Agreement File No. 50409	06/01/2015	AIG Offshore Systems Services, Inc. ("AIGOSS")	The Company	AIGOSS to provide or cause to be provided data analytics, data processing and other data-related services to the Company.	2015 $0 2016 $(336,501)

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

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

E. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than 7 and not more than 13 directors. Directors are elected every year at the annual meeting of the stockholders held in April of each year. If a vacancy occurs during a year, such vacancy must be filled by majority vote of the remaining members of the board of directors. As of December 31, 2016, the board of directors consisted of nine members. Meetings of the board are held at such time and place as the directors may determine by resolution.

The nine board members and their principal business affiliation, as of December 31, 2016, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
William J. Carr* Houston, TX	President and Managing Director Safire Solutions LLC	2011
Kevin T. Hogan Berkeley Heights, NJ	Chairman, Chief Executive Officer, and President The United States Life Insurance Company in the City of New York	2015
Katherine A. Anderson Houston, TX	Senior Vice President and Chief Risk Officer The United States Life Insurance Company in the City of New York	2016
Robert M. Beuerlein* The Villages, FL	Retired Senior Vice President and Chief and Appointed Actuary American General Life Insurance Company	2016
Thomas J. Diemer Spring, TX	Executive Vice President and Chief Financial Officer The United States Life Insurance Company in the City of New York	2014
Gaurav D. Garg New York, NY	Chief Executive Officer of Personal Insurance American International Group, Inc.	2016
Deborah A. Gero Santa Monica, CA	Senior Vice President and Chief Investment Officer The United States Life Insurance Company in the City of New York	2013

Name and Residence	Principal Business Affiliation	Year First Elected
Michael P. Harwood Houston, TX	Senior Vice President, Chief Actuary, and Corporate Illustration Actuary The United States Life Insurance Company in the City of New York	2016
Glen D. Keller* Chesterfield, MO	Retired Actuary, Senior Vice President American General Life Insurance Company	2016

*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, 2016:

Name	Title
Kevin T. Hogan	Chairman, Chief Executive Officer, and President
Thomas J. Diemer	Executive Vice President and Chief Financial Officer
Michael P. Harwood	Senior Vice President, Chief Actuary, and Corporate Illustration Actuary
Don W. Cummings	Senior Vice President and Controller
Sabyasachi Ray *	Senior Vice President and Chief Operations Officer
Julie Cotton Hearne	Vice President and Secretary
Justin J. W. Caulfield	Vice President and Treasurer

*Designated consumer services officer per Section 216.4(c) of 11 NYCRR 216 (Insurance Regulation 64)

4. TERRITORY AND PLAN OF OPERATIONS

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 50 states, the District of Columbia, and the territory of the U.S. Virgin Islands. In 2016, 59% of life premiums, 29.9% of accident and health premiums, 94.3% of annuity considerations and 99% of deposit type funds were received from New York. Policies are written on a non-participating basis.

The following tables show the percentage of direct premiums received, by state, and by major lines of business for the year 2016:

Life Insurance Premiums		Accident and Health Insurance Premiums	
New York	59.0%	New York	29.9%
Minnesota	6.7	California	12.1
New Jersey	4.9	Florida	6.0
Florida	3.6	New Jersey	5.4
California	3.2	Texas	4.7
Subtotal	70.50%	Subtotal	58.1%
All others	20.50	All others	41.9
Total	100.0%	Total	100.0%

A. Statutory and Special Deposits

As of December 31, 2016, the Company had $2,835,000 (par value) of United States Treasury Bonds on deposit with the State of New York, its domiciliary state, for the benefit of all policyholders, claimants and creditors of the Company. As reported in Schedule E of the 2016 filed annual statement, an additional $5,775,000 (par value) was being held by the states of Florida, Georgia, Illinois, Texas, and the territory of Guam.

B. Direct Operations

The Company markets individual life insurance, individual annuities, group insurance, and certain credit life insurance. Individual life insurance products include term life, whole life, universal life, index universal life, and variable universal life insurance; individual annuities include fixed flexible premium deferred annuities, single premium immediate annuities, and structured settlement contracts, and group insurance products include group life, immediate fixed annuities, fixed terminal funding annuities, accidental death and dismemberment, dental, vision, excess major medical, and disability insurance. The Company's group life and group accident and health insurance products are marketed to employers and professional and affinity associations. In October 2016, the Company made a strategic decision to refocus its group benefits business, which included the decision to cease quoting new business in its employer and voluntary group benefits lines and seek strategic alternatives for group products distributed through sponsored organizations such as professional and affinity associations. The Company also offers company-owned life insurance, but it did not issue any policies during the examination period.

The Company's individual life insurance products are distributed through independent insurance agents, independent marketing organizations, financial advisors, and direct marketing; individual annuities are distributed through independent insurance agents, independent marketing organizations, broker-dealers, banks, and wirehouses; group annuities are distributed through independent insurance agents and broker-dealers, and group life and group accident and health insurance products are distributed through independent general agents, brokers and third-party administrators.

C. Reinsurance

As of December 31, 2016, the Company had reinsurance treaties in effect with 39 companies, of which 20 were authorized or accredited. The Company's life, and accident and health insurance business is reinsured on a coinsurance, modified-coinsurance, and yearly renewable term basis. Reinsurance is provided on an automatic and/or facultative basis.

The maximum retention limit for individual life contracts is $10,000,000 for universal life contracts and $3,500,000 for term life policies. The total face amount of life insurance ceded as of December 31, 2016, was $37,459,874,000 which represents 55.5% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling $447,973,118, was supported by letters of credit, trust agreements and funds withheld.

The total face amount of life insurance assumed as of December 31, 2016, was $238,260,568.

5. 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 (decline) during the period under review:

	December 31, 2011	December 31, 2016	Increase (Decrease)
Admitted assets	$23,095,858,402	$28,609,893,132	$5,514,034,730
Liabilities	$21,253,589,923	$26,772,924,393	$5,519,334,470
Common capital stock	$ 3,961,316	$ 3,961,316	$ 0
Gross paid in and contributed surplus	1,909,103,788	1,777,675,305	(131,428,483)
Annuitant mortality fluctuation fund	131,631	131,631	0
Incremental deferred tax asset	64,950,955	0	(64,950,955)
Unassigned funds (surplus)	(135,879,211)	55,200,487	191,079,698
Total capital and surplus	$ 1,842,268,479	$ 1,836,968,739	$ (5,299,740)
Total liabilities, capital and surplus	$23,095,858,402	$28,609,893,132	$5,514,034,730

The Company's invested assets as of December 31, 2016, exclusive of separate accounts, were mainly comprised of bonds (82%), mortgage loans (10%), and other invested assets (5%).

The majority (93.6%) of the Company's bond portfolio, as of December 31, 2016, was comprised of investment grade obligations.

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

	Individual Whole Life		Individual Term		Group Life	
Year	Issued	In Force	Issued	In Force	Issued & Increases	In Force
2012	$241,129	$16,574,000	$2,078,317	$53,083,871	$2,712,367	$50,359,544
2013	$451,564	$16,067,565	$2,503,341	$52,203,950	$1,949,981	$52,392,042
2014	$261,246	$15,511,682	$ 781,075	$50,337,923	$1,349,880	$52,197,117
2015	$126,153	$14,928,806	$1,822,042	$48,718,130	$ 440,582	$52,768,341
2016	$ 90,162	$13,844,335	$3,133,101	$49,120,207	$ 189,464	$49,991,699

The decrease in individual whole life issued from 2013 to 2016 is driven by the steadily decreasing number of whole life policy sales for the period.

The decrease in individual term issued from 2013 to 2014 and the subsequent increase in 2015 and 2016 resulted from the decreased sales of term life in 2014 and the increased sales of term life in 2015 and 2016

The decrease in group life insurance issued, including increases, during the examination period was due to changing business strategies. The number of policies issued from 2014 considerably decreased compared with prior year. And while the number of policies issued in 2015 was similar to prior year, the decreases in policies issued in 2015 primarily resulted from the issuance of life policies to smaller groups. The number of life policies issued in 2016 decreased compared with prior year because the Company decided to exit the group business.

The following has been extracted from the Exhibits of Accident and Health Insurance in the filed annual statements for each of the years under review:

Group

	2012	2013	2014	2015	2016
Outstanding, end of previous year	661,300	843,520	457,448	356,015	397,160
Issued during the year	219,399	8,436	1,841	54,904	4,828
Other net changes during the year	(37,179)	(394,508)	(103,274)	(13,759)	(113,387)
Outstanding, end of current year	843,520	457,448	357,015	397,160	288,601

The decrease in certificates issued from 2012 to 2013 was due to the number reported in 2012 which included a balancing number of approximately 130,000 certificates that did not represent issued certificates.

The decrease in certificates outstanding from 2012 to 2016 was primarily driven by an increase in policy lapses and terminations in 2013 and the Company's decision to exit the group business in 2016.

The following has been extracted from the Exhibits of Deposit Funds and Dividend Accumulations in the filed annual statements for each of the years under review:

Deposit Funds

	2012	2013	2014	2015	2016
Outstanding, end of previous year	487	482	468	348	223
Issued during the year	9	5	0	1	1
Other net changes during the year	(14)	(19)	120	126	(16)
Outstanding, end of current year	482	468	348	223	208

The decrease in deposit funds contracts outstanding from 2012 to 2016 was driven by the Traditional Consolidated Functions Ordinary block. The block underwent an administrative system conversion and data clean-up that was a significant driver in the decrease in contracts.

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:

	2012	2013	2014	2015	2016
Ordinary:					
Life insurance	$ (57,543,607)	$ 59,905,174	$ 54,804,801	$ 24,167,290	$ 21,362,386
Individual annuities	151,659,897	281,888,789	26,346,709	177,721,627	39,646,354
Supplementary contracts	3,069,001	4,433,827	3,864,260	1,806,138	(2,389,876)
Total ordinary	$ 97,185,291	$ 346,227,790	$ 85,015,770	$203,695,055	$ 58,618,864
Credit life	$ 31,379	$ (48,774)	$ (1,053)	$ 16,826	$ 13,880
Group:					
Life	$ 3,825,200	$ 31,784,360	$ 30,552,244	$ 11,897,931	$ (6,451,592)
Annuities	26,450,751	(103,965,220)	103,332,860	13,337,669	17,942,794
Total group	$ 30,275,951	$ (72,180,860)	$133,885,104	$ 25,235,600	$ 11,491,202
Accident and health:					
Group	$ 26,772,788	$ 25,034,776	$ 25,039,018	$ 33,003,927	$ (7,594,651)
Credit	69,938	45,253	14,999	(553,795)	48,368
Other	(518,355)	(15,232,674)	(963,289)	3,106,080	(1,231,832)
Total accident and health	$ 26,324,371	$ 9,847,355	$ 24,090,728	$ 35,556,212	$ (8,778,115)
All other lines	$140,815,561	$ 182,128,322	$ 79,506,027	$119,847,396	$ 78,665,979
Total	$294,632,553	$ 465,973,833	$322,496,576	$384,351,089	$140,011,810

The increase in gains from operations for total ordinary insurance from 2012 to 2013 was due to a $565 million increase in premiums, a $74 million increase in litigation settlements, a $51 million decrease in federal income taxes due to adjustments for prior year returns, and a $46 million increase in net investment income, which were partially offset by a $223 million increase in transfers to separate accounts, a $202 million increase in reserves, and a $46 million increase in surrender benefits.

The decrease in gains from operations for total ordinary insurance from 2013 to 2014 was due to a $194 million increase in surrender benefits, a $135 million increase in reserves, a $108 million increase in federal income taxes, and a $107 million increase in transfers to separate accounts, which were partially offset by a $233 million increase in premiums, and a $42 million increase in net investment income.

The increase in gains from operations for total ordinary insurance from 2014 to 2015 was due to a $252 million decrease in reserves and a $26 million decrease in transfers to separate accounts, which were partially offset by a $48 million decrease in litigation settlements, a $33 million increase in death benefits, a $26 million decrease in premiums, a $26 million decrease in net investment income, and a $23 million increase in federal income taxes.

The decrease in gains from operations for total ordinary insurance from 2015 to 2016 was due to a $267 million increase in reserves and a $165 million decrease in premiums, which were partially offset by a $206 million decrease in transfers to separate accounts, a $37 million increase in net investment income, and a $20 million decrease in federal income taxes.

The increase in gains from operations for group life insurance from 2012 to 2013 was due to a $28 million decrease in reserves, a $16 million increase in litigation settlements, a $14 million decrease in federal income taxes due to adjustments for prior year returns, and an $11 million decrease in loading, which were partially offset by a $49 million decrease in premiums.

The decrease in gains from operations for group life insurance from 2014 to 2015 was due to a $17 million increase in death benefits and a $10 million decrease in litigation settlements, which were partially offset by a $4 million decrease in federal income taxes. The decrease in group life insurance from 2015 to 2016 was due to a $18 million decrease in premiums, a $13 million increase in reserves, and a $7 million increase in general expenses, which were partially offset by a $16 million decrease in death benefits and a $5 million decrease in federal income taxes.

The decrease in gains from operations for group annuities from 2012 to 2013 was due to a $157 million decrease in premiums, a $72 million increase in reserves, and a $50 million increase in federal income taxes, which were partially offset by a $143 million decrease in transfers to separate accounts.

The increase in gains from operations for group annuities from 2013 to 2014 was due to a $223 million decrease in reserves and a $30 million decrease in transfers to separate accounts, which were partially offset by a $25 million decrease in premiums and a $22 million decrease in net investment income.

The decrease in gains from operations for group annuities from 2014 to 2015 was due to a $196 million increase in reserves and a $86 million increase in surrender benefits, which were partially offset by a $95 million decrease in transfers to separate accounts, a $74 million increase in premiums, and a $19 million decrease in federal income taxes.

The decrease in gains from operations for group accident and health insurance from 2015 to 2016 was due to a $46 million increase in reserves and a $20 million decrease in premiums, which were partially offset by a $14 million decrease in disability benefits and a $9 million decrease in federal income taxes.

The increased loss from operations for other accident and health insurance from 2012 to 2013 was due to a $10 million increase in reserves and a $4 million increase in federal income taxes, and the decreased loss from operations for other accident and health insurance from 2013 to 2014 was due to a $10 million decrease in reserves and a $4 million decrease in federal income taxes.

The decrease in gains from operations for all other lines from 2013 to 2014 was due to a $64 million increase in federal income taxes due to an adjustment made in 2013 for prior year returns, and a $38 million decrease in net investment income, and the increase in gains from operations for all other lines from 2014 to 2015 was due to a $49 million increase in net investment income. The decrease in gains from operations for all other lines from 2015 to 2016 was due to a $35 million decrease in net investment income.

6. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2016, as contained in the Company's 2016 filed annual statement, a condensed summary of operations and a reconciliation of the capital and surplus account for each of the years under review. The examiner's review of a sample of transactions did not reveal any differences which materially affected the Company's financial condition as presented in its financial statements contained in the December 31, 2016, filed annual statement.

A. Independent Accountants

The firm of PwC was retained by the Company to audit the Company's combined statutory-basis statements of financial position as of December 31st of each year in the examination period, and the related statutory-basis statements of operations, capital and surplus, and cash flows for the year then ended.

PwC concluded that the statutory financial statements presented fairly, in all material respects, the financial position of the Company at the respective audit dates. Balances reported in these audited financial statements were reconciled to the corresponding years' annual statements with no discrepancies noted.

B. Net Admitted Assets

Bonds	$18,874,722,308
Stocks:	
Preferred stocks	5,947,415
Common stocks	9,776,414
Mortgage loans on real estate:	
First liens	2,389,868,424
Other than first liens	50,171,676
Real estate:	
Properties held for the production of income	8,426,523
Properties held for sale	12,018,058
Cash, cash equivalents and short term investments	89,633,533
Contract loans	197,718,199
Derivatives	39,047,680
Other invested assets	1,164,604,581
Receivable for securities	31,125,660

Securities lending reinvested collateral assets	69,391,349
Derivative Cash Collateral	31,042,415
Investment income due and accrued	189,245,819
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	22,676,145
Deferred premiums, agents' balances and installments booked but deferred and not yet due	67,343,330
Reinsurance:	
Amounts recoverable from reinsurers	29,584,622
Other amounts receivable under reinsurance contracts	12,125,506
Current federal and foreign income tax recoverable and interest thereon	49,393,929
Net deferred tax asset	193,297,280
Guaranty funds receivable or on deposit	1,362,484
Receivables from parent, subsidiaries and affiliates	20,757,223
State income tax receivable	7,745,951
Accrued income-stable value wrap	2,713,099
Revenue sharing	2,034,710
Administrative services only fund receivable	41,783
Miscellaneous receivable	23,388
From separate accounts, segregated accounts and protected cell accounts	$ 5,038,053,628
Total admitted assets	$28,609,893,132

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$19,499,906,898
Aggregate reserve for accident and health contracts	423,364,867
Liability for deposit-type contracts	631,095,543
Contract claims:	
Life	89,053,799
Accident and health	55,070,942
Policyholders' dividends and coupons due and unpaid	27,470
Provision for policyholders' dividends and coupons payable in following calendar year – estimated amounts	
Dividends apportioned for payment	1,571,020
Premiums and annuity considerations for life and accident and health contracts received in advance	844,737
Contract liabilities not included elsewhere:	
Provision for experience rating refunds	225,577,820
Other amounts payable on reinsurance	506,499
Interest maintenance reserve	286,859,152
Commissions to agents due or accrued	7,167,339
General expenses due or accrued	22,343,120
Transfers to separate accounts due or accrued	(121,772,295)
Taxes, licenses and fees due or accrued, excluding federal income taxes	5,740,284
Unearned investment income	5,124,791
Amounts withheld or retained by company as agent or trustee	547,202
Amounts held for agents' account	2,730,958
Remittances and items not allocated	36,705,995
Borrowed money and interest thereon	2,404,507
Miscellaneous liabilities:	
Asset valuation reserve	312,438,834
Reinsurance in unauthorized companies	1,064,107
Funds held under reinsurance treaties with unauthorized reinsurers	724,996
Payable to parent, subsidiaries and affiliates	41,989,006
Drafts outstanding	520,497
Payable for securities	14,870,223
Payable for securities lending	70,062,891
Repurchase agreements	100,258,031
Unclaimed funds	15,950,432
New York Regulation 172 liability	1,596,123
Miscellaneous liabilities	412,583
Other real estate liabilities	112,394
From separate accounts statement	5,038,053,628

Total liabilities	$26,772,924,393
Common capital stock	3,961,316
Gross paid in and contributed surplus	1,777,675,305
Aggregate write-ins for special surplus funds	131,631
Unassigned funds (surplus)	55,200,487
Surplus	$ 1,833,007,423
Total capital and surplus	$ 1,836,968,739
Total liabilities, capital and surplus	$28,609,893,132

D. Condensed Summary of Operations

	2012	2013	2014	2015	2016
Premiums and considerations	$1,463,943,598	$1,774,128,950	$1,920,858,572	$1,987,500,742	$1,755,304,249
Investment income	1,197,179,846	1,217,075,994	1,218,437,217	1,232,012,795	1,224,798,195
Commissions and reserve adjustments on reinsurance ceded	60,122,940	61,648,658	62,559,486	63,051,196	69,237,646
Miscellaneous income	42,551,865	138,323,391	118,902,753	80,782,570	94,832,333
Total income	$2,763,798,249	$3,191,176,993	$3,320,758,028	$3,363,347,303	$3,144,172,423
Benefit payments	$1,821,186,461	$1,845,384,849	$1,994,444,437	$2,141,007,433	$2,210,896,339
Increase in reserves	55,690,973	305,482,222	181,736,058	141,503,147	419,954,398
Commissions	146,787,064	161,716,408	145,390,456	144,059,826	131,538,164
General expenses and taxes	157,108,429	175,996,058	160,125,996	143,623,433	165,807,666
Increase in loading on deferred and uncollected premiums	(3,023,131)	(13,707,937)	(2,401,036)	(592,416)	(3,874,698)
Net transfers to (from) Separate Accounts	291,322,493	371,496,910	448,239,143	327,544,660	32,225,501
Miscellaneous deductions	2,491,674	(1,312,885)	318,671	2,667,953	(3,328,391)
Total deductions	$2,471,563,963	$2,845,055,625	$2,927,853,725	$2,899,814,036	$2,953,218,979
Net gain (loss)	$ 292,234,286	$ 346,121,368	$ 392,904,303	$ 463,533,267	$ 190,953,444
Dividends	2,157,906	1,859,759	2,024,465	1,686,148	1,198,045
Federal and foreign income taxes incurred	(4,556,173)	(121,712,224)	68,383,262	77,496,030	49,743,589
Net gain (loss) from operations before net realized capital gains	$ 294,632,553	$ 465,973,833	$ 322,496,576	$ 384,351,089	$ 140,011,810
Net realized capital gains (losses)	(25,060,845)	(45,853,028)	(2,734,916)	(19,347,828)	(46,776,401)
Net income	$ 269,571,708	$ 420,120,805	$ 319,761,660	$ 365,003,261	$ 93,235,409

E. Capital and Surplus Account

	2012	2013	2014	2015	2016
Capital and surplus, December 31, prior year	$1,842,268,479	$1,878,325,175	$1,765,240,543	$2,000,834,226	$2,090,418,959
Net income	$ 269,571,708	$ 420,120,805	$ 319,761,660	$ 365,003,261	$ 93,235,409
Change in net unrealized capital gains (losses)	23,683,179	64,441,656	80,137,949	(15,249,873)	(11,308,572)
Change in net unrealized foreign exchange capital gain (loss)	436,221	(1,627,322)	(8,006,815)	(17,242,645)	(27,560,137)
Change in net deferred income tax	360,389,652	151,068,793	37,110,923	(184,798,351)	121,580,586
Change in non-admitted assets and related items	(288,378,693)	(152,567,938)	(4,746,263)	220,216,043	(183,499,198)
Change in liability for reinsurance in unauthorized companies	(1,764,670)	1,772,211	(113,057)	(21,165)	(833,439)
Change in reserve valuation basis	0	(203,451,474)	0	0	0
Change in asset valuation reserve	(59,403,409)	12,026,389	(11,497,839)	9,090,972	55,074,805
Surplus adjustments:					
Paid in	7,070	0	0	0	0
Dividends to stockholders	(90,000,000)	(404,000,000)	(176,000,000)	(290,214,923)	(308,600,000)
Correction of prior period items	17,902,146	(867,752)	(1,052,875)	2,801,414	8,460,326
Return of capital distribution	(131,435,553)	0	0	0	0
Incremental deferred tax asset	(64,950,955)	0	0	0	0
Net change in capital and surplus for the year	36,056,696	(113,084,632)	235,593,683	89,584,733	(253,450,220)
Capital and surplus, December 31, current year	$1,878,325,175	$1,765,240,543	$2,000,834,226	$2,090,418,959	$1,836,968,739

F. Reserves

The Department selected and reviewed a sample of policies for which the Company provided detailed formula reserve calculations. This review revealed a number of revisions that were needed within the calculations. While none of the individual items resulted in a material change in the reserves, the number of issues discovered have caused a concern. In addition, there are three policies for which the Company has not yet been able to provide a copy of the policy form as required by 11 NYCRR 243 (Insurance Regulation 152). As a result, the Department is expanding the sample of policies selected.

Also during the review, concerns were raised with respect to the Company's use of substandard mortality within the formula reserve calculations for its structured settlements pursuant to 11 NYCRR 99 (Insurance Regulation 151). The Company agreed to reduce the substandard mortality and increase the reserves by $62.5 million as of December 31, 2017.

Concerns were also raised regarding the lack of conservatism in certain assumptions with respect to the Company's asset adequacy testing pursuant to 11 NYCRR 95 (Insurance Regulation 126). The Company has agreed to refine the reserve analysis in a manner acceptable to the Department. Toward this end, the Company established additional asset adequacy testing reserves in the amount of $160 million as of December 31, 2017. Although the Company incorporated the refinements within the December 31, 2017 testing, the Department has concerns regarding additional changes the Company incorporated within the testing. The Company has agreed to post additional reserves in the amount of $65 million as of March 31, 2018, to address one of these changes while the Department is continuing its review of the remaining items.

At this juncture, the certificate of reserve valuation is being held and is not expected to be issued until the Department's concerns are resolved.

G. Data Files

Section 243.2(e) of 11 NYCRR 243 (Insurance Regulation 152) states, in part:

> "The records shall be readily available and easily accessible to the superintendent in accordance with Insurance Law, Section 310. The records shall be in a readable form. . . . Upon request of the superintendent, the insurer shall provide a hard copy of the record, or, if the record is maintained in a medium which is used by the superintendent, the insurer may provide the record in that medium. Failure to produce and provide a record within a reasonable time frame shall be deemed a violation of Insurance Law, Section 308 unless the insurer can demonstrate that there is a reasonable justification for that delay."

This financial condition examination was conducted concurrently with the market conduct examination of the Company. In advance of both examinations, the Department requested that the Company prepare certain data files, covering the period of January 1, 2012, through December 31, 2016. The data requested was to be used for both the financial condition and the market conduct examination. To verify the validity of the underlying data supporting the annual statement exhibits, the Department also requested that some of the data files, such as those for claims and surrender benefits, be reconciled to the annual statement exhibits in advance of the examiner's selection of samples to review for the market conduct examination. Despite its best efforts and while financial information in the Company's annual statements tied to information presented on an aggregate basis in the applicable annual statement exhibits, the Company failed to provide the requested data in the format and substance required by the Department within a reasonable time frame. Several extensions were granted to the Company to provide the requested data, for which the Company was unable to meet.

The Company violated Section 243.2(e) of 11 NYCRR 243 (Insurance Regulation 152) by failing to make available, as requested by the examiner, the data records that support the annual statement exhibits in the format and substance required within a reasonable time frame. This will also be noted in the market conduct report on examination as of December 31, 2016. This data related matter was raised in the Company's prior market conduct report on examination.

7. PRIOR REPORT SUMMARY AND CONCLUSIONS

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

Item	Description
A	Pursuant to the Fed Facility Agreement effective September 22, 2008, the Federal Reserve Bank of New York provided AIG and its subsidiaries financial support to continue its operations. By year end 2008 such support reached $182.3 billion. From 2008 through 2012 utilizing asset sales and other actions by AIG, the Federal Reserve and the Treasury, the US Government recovered in full its financial support as well as achieved a positive return of $22.7 billion. No corrective action was required.
B	The examiner recommended that the Company continue to perform a review of all inter-company service agreements and either withdraw the ones that have become obsolete or restate the services that are covered thereunder, whenever necessary. Since the last financial condition examination, the Company has periodically reviewed its outstanding service agreements with its affiliates to ensure that each such agreement should remain in effect. This is a continuous process, and for year-end 2016, a total of 13 affiliate services agreements were in effect between the Company and its affiliates.

Following are data related recommendations contained in the prior market conduct report on examination dated January 31, 2013, and the subsequent actions taken by the Company in response to each citation:

Item	Description
D	The examiner recommends that the Company develop and implement effective procedures to ensure that policy level data be reconciled to the various policy exhibits and schedules as reported in the Company's filed annual statements. The Company failed to take a corrective action, which resulted in a violation of Section 243.2(e) of 11 NYCRR 243 (Insurance Regulation 152). (See item 6G of this report.)
E	The examiner further recommends that, in the future, such data and supporting schedules are provided to the examiners in a timely manner. The Company failed to take a corrective action, which resulted in a violation of Section 243.2(e) of 11 NYCRR 243 (Insurance Regulation 152). (See item 6G of this report.)

8. SUMMARY AND CONCLUSIONS

Following are the comment and violation contained in this report:

Item	Description	Page No(s).
A	At this juncture, the certificate of reserve valuation is being held and is not expected to be issued until the Department's concerns are resolved.	29
B	The Company violated Section 243.2(e) of 11 NYCRR 243 (Insurance Regulation 152) by failing to make available, as requested by the examiner, the data records that support the annual statement exhibits in the format and substance required within a reasonable time frame. This will also be noted in the market conduct report on examination as of December 31, 2016. The market conduct examination is being conducted concurrently with the financial condition examination. This data related matter was raised in the Company's prior market conduct report on examination.	30

Respectfully submitted,

Rachelle Gowins

Rachelle Gowins, CFE
Examination Resources, LLC

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

Rachelle Gowins, being duly sworn, deposes and says that the foregoing report, subscribed by her, is true to the best of her knowledge and belief.

Rachelle Gowins

Rachelle Gowins

Subscribed and sworn to before me

this 26th day of June, 2018

AUDREY HALL
NOTARY PUBLIC, STATE OF NEW YORK
Registration No. 01HA6274900
Qualified in Kings County
Commission Expires January 28, 2021

APPOINTMENT NO. 31662

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, MARIA T. VULLO, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:

RACHELLE GOWINS
(EXAMINATION RESOURCES, LLC)

as a proper person to examine the affairs of the

UNITED STATES LIFE INSURANCE COMPANY IN THE CITY OF NEW YORK

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

COMPANY

with such other information as she shall deem requisite.

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

this 21st day of August, 2017

MARIA T. VULLO
Superintendent of Financial Services

By: Mark McLeod

MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU