

REPORT ON
THE MARKET CONDUCT EXAMINATION

OF

American General Life Insurance Company
NAIC Company Code: 60488

as of

December 31, 2009

State of Rhode Island
Department of Business Regulation
Insurance Division

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DEPARTMENT OF BUSINESS REGULATION
1511 PONTIAC AVENUE, BLDG. 69-2
CRANSTON, RHODE ISLAND 02920**

IN THE MATTER OF:

AMERICAN GENERAL LIFE INSURANCE COMPANY

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)
)

DBR No.

Respondent.

CONSENT AGREEMENT

It is hereby agreed between the Department of Business Regulation (“Department”) and American General Life Insurance Company (“Respondent”) as follows:

1. Pursuant to R. I. Gen. Laws §27-13.1-4, the Department initiated a Market Conduct Examination (“Examination”) in order to evaluate Respondent’s compliance with applicable R. I. Gen. Laws and Rhode Island Insurance Regulations
2. The Examination was completed and a report was issued on December 15, 2010.

WHEREFORE, based on the foregoing, Respondent and the Department have decided to resolve this matter without further administrative proceedings and hereby agree to the following resolution:

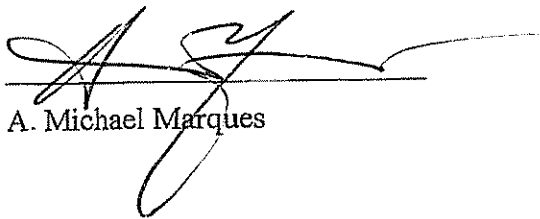
The Examination concluded that Respondent failed to comply with Rhode Island Insurance Regulation 29, Section 6.A.(2) in 9 annuity replacements processed during the period under examination 1-1-08 through 12-31-09. The 9 annuity replacements did not provide proper notification to the replaced company as required under Rhode Island Insurance Regulation 29, Section 6.A (2). The Department and Respondent agree that Respondent will pay an administrative penalty of nine thousand five hundred dollars (\$9,500) as a result of these violations.

For all of the violations detailed herein, Respondent is ordered to pay an administrative penalty of nine thousand five hundred dollars (\$9,500).

Department and Respondent hereby consent and agree to the foregoing on this 20th day of December 2010.

Department of Business Regulation
By its Director,

Respondent,


A. Michael Marques



Deanna D. Osmonson
Print Name
Vice President &
Title Compliance Officer

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Providence, Rhode Island

December 15, 2010

Honorable A. Michael Marques
Insurance Commissioner
State of Rhode Island

Commissioner:

In accordance with your instructions, and pursuant to the statutes of the State of Rhode Island, a Market Conduct Examination was conducted of the:

AMERICAN GENERAL LIFE INSURANCE COMPANY

2727-A Allen Parkway

Houston, Texas 77019

Hereinafter referred to as the "Company". The examination was conducted at the Department of Business Regulation, Insurance Division, 1511 Pontiac Ave., Bldg 69-2, Cranston, Rhode Island.

FOREWORD

Our Market Conduct Examination Report is, in general, a report by exception. Information relating to practices, procedures, and/or files subject to review during our examination has been omitted from the report if errors and/or improprieties were not evidenced.

SCOPE OF EXAMINATION

Authority for this examination is provided by R.I. Gen. Laws §27-71-7 and §27-71-15. The examination covered the period from January 1, 2008 through December 31, 2009, and was conducted in accordance with standards established by the National Association of Insurance Commissioners, and procedures developed by the Rhode Island Department of Business Regulation, Insurance Division.

The examination encompassed a review of the following areas: Compliance with Rhode Island Insurance Regulation 12, Suitability in Annuity Transactions and Rhode Island Insurance Regulation 29, Life Insurance and Annuities Replacement. The lines of business reviewed were Individual Annuities and Individual Life insurance.

The test work performed during the examination satisfied this purpose, and forms the basis for the findings and recommendations presented in this report. The examination consisted of verification and evaluation, on a test basis, of information contained in the insurer's files.

PROFILE OF COMPANY

History

American General Life Insurance Company was incorporated on April 11, 1960 and commenced business on August 1, 1960. The Company is a successor in interest to Knights Life Insurance Company of America, a Delaware company organized in 1917. In 1991, American General Life Insurance Company and California-Western States Life Insurance Company were merged into American General Life Insurance Company of Delaware. Upon the merger date, the surviving company was redomesticated to Texas and the name was changed to American General. The Company is authorized to conduct business in 49 states, District of Columbia, Puerto Rico, Guam and the U.S Virgin Islands. The Company offers a variety of insurance products including life insurance, annuity and accident and health.

Operations

The Company's Rhode Island direct written premiums for the year 2009 were as follows:

Line of Business

	<u>Written Premium</u>
Ordinary (Individual) Life Insurance	\$5,339,038
Annuity Considerations	<u>\$4,705,277</u>
Total	<u>\$10,044,315</u>

Management

At December 31, 2009, the Officers of the American General Life Insurance Company were as follows:

Jay S. Wintrob	Chairman
Mary J. Bartolotta Fortin	President & Chief Executive Officer
Kyle L. Jennings	Secretary

At December 31, 2009, the Directors of the American General Life Insurance Company were as follows:

David R. Armstrong	Robert M. Beuerlein
Jeffrey H. Carlson	Don W. Cummings
Mary J. Bartolotta Fortin	Kyle L. Jennings
David W. O'Leary	Jay S. Wintrob

Replacements

Individual Annuity

A review of the Company's replacement practices of life insurance and annuity contracts was conducted to determine whether the Company was in compliance with Rhode Island Insurance Regulation 29, Life Insurance and Annuities Replacement, for the period under examination.

The Company provided the examiners with a listing of 93 replacement of annuity contracts, which were processed for the period under examination. From this listing, a sample of 50 contracts was selected for review, based on NAIC sampling criteria.

Of the 50 contracts reviewed in the sample, 9 files were found to be in violation of Rhode Island Insurance Regulation 29, Section 6.A.(2), due to the Company's failure to send the proper notification to the existing insurers of the proposed replacements as stipulated by Rhode Island Insurance Regulation 29.

Recommendation #1: It is recommended that the Company revise its procedures for processing replacement business for annuity contracts to ensure that a separate replacement notification letter is sent to each existing insurer that may be affected by the proposed replacement, within five business days of receipt of a completed application indicating replacement, in accordance with Rhode Island Insurance Regulation 29, Section 6.A.(2).

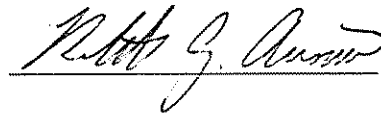
Recommendation #2: It is recommended that the Company maintain a copy of the replacement notification letter in accordance with Rhode Island Insurance Regulation 67, Sections 4 and 5.

Rec.#	Summary of Recommendations	Page #
1.	It is recommended that the Company revise its procedures for processing replacement business for annuity contracts to ensure that a separate replacement notification letter is sent to each existing insurer that may be affected by the proposed replacement, within five business days of receipt of a completed application indicating replacement, in accordance with Rhode Island Insurance Regulation 29, Section 6.A.(2).	7
2	It is recommended that the Company maintain a copy of the replacement notification letter in accordance with Rhode Island Insurance Regulation 67, Sections 4 and 5.	7

CONCLUSION

We have applied verification procedures to the data contained in this report using both subjective and statistical sampling techniques as deemed appropriate. While sampling techniques do not give complete assurance that all errors and irregularities will be detected, those that were detected during the course of this examination have been disclosed in this report. We were not informed of, and did not become aware of any other error or irregularity that could have a material effect on the market conduct condition of the Company as presented in this report.

Respectfully submitted,

A handwritten signature in cursive script, reading "Robert G. Arrow", is written over a horizontal line.

Robert G. Arrow, FLMI, MCM
Senior Market Conduct Examiner
Rhode Island Insurance Division

American General Life Insurance Company

December 20, 2010

Mr. Robert G. Arrow, FLMI, MCM
Senior Market Conduct Examiner
Rhode Island Department of Business Regulation
Insurance Division, Market Conduct Department
1511 Pontiac Avenue, Building 69-2
Cranston, Rhode Island 02920
Phone: (401) 462-9624

Re: Report on the Market Conduct Examination of American General Life
Insurance Company (NAIC #60488) as of December 31, 2009 and Consent Order

Dear Mr. Arrow:

The Company accepts the above-referenced Report as written, recognizes its obligation to pay the \$9,500 administrative penalty for all 9 violations detailed in the Report and offers the following Corrective Action Plan (CAP) in response to the Recommendations presented in the Report.

- Report Recommendation #1 – It is recommended that the Company revise its procedures for processing replacement business for annuity contracts to ensure that a separate replacement notification letter is sent to each existing insurer that may be affected by the proposed replacement within five business days of receipt of a completed application indicating replacement, in accordance with Rhode Island Insurance Regulation 29, Section 6.A(2).
- Report Recommendation #2 – It is recommended that the Company maintain a copy of the replacement notification letter in accordance with Rhode Island Insurance Regulation 67, Sections 4 and 5.

CAP: During the examination, the Company implemented a revision to its individual annuity replacement procedures to comply with Report Recommendations 1 & 2.

Please accept our thanks for the professionalism you have demonstrated throughout the course of the examination.

Sincerely,



Wilma Heineman, FLMI, ACS, AIRC
Associate Compliance Officer
Regulatory Compliance

American General Life Insurance Company
2727-A Allen Parkway · Houston, Texas

American General Life Companies

Cc:

Bill Hayes

Deanna Osmonson

Kim DeGennaro

Ron Karas

Sally Murphy

Jane Zacha

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