NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON FINANCIAL CONDITION EXAMINATION

OF

THE UNITED STATES LIFE INSURANCE COMPANY

IN THE CITY OF NEW YORK

CONDITION: DECEMBER 31, 2011

DATE OF REPORT: JUNE 5, 2013

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NEW YORK STATE
DEPARTMENT of
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Benjamin M. Lawsky
Superintendent

June 5, 2013

Honorable Benjamin M. Lawsky
Superintendent of Financial Services
New York, New York 10004

Sir:

In accordance with instructions contained in Appointment No. 30804, dated January 17, 2012 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 main administrative office located at 3600 Route 66, Neptune, NJ 07753. The Company's statutory home office is 200 Liberty Street, New York, NY 10281.

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 comments contained in this report are summarized below.

- In September 2008, the Company's ultimate parent, American International Group, Inc. ("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 ("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 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 shareholders on all matters submitted to AIG shareholders. The United States Department of the Treasury additionally held warrants exercisable for 53,801,766 shares of AIG's common stock.
- In total, the maximum support authorized by the U.S. Government to AIG reached $182.3 billion by the end of 2008.
- 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 was not a guarantor of the obligations created by the Fed Facility Agreement, nor did it pledge any assets to secure those obligations.
- Additional information concerning AIG and its transactions with the NY Fed and the United States Department of Treasury was 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.
- Beginning in May 2011, the Treasury successfully sold approximately 1.7 billion shares of AIG common stock in six public offerings for total proceeds of approximately $51 billion, including approximately $13 billion purchased by AIG. The Treasury continues to hold warrants to purchase approximately 2.7 million shares of AIG common stock – the sale of which is expected to provide an additional positive return to taxpayers.

- From 2008 through December 14, 2012, utilizing asset sales and other actions by AIG, the Federal Reserve and the Treasury, the US Government recovered its full financial support of $182.3 billion as well as achieved a combined positive return of $22.7 billion.

2. SCOPE OF EXAMINATION

The examination of the Company was a full scope examination as defined in the *NAIC Financial Condition Examiners Handbook, 2011 Edition* (the "Handbook"). The examination covers the four-year period from January 1, 2008 through December 31, 2011. 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, 2011 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 National Association of Insurance Commissioners ("NAIC"). The Handbook 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 guidelines, Statutory Accounting Principles as adopted by the Department and annual statement instructions.

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 2008 through 2011, by the accounting firm of PriceWaterhouseCoopers ("PWC"). The Company received an unqualified opinion in all years under examination. The Company shares an internal audit department with its affiliates in the SunAmerica Financial Group. The Company also shares an internal control department with its affiliates in the SunAmerica Financial Group, which was given the task of assessing the internal control structure and compliance with the Sarbanes-Oxley Act of 2002 ("SOX"). Where applicable, SOX workpapers and reports were reviewed and portions were relied upon for this examination.

The examination was conducted in conjunction with the coordinated examinations of licensed life insurance affiliates in the states of Arizona (examining SunAmerica Life Insurance Company), Delaware (examining American Life Insurance Company of Delaware) and Texas (examining American General Life Insurance Company). Since all states are accredited by the NAIC, the states deemed it appropriate to rely on each other's work in the areas of the interview process and testing of controls because all companies share common management and controls. However, due to the size of the various companies and the thresholds established for materiality, separate matrices were developed and individualized substantive testing was performed.

The examiner reviewed the corrective actions taken by the Company with respect to the violations, recommendation and comments contained in the prior financial report on examination. The results of the examiner's review are contained in item 8 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, Guam and The US 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 the Texas Stars Corporation, a wholly owned subsidiary of AGC. On August 29, 2001, AGC was acquired by American International Group, Inc. ("AIG"), a Delaware corporation, resulting in AIG becoming the Company's ultimate parent.

On December 31, 2002, American General Life Insurance Company of New York ("AGNY"), a New York domiciled company, was merged with and into the Company. On December 31, 2003, North Central Life Insurance Company was 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 ("Series C Preferred Stock") to the AIG Credit Facility Trust, a trust established for the sole benefit of the United States Treasury "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 shareholders on all matters submitted to AIG shareholders. The Treasury additionally held warrants exercisable for 53,801,766 shares of AIG's common stock.

In total, the maximum support authorized by the U.S. Government to AIG reached $182.3 billion by the end of 2008.

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 was not a guarantor of the obligations created by the Fed Facility Agreement, nor did it pledge any assets to secure those obligations.

Additional information concerning AIG and its transactions with the NY Fed and the Treasury was 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.

From 2008 through December 14, 2012, utilizing asset sales and other actions by AIG, the Federal Reserve, and the Treasury, the US Government recovered its full financial support of $182.3 billion as well as achieved a combined positive return of $22.7 billion. Beginning in May 2011, the Treasury successfully sold approximately 1.7 billion shares of AIG common stock in six public offerings for total proceeds of approximately $51 billion, including approximately $13 billion purchased by AIG. The Treasury continues to hold warrants to purchase approximately 2.7 million shares of AIG common stock – the sale of which is expected to provide an additional positive return to taxpayers.

During 2009, as part of AIG's restructuring, the Company further consolidated its domestic life 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, American International Life Insurance Company merged with and into the Company, subsequent to the receipt of regulatory approval from the Department. The Company was the surviving entity in this transaction.

Effective December 31, 2011, First SunAmerica Life Insurance Company ("FSA") merged with and into the Company, subsequent to the receipt of regulatory approval from the Department. The Company was again the surviving entity in this transaction.

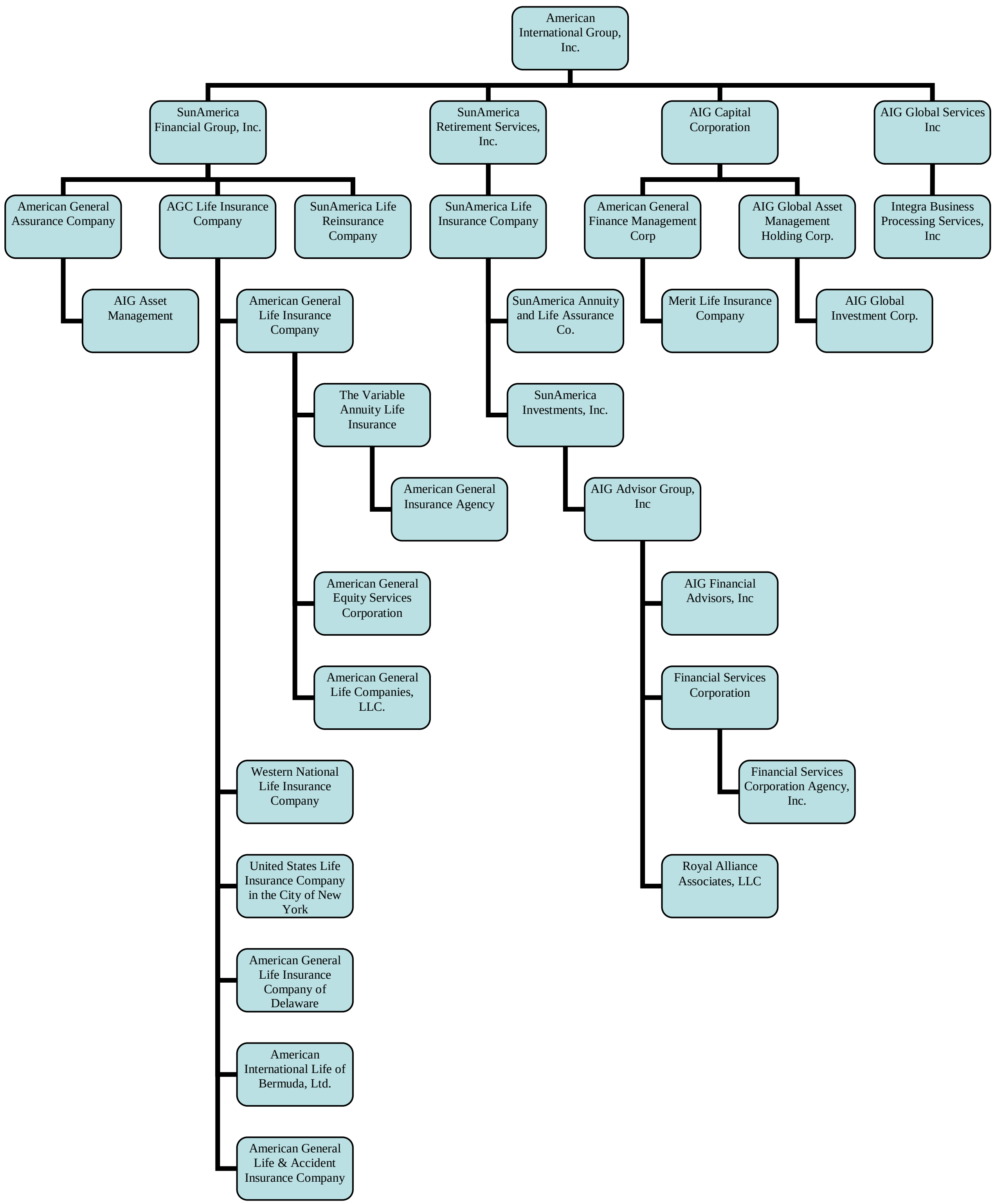
B. Holding Company

The Company is a wholly owned subsidiary of AGC Life Insurance Company ("AGC Life"), domiciled in the State of Missouri. 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.

AIG is an international insurance organization serving customers in more than 130 countries. AIG companies provide life insurance and retirement services in the United States. AIG companies also serve commercial, institutional and individual customers through one of the most extensive worldwide property-casualty networks of any insurer.

C. Organizational Chart

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2011 follows:



D. Service Agreements

The Company had 20 service agreements in effect with affiliates during the examination period.

No.	Type of Agreement	Effective Date	Provider of Services	Recipient of Services	Specific Service(s) Covered	Income/ (Expense)* For Each Year of the Examination
1	Administrative Services Agreement (File # 30828)	12/01/2002	Integra Business Processing Inc.	The Company	Administrative services related to business processing.	2008 $(2,043,308) 2009 $(2,008,363) 2010 $(1,847,264) 2011 $(2,012,408)
2	Administrative Services Agreement (File #35399)	05/01/2006	American General Life Companies	The Company	Administrative services on the Company's group lines of insurance business.	2008 $(94,952,587) 2009 $(70,038,207) 2010 $(55,169,973) 2011 $(66,858,457)
3	Administrative Services Agreement[(1)] (File # 35399)	05/01/2006	American General Life Companies	The Company	Administrative services on all lines of the Company's insurance business.	2008 $(9,603,138) 2009 $(14,636,908) 2010 $(14,003,702) 2011 $ 0
4	Administrative Services Agreement (File # 37012)	01/19/2007	American General Life Companies	The Company	Administrative services on all the Company's individual lines of life insurance business.	2008 $(42,769,972) 2009 $(45,152,429) 2010 $(32,661,290) 2011 $(36,864,005)
5	Administrative Services Agreement[(2)] (File # 37013)	01/19/2007	Western National Life Insurance Company	The Company	Administrative services for certain fixed annuity products issued by the Company.	2008 $ 0 2009 $ 0 2010 $ 0 2011 $ 0
6	Administrative Services Agreement (File # 32209B)	03/25/2004	Western National Life Insurance Company	The Company	Administrative services as to all fixed annuity products.	2008 $(2,203,939) 2009 $(1,697,421) 2010 $(1,249,336) 2011 $(728,734)
7	Assignment and Service Agreement (File # 41300)	05/01/2009	American General Life Insurance Company	The Company	Services for structured settlement products.	2008 $(1,016,595) 2009 $(1,010,712) 2010 $(804,839) 2011 $(967,965)

No.	Type of Agreement	Effective Date	Provider of Services	Recipient of Services	Specific Service(s) Covered	Income/ (Expense)* For Each Year of the Examination
8	General Agent Agreement (File #29573)	11/07/2001	American General Insurance Agency	The Company	American General Insurance Agency will act as general agent for US Life.	2008 $(19,352) 2009 $(13,827) 2010 $(3,435) 2011 $(2,247)
9	General Agent Agreements (File #35580), (File #35578), (File #35581)	12/01/2006	AIG Financial Advisors, FSC Agency, Inc., Royal Alliance Associates, Inc.	The Company	Assistance with the sale of the Company's variable business.	2008 $(90,389) 2009 $(63,961) 2010 $(60,779) 2011 $(55,365)
10	Investment Services Agreement[1] (File #29914), (File #42421)	01/01/1999	AIG Global Investment Corporation	The Company	Assistance with the execution and performance with the Company's investment decisions, and investment management.	2008 $(1,728,239) 2009 $(1,628,683) 2010 $(1,743,143) 2011 $ 0
11	Investment Advisory Agreement[1] (File#30959) (File#42421A)	Eff 03/14/2003, assigned to AMG on 03/26/2010	AIG Global Investment Corporation	The Company	Assistance with the execution and performance with the Company's investment management	2008 $(2,635,658) 2009 $(2,595,913) 2010 $(3,610,314) 2011 $ 0
12	Amended and Restated Investment Advisory Agreement (File # 44434)	01/01/2011	AIG Asset Management	The Company	Assistance with execution and performance of the Company's investments, management.	2008 $ 0 2009 $ 0 2010 $ 0 2011 $(9,055,426)
13	Non-Exclusive License Agreement[3] (File#26529)	06/07/2002	American General Corporation	The Company	License to the Company to use "American General" name.	2008 $ 0 2009 $ 0 2010 $ 0 2011 $ 0

No.	Type of Agreement	Effective Date	Provider of Services	Recipient of Services	Specific Service(s) Covered	Income/ (Expense)* For Each Year of the Examination
14	Administrative Service Agreements (File #'s 35162, 35168, 35169, 35170) (Amended and Restated 2/18/2009 - File number 40533); amended and restated 11/18/2009; file numbers (41931, 41932, and 41933)	04/25/2006; amended and restated 02/18/2009; amended and restated 11/18/2009	American General Securities Inc., American General Insurance Agency, Royal Alliance Associates Inc., AIG Financial Advisors, FSC, Securities Corporation, Advantage Capital Corporation, Advantage Capital Insurance Agency	The Company	Allows affiliated selling group members to distribute the Company's variable products	2008 $(8,119,420) 2009 $(7,313,456) 2010 $(8,800,644) 2011 $(4,825,857)
15	Administrative Service Agreement(4) (File # 37317A) (amended and restated 2008 File # 40533A)	01/10/2002; 05/01/2007;	American General Equity Services and AIG Annuity Insurance Agency	The Company	Agreements permit AGSI representatives/the Company's appointed agents to sell the Company's variable products	
16	Administrative Service Agreement(5) (File # 31886)	09/23/1975 amended 9/1/2003)	AIG and American International Life	AIL, The Company	Allows AIG affiliates to allocate the cost of one time capital expenses to the affected affiliates	

No.	Type of Agreement	Effective Date	Provider of Services	Recipient of Services	Specific Service(s) Covered	Income/ (Expense)* For Each Year of the Examination
17	Sublease Agreement [(4)]	12/31/2010	Royal Alliance Associates	The Company	Office space and mail services for home office of the Company in New York City	
18	Investment Management Agreement[(6)] (File # 30615), (File # 30959) (File # 42463). (File # 42462)	04/28/1999, assigned to AIG Asset Management (U.S.), LLC 03/26/2010	AIG Asset Management	AIL, The Company	Allows the Company and AI Life and affiliates to invest funds in three short term pools.	
19	Securities Lending Agency Agreement (File # 30374) Terminated 12/31/2008	09/30/2002	AIG Global Securities Lending	The Company	AIG Global Securities Lending acts as agent in connection with loans to third party borrowers	2008 $(232,438)
20	Securities Lending-Securities Lending Agreement Terminated 12/31/2008	05/31/1999	AIG Global Securities Lending	AI Life	AIG Global Securities Lending acts as agent in connection with loans to third party borrowers	2008 $(456,951)

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

The Company went through a number of mergers and consolidations during the examination period. Due to these consolidations, a number of service agreements appeared to be inactive or obsolete. The Company provided the following explanations as to why some of the agreements may still be needed:

(1) The agreement was terminated due to merger of AIL into the Company in 2010. There were no 2011 expenses.

[2] The Company is reviewing this agreement in relationship to a similar agreement to verify that all expenses related to annuity business can be captured under the other agreement since Western National Life is now merged with and into AGL

[3] This is a trademark license agreement. It is a perpetual license and it will not be terminated due to the perpetual nature of it. There are no fees associated with this agreement.

[4] This agreement was terminated and restated under file number 41933 (agreement #14)

[5] This agreement allows AIG to allocate costs back to various companies for AIG-wide expenses for special projects and related expenses. No expenses were allocated during the examination period.

[6] This agreement has not yet been put into use. It was put into use in 2012 and will incur expenses thereafter.

[5] These are Short Term Investment Pool Agreements with AIG Asset Management. These agreements are needed for management of the investments. No fees are paid under these agreements since all fees related to investment management flow through the Investment Management Agreements.

The examiner recommends 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, wherever necessary.

E. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than seven and not more than 13 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in April of each year. If a vacancy occurs during the year, a majority vote by the remaining members of the board is required to fill such vacancy. As of December 31, 2011, the board of directors consisted of seven members. Meetings of the board are held at such time and place as the directors may determine by resolution.

The seven board members and their principal business affiliation, as of December 31, 2011, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
William J. Carr* Houston, TX	President and Managing Director Safire Solutions	2011
Don W. Cummings The Woodlands, TX	Senior Vice President and Chief Financial Officer United States Life Insurance Company in the City of New York	2008
Mary Jane B. Fortin Houston, TX	Chairman, President and Chief Executive Officer United States Life Insurance Company in the City of New York	2006
Kyle L. Jennings Houston, TX	Executive Vice President, General Counsel and Secretary United States Life Insurance Company in the City of New York	2009
William J. Kane* Chatsworth, CA	Partner (Retired) Ernst & Young	2011
Scott H. Richland* Palos Verdes Estates, CA	Chief Investment Officer The California Institute of Technology	2009
W. Lawrence Roth New York, NY	Chief Executive Officer AIG Advisor Group	2011

* 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, 2011:

Name	Title
Mary Jane B. Fortin	Chairman, President & Chief Executive Officer
Jeffery H. Carlson	Executive Vice President, Chief Services & Information Officer
Kyle L. Jennings	Executive Vice President, General Counsel & Secretary
Don W. Cummings	Senior Vice President & Chief Financial Officer
Robert Michael Beuerlein	Senior Vice President & Chief Actuary & Appointed Actuary
Wayne A. Banard	Senior Vice President & Illustration Actuary
Gregory A. Hayes	Senior Vice President & Treasurer
David S. Jorgensen	Senior Vice President
Edward F. Bacon	Vice President & Controller
Elizabeth Vala*	Vice President, Compliance

* Designated consumer services officer per Section 216.4(c) of Department Regulation No. 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, Guam and The US Virgin Islands. In 2011, 60% of life premiums, 96% of annuity considerations and 30% percent of accident and health premiums were received from New York. 10.5% percent of accident and health premiums were received from California. Policies are written on either a participating or non-participating basis.

The following tables show the percentage of direct premiums received, by state, and by major lines of business for the year 2011:

Life Insurance Premiums

New York	60.3%
New Jersey	5.6%
California	3.6%
Florida	3.6%
Minnesota	2.5%
Subtotal	75.6%
All others	24.4%
Total	100.0%

Annuity Considerations

New York	95.9%
New Jersey	1.6%
Florida	0.7%
Connecticut	0.3%
Pennsylvania	0.2%
Subtotal	98.7%
All others	1.3%
Total	100.0%

Accident and Health Insurance Premiums

New York	29.9%
California	10.5%
New Jersey	6.7%
Florida	6.1%
Texas	4.4%
Subtotal	57.6%
All others	42.4%
Total	100.0%

Deposit Type Funds

New York	77.7%
Connecticut	6.4%
New Jersey	5.7%
Arizona	2.5%
Florida	2.4%
Subtotal	94.7%
All others	5.3%
Total	100.0%

A. Statutory and Special Deposits

As of December 31, 2011, 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. The Company also maintained special deposits with 13 other states according to the requirements of their licensing agreements with those states.

B. Direct Operations

The Company's product portfolio is as follows:

- Individual annuity products including fixed annuities, immediate annuities, terminal funding annuities, structured settlement contracts and annuities directed at the market for tax-deferred, long term savings products.
- Individual life insurance products including universal life, term life, whole life and interest sensitive whole life.
- Group insurance products including group life, accidental death and dismemberment (AD&D), dental, excess major medical, vision and disability insurance.

All products are sold through a combination of general agents, direct marketing and brokerage sales.

With the addition of FSA, as of December 31, 2011, the Company has now diversified its business to include retirement services products and has established a footing in the domestic retirement services market.

FSA historically depended upon multiple distribution channels including independent producers, brokerage, career agents and banks to offer life insurance, annuity and accident and health products and services, as well as financial and other investment products. As a result of AIG’s liquidity crisis during 2008 and the events which followed, FSA experienced a reduction in its distribution capabilities.

C. Reinsurance

As of December 31, 2011, the Company had reinsurance treaties in effect with 88 companies, of which 66 were authorized or accredited. The Company's life and accident and health business is reinsured on a coinsurance, modified-coinsurance, and/or 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. Additional amounts may be retained on a case by case basis, up to a maximum of $15,000,000. The total face amount of life insurance ceded as of December 31, 2011, was $50,689,990,000, which represents 70% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling $489,459,602 was supported by letters of credit, trust agreements and funds withheld.

The total face amount of life insurance assumed as of December 31, 2011 was $475,855,178.

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, 2007*	December 31, 2011	Increase (Decrease)
Admitted assets	$18,869,798,233	$23,095,858,402	$4,226,060,169
Liabilities	$17,340,858,227	$21,253,589,923	$3,912,731,696
Common capital stock	$ 3,961,316	$ 3,961,316	$ 0
Gross paid in and contributed surplus	1,004,395,913	1,909,103,788	904,707,875
Incremental deferred tax asset ‘ SSAP 10R	0	64,950,955	64,950,955
Group Contingency Life Reserve	57,977,132	0	(57,977,132)
Annuitant Mortality Fluctuation Fund	131,631	131,631	0
Separate Account Mortality Fluctuation Fund	5,280	0	(5,280)
Unassigned funds (surplus)	462,468,734	(135,879,211)	(598,347,945)
Total capital and surplus	$ 1,528,940,006	$ 1,842,268,479	$ 313,328,473
Total liabilities, capital and surplus	$18,869,798,233	$23,095,858,402	$4,226,060,169

*The figures noted above are presented as if the mergers of American International Life and First SunAmerica with and into the Company had occurred as of December 31, 2007.

	Deposit Funds			
	2008	2009	2010	2011
Outstanding, end of previous year	2,247	2,072	2,060	496
Issued during the year	970	726	574	3
Other net changes during the year	(1,145)	(738)	(2,138)	(12)
Outstanding, end of current year	2,072	2,060	496	487

The Company's Deposit Funds is used to account for the retained asset accounts. The Company has been de-emphasizing its use over time and the number of beneficiaries using it has been decreasing. In 2010, retained asset account assets were removed from Deposit Type Funds and placed in Supplemental Contracts.

The Company's invested assets as of December 31, 2011, exclusive of separate accounts, were mainly comprised of bonds (90.6%), and mortgage loans (6.1%).

The majority (94.3%) of the Company's bond portfolio, as of December 31, 2011, was comprised of investment grade obligations.

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:

	2008	2009	2010	2011
Ordinary:				
Life insurance	$ (66,699,840)	$255,040,369	$ 65,220,065	$ (10,127,956)
Individual annuities	(291,923,838)	310,309,078	109,838,976	79,959,741
Supplementary contracts	3,104,290	5,826,432	4,230,724	2,879,010
Total ordinary	$(355,519,388)	$571,175,879	$179,289,765	$ 72,710,795
Credit life	$ (5,068,727)	$ 2,470	$ (284,411)	$ 21,482

Group:				
Life	$ 5,533,067	$ 7,147,184	$ 20,883,089	$ 7,565,518
Annuities	7,262,917	26,222,560	8,729,929	14,768,744
Total group	$ 12,795,984	$ 33,369,744	$ 29,613,018	$ 22,334,262
Accident and health:				
Group	$ (55,025,844)	$ 11,478,924	$ 43,751,575	$ 35,998,215
Credit	991,357	(495,585)	29,374	(4,397,107)
Other	405,607	(1,323,149)	1,498,637	(4,576,719)
Total accident and health	$ (53,628,880)	$ 9,660,190	$ 45,279,586	$ 27,024,389
All other lines	$ 15,590,206	$ 5,329,973	$ 13,956,610	$ 58,850,317
Total	$(385,830,805)	$619,538,256	$267,854,568	$180,941,245

The Company reported capital contributions from it parent of $2.6 billion in its 2008 filed annual statements. The capital contributions were made primarily to offset the effect of losses related to securities lending, and cash flow testing reserve adjustments made following discussions with the Department. The contributions were approved by the Department and were comprised of a combination of cash and securities.

Following the adverse financial markets in 2008 and the negative news around the Company's parent company – AIG – in particular, sales of individual products were greatly reduced due to uncertainty about the future of the Company. As the financial markets began to stabilize, the Company's business once again began to stabilize.

6. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2011, as contained in the Company's 2011 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, 2011 filed annual statement.

A. Independent Accountants

The firm of PricewaterhouseCoopers ("PwC") was retained by the Company to audit the Company's combined statutory basis statements of financial position of the Company 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	$19,720,538,430
Stocks:	
Preferred stocks	148,965
Common stocks	6,099,617
Mortgage loans on real estate:	
First liens	1,292,882,682
Other than first liens	37,912,353
Real estate:	
Properties held for the production of income	22,780,986
Properties held for sale	3,050,000
Cash, cash equivalents and short term investments	76,027,655
Contract loans	228,635,982
Derivatives	22,359,855
Other invested assets	353,975,315
Receivable for securities	3,984,382
Rockwood Escrow	1,045,750
Investment income due and accrued	217,014,369
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	39,472,870
Deferred premiums, agents' balances and installments booked but Deferred and not yet due	97,645,481
Reinsurance:	
Amounts recoverable from reinsurers	34,362,480
Other amounts receivable under reinsurance contracts	12,339,834
Net deferred tax asset	148,549,207
Guaranty funds receivable or on deposit	2,375,615
Receivables from parent, subsidiaries and affiliates	1,001,200
Health care and other amounts receivable	665,506
Due from Brokers	22,136,380
Miscellaneous Assets	186,520
ASO Fund Receivable	102,238
From separate accounts, segregated accounts and protected cell accounts	750,564,730
Total admitted assets	$23,095,858,402

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$18,161,464,120
Aggregate reserve for accident and health contracts	454,798,405
Liability for deposit-type contracts	712,306,338
Contract claims:	
Life	116,832,648
Accident and health	116,250,649
Policyholders' dividends and coupons due and unpaid	38,667
Dividends apportioned for payment	3,005,956
Premiums and annuity considerations for life and accident and health contracts received in advance	2,756,204
Contract liabilities not included elsewhere:	
Provision for experience rating refunds	315,838,945
Other amounts payable on reinsurance	954,319
Interest maintenance reserve	29,585,659
Commissions to agents due or accrued	10,083,845
General expenses due or accrued	9,771,257
Transfers to separate accounts due or accrued	(17,601,051)
Taxes, licenses and fees due or accrued, excluding federal income taxes	75,128,887
Current federal and foreign income taxes	52,790,453
Unearned investment income	6,684,882
Amounts withheld or retained by company as agent or trustee	2,255,229
Amounts held for agents' account	1,713,298
Remittances and items not allocated	37,078,191
Miscellaneous liabilities:	
Asset valuation reserve	317,729,753
Reinsurance in unauthorized companies	103,987
Funds held under reinsurance treaties with unauthorized reinsurers	1,206,022
Payable to parent, subsidiaries and affiliates	49,718,248
Drafts outstanding	267,611
Derivatives	20,270,913
Payable for securities	11,119,829
Unclaimed funds	6,042,691
Guaranty Funds Assessment Liability	1,988,710
New York Regulation 172 Liability	1,871,158
Other real estate liabilities	833,103
Miscellaneous Liabilities	136,267
From Separate Accounts statement	750,564,730
Total liabilities	$21,253,589,923
Common capital stock	$ 3,961,316
Gross paid in and contributed surplus	$ 1,909,103,788
Incremental Deferred Tax Asset SSAP 10-R	64,950,955
Annuity Mortality Fluctuation Fund	131,631
Unassigned funds (surplus)	(135,879,211)
Total capital and surplus	$ 1,842,268,479
Total liabilities, capital and surplus	$23,095,858,402

D. Condensed Summary of Operations

	2008	2009	2010	2011
Premiums and considerations	$ 2,593,001,990	$2,444,692,269	$2,072,219,469	$2,434,188,367
Investment income	1,088,343,504	1,014,788,383	1,142,798,819	1,181,764,409
Commissions and reserve adjustments on reinsurance ceded	71,594,773	74,482,962	63,169,388	64,215,216
Miscellaneous income	19,519,534	17,169,345	20,796,954	22,520,780
Total income	$ 3,772,459,801	$3,551,132,959	$3,298,984,630	$3,702,688,772
Benefit payments	$ 2,352,226,418	$2,014,755,031	$1,608,487,040	$1,788,664,564
Increase in reserves	1,285,771,622	596,477,256	1,087,336,907	1,314,613,887
Commissions	210,618,882	205,646,585	168,873,538	181,845,194
General expenses and taxes	212,549,322	195,171,249	221,407,357	176,938,820
Increase in loading on deferred and uncollected premiums	(7,372,960)	(8,938,395)	(6,605,562)	5,889,383
Net transfers to (from) Separate Accounts	38,807,915	(47,877,655)	(24,546,347)	24,519,201
Miscellaneous deductions	429,008	(15,170)	1,900,595	2,117,148
Total deductions	$ 4,093,030,207	$2,955,218,901	$3,056,853,528	$3,494,588,197
Net gain (loss)	$ (320,570,406)	$ 595,914,058	$ 242,131,102	$ 208,100,575
Dividends	3,422,989	2,556,617	2,586,639	2,954,042
Federal and foreign income taxes incurred	61,837,410	(26,180,815)	(28,310,106)	24,205,288
Net gain (loss) from operations before net realized capital gains	$ (385,830,805)	$ 619,538,256	$ 267,854,569	$ 180,941,245
Net realized capital gains (losses)	$(2,418,767,656)	$ (204,303,582)	$ (186,114,251)	$ (73,697,268)
Net income	$(2,804,598,461)	$ 415,234,674	$ 81,740,318	$ 107,243,977

E. Capital and Surplus Account

	2008	2009	2010	2011
Capital and surplus, December 31, prior year	$ 1,528,940,006	$1,169,086,407	$1,788,141,080	$1,913,568,867
Net income	$(2,804,598,461)	$ 415,234,674	$ 81,740,318	$ 107,243,977
Change in net unrealized capital gains (losses)	4,571,102	(34,537,502)	(9,931,360)	16,791,612
Change in net unrealized foreign exchange capital gain (loss)	(12,163,890)	8,134,102	653,677	(3,657,689)
Change in net deferred income tax	1,088,600,613	(659,534,636)	(458,001,073)	(237,352)
Change in non-admitted assets and related items	(1,217,220,459)	633,304,550	584,082,306	78,354,310
Change in liability for reinsurance in unauthorized companies	(962,859)	(1,404,509)	(906,203)	3,829,488
Change in reserve valuation basis	0	92,570,195	0	0
Change in asset valuation reserve	8,203,444	9,289,628	(53,367,217)	(130,430,535)
Cumulative effect of changes in accounting principles	0	72,528,021	0	0
Surplus adjustments:				
Paid in	2,622,704,801	161,208,469	(1,880,769,011)	1,563,616
Change in surplus as a result of reinsurance	2,675,155	0	0	0
Dividends to stockholders	(50,000,000)	0	0	(116,000,000)
Additional admitted deferred tax asset	0	9,069,000	10,139,351	(19,989,089)
New York Permitted Practice Quasi Reorganization	0	0	1,881,279,025	0
Incremental deferred tax asset ‘ SSAP 10 R	0	65,731,693	0	0
Prior Year adjustments	(8,744,007)	33,748,280	0	0
Correction of prior period	7,080,962	(1,146,902)	(29,492,026)	(8,763,446)
Annuitant Mortality Fluctuation Fund	0	0	0	(5,280)
Net change in capital and surplus for the year	$ (359,853,599)	$ 619,054,673	$ 125,427,787	$ (71,300,388)
Capital and surplus, December 31, current year	$1,169,086,407	$1,788,141,080	$1,913,568,867	$1,842,268,479

8. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the violations, recommendation and comments contained in the prior financial 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 by entering into transactions with an affiliate whereby the Company received services on a regular basis without notifying the Department at least thirty days prior to entering into such transactions. The Company has subsequently sought and received approval from the Department to enter into transactions with affiliates.
B	The Company violated Section 1505(d)(2) of the New York Insurance Law by amending a reinsurance contract with an affiliate by adding additional policy forms and not providing the Department with at least thirty days' notice prior to amending such contract. The Company sought and received approval from the Department for the above mentioned reinsurance contract with its affiliate.
C	The certificate of reserve valuation for December 31, 2007 reserves was held in abeyance until the Department completed its subsequent review of the December 31, 2008 reserves. The reserves were subsequently certified.
D	The examiner recommends that the Company continue to compute reserves using the assumptions and methodology as agreed upon with the Department The Company recorded an additional $200 million of cash flow testing reserves and employs the assumption methodology for use in the asset adequacy analysis.
E	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. The Company's ultimate parent, AIG, has completed the repayment of the money borrowed from the Federal Reserve Bank of New York. See pages 6 and 7 of this report for more detailed information.

Item	Description
F	The Company reported capital contributions of $2.6 billion in its 2008 filed annual statements. The contribution was made primarily to offset the effect of losses related to securities lending. The securities lending program was terminated on December 12, 2008.
G	The Company's losses related to securities lending for 2008 were $1.8 billion. The Company terminated its securities lending program on December 12, 2008. The Company has stated that they will revisit the securities lending program at a later date.

9. SUMMARY AND CONCLUSIONS

Following is the comment and recommendation contained in this report:

Item	Description	Page No(s).
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.	6-7
B	The examiner recommends 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, wherever necessary.	14

Respectfully submitted,

/s/
Phares Caton
Associate Insurance Examiner

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

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

/s/
Phares Caton

Subscribed and sworn to before me

this__________ day of ___________________

APPOINTMENT NO. 30804

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

*I, **BENJAMIN M. LAWSKY**, 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:*

PHARES CATON

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 he 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 17th day of January, 2012

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By:

MICHAEL MAFFEI
ASSISTANT DEPUTY SUPERINTENDENT
AND CHIEF OF THE LIFE BUREAU