



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

DIVISION OF
INVESTMENT MANAGEMENT

September 28, 2018

VIA ELECTRONIC MAIL

RESPONSE OF CHIEF ACCOUNTANT'S OFFICE
DIVISION OF INVESTMENT MANAGEMENT

Stephen E. Roth
Eversheds Sutherland (US) LLP
Email: steveroth@eversheds-sutherland.com

Re: Athene Annuity and Life Company

By letter dated September 28, 2018, you request authority under Regulation S-X §3-13 (“Rule 3-13”) for Athene Annuity and Life Company (“Company”) to file audited financial statements of the Company prepared in accordance with statutory accounting principles¹ (“SAP”), in place of financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”), in registration statements submitted under the Securities Act of 1933 (“Securities Act”) on Form S-1 for certain insurance contracts more particularly described below (the “Contracts”), in satisfaction of the requirements of Items 11(e), 11(f) and 11(g) and Item 16(b) of Form S-1, as described in your letter.

Background

The Company

You state that the Company is an Iowa-domiciled insurance company that is principally engaged in selling retirement products, and is an indirect wholly-owned subsidiary of Athene Holding Ltd (“AHL”). You also state that AHL has registered a class of equity securities with the Commission and is obligated to file reports under the Exchange Act for which it prepares consolidated GAAP financial statements. You further state that \$40 billion of the Company’s \$59 billion in invested assets are covered by reinsurance arrangements entered into on a “modified co-insurance basis” with another subsidiary of AHL, Athene Life Re Ltd.

You note that, while the Company provides financial information to AHL for its use in preparing consolidated GAAP financial statements filed with the Commission, the Company historically has not prepared GAAP financial statements on an entity basis. Specifically, you state the Company has never prepared GAAP financial information that records the substantial volume of its intercompany reinsurance arrangements and does not otherwise expect to do so in

¹ You note that these principles are those that are prescribed or permitted by the Company’s domiciliary state regulator.

the future. You note that accounting for these reinsurance arrangements is fully eliminated by AHL in consolidation and, consequently, the transactions are not recorded in AHL's GAAP financial information and do not comprise a part of the consolidated GAAP financial statements that AHL files with the Commission.² In addition, you note that, absent the relief sought by your request, the Company would be required to prepare GAAP financial statements.

You also state that the Company is eligible for and will rely on relief provided by Rule 12h-7 under the Securities Exchange Act of 1934.³ In this regard, you note that the Company is subject to supervision by the Insurance Commissioner of the State of Iowa, and that it files an annual statement of financial condition with and is supervised and examined periodically by the Iowa Insurance Division.⁴ In addition, you state that the Company files SAP financial statements, which are audited by an independent auditor,⁵ with its domiciliary state regulator and the National Association of Insurance Commissioners.

Contracts

You state that the Contracts for which you intend to file SAP financial statements are indexed linked annuity contracts. Specifically, you state that, during the accumulation phase, the Contracts will credit interest at the end of a stated term based on a formula that references the performance of one or more securities indices and that interest will be subject to a cap on index performance gains and a floor or buffer on index performance losses. You also state that, if the contract owner withdraws contract value or surrenders the Contract before the end of the stated term, the proceeds payable to the contract owner will be adjusted. You state this adjustment will be made according to a formula that reflects the current market value of the options imputed in the formula used to calculate interest credited at the end of the stated term.

In addition, you state that the Contracts would not constitute equity interests in the issuer and would be subject to regulation under the insurance laws of the State of Iowa. In addition, you state in this regard that the Contracts would not be listed, traded or quoted on an

² You also note that there are other intercompany transactions that are not recorded on a GAAP basis. You state, for example, that transfers of investment securities are recorded at book value rather than market value as required by GAAP. You note that recording such transfers on a GAAP basis would require the recognition of gains at the entity level that would be eliminated in consolidation at the AHL level.

³ Rule 12h-7 exempts insurance companies from filing Exchange Act reports with respect to certain specified types of securities that are subject to state insurance regulation and are registered under the Exchange Act if certain other conditions are satisfied. 17 C.F.R. §240.12h-7 (2018).

⁴ Rule 12h-7(a) and (c) specify that an issuer qualifying under that rule is a corporation subject to the supervision of the insurance commissioner, bank commissioner, or any agency or officer performing like functions, of any State (as defined in the Securities Exchange Act); and files an annual statement of its financial condition with, and is supervised and its financial condition examined periodically by, the insurance commissioner, bank commissioner, or any agency or officer performing like functions, of the issuer's domiciliary State (as defined in that Act). *Id.*

⁵ You state that financial statements filed in registration statements for the Contracts will be audited by an auditor that will satisfy the independence standards in Regulation S-X, Article 2, and that the auditor will be registered with and subject to inspection by the Public Company Accounting Oversight Board.

exchange, alternative trading system, inter-dealer quotation system, electronic communications network, or any other similar system, network, or publication for trading or quoting.⁶

Discussion

You note Rule 3-13 provides that the Commission “may, upon the informal written request of the registrant, and where consistent with the protection of investors, permit the omission of one or more of the financial statements required by Regulation S-X or the filing in substitution thereof of appropriate statements of comparable character.” You assert that SAP financial statements audited by an independent auditor are appropriate statements of a comparable character for the Form S-1 registration statements for the Contracts.

In support of this claim, you assert that, similar to investors in variable annuity contracts whose insurance benefits offered by the insurer depend on the insurer’s solvency, investors in the Contracts will be most interested in information relevant to assessing the Company’s ability to fulfill its contractual obligations.⁷ You assert that SAP financial statements would provide investors in the Contracts with sufficient information to assess the Company’s solvency and its ability to fulfill its contractual obligations.⁸

In this regard, you claim that SAP financial statements contain detailed information about an insurance company’s balance sheet as well as its regulatory capital and surplus, which serve as financial cushions for paying policyholder claims. In addition, you assert that SAP financial statements enable regulators to determine the Company’s ability to meet obligations to owners of the Contracts based on the availability of readily marketable assets when obligations are due.

Based on the facts and representations set forth in your letter as summarized above, as well as the conditions outlined above, and without necessarily agreeing with all of your analysis, your request for permission under Rule 3-13 for the Company to file SAP financial statements, audited by an independent auditor, in lieu of GAAP financial statements in registration

⁶ Rule 12h-7(b) specifies that the securities that would otherwise trigger Exchange Act reporting obligations must not constitute an equity interest in the issuer, and must either be securities subject to regulation under the insurance laws of the domiciliary State of the issuer or guarantees of securities that are subject to regulation under the insurance laws of that jurisdiction. *Id.* Rule 12h-7(d) further requires that those securities must not be listed, traded, or quoted on an exchange, alternative trading system, inter-dealer quotation system, electronic communications network, or any other similar system, network, or publication for trading or quoting. *Id.*


⁷ You note the Commission had recognized, in proposing variable annuity registration forms, that investors in those products may only be interested in the solvency of the account depositor with respect to the insurance benefits offered in those products by the depositor. *Registration Form for Insurance Company Separate Accounts that Offer Variable Annuity Contracts*, Securities Act Release No. 33-6502 and Investment Company Act Release No. 13689 (December 22, 1983).

⁸ You also note that, while the use of GAAP assists investors in understanding an issuer’s going concern value, investors in the Contracts do not need information regarding the Company’s going concern value since there is no secondary market in the Contracts.

statements filed for the Contracts, as it relates to the accounting basis of those financial statements only and as described above, is granted.^{9 10}

If you have any questions regarding this letter, please call the Chief Accountant's Office of the Division of Investment Management at (202) 551-6918.

Sincerely,



Alison Staloch
Chief Accountant
Division of Investment Management

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

⁹ The staff notes that it would be receptive to considering applications under Rule 3-13 from other registrants seeking to file SAP financial statements in lieu of GAAP financial statements in registration statements filed for products similar to the Contracts described here, under circumstances similar to those described above.

¹⁰ Our analysis underlying this assurance has been developed in consultation with the staff of the Commission's Office of the Chief Accountant.

September 28, 2018

Ms. Alison Staloch
Chief Accountant
Division of Investment Management
United States Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549
stalocha@sec.gov

Re: Athene Annuity and Life Company

Dear Ms. Staloch:

On behalf of Athene Annuity and Life Company ("AAIA," or the "Company"), we respectfully request that pursuant to Rule 3-13 of Regulation S-X the staff of the Division of Investment Management (the "Staff") permit the Company to file audited financial statements prepared in accordance with statutory accounting principles prescribed or permitted by its domiciliary state regulator ("SAP financial statements") in place of financial statements prepared in accordance with accounting principles generally accepted in the United States ("GAAP financial statements") in registration statements on Form S-1 for certain indexed-linked annuity contracts that the Company intends to issue (the "Contracts") in satisfaction of the financial information required by Form S-1, including the requirements of Items 11(e), 11(f), 11(g) and 16(b) of Form S-1.

Because the Contracts are insurance products subject to state regulation, the Company believes that SAP financial statements would provide investors in the Contracts with sufficient information to assess the Company's ability to meet its obligations under the Contracts and that filing SAP financial statements in place of GAAP financial statements would be consistent with investor protection. Forms N-3, N-4 and N-6 already permit use of SAP financial statements in registration statements for variable insurance products registered on Forms N-3, N-4 and N-6. That relief is intended to reduce the burden on insurance companies who otherwise would prepare GAAP financial statements solely to register variable insurance products. Because of the significant costs and administrative burdens associated with preparing GAAP financial statements, the relief permitting use of SAP financial statements in Forms N-3, N-4 and N-6 serves as a precedent for allowing the use of SAP financial statements in registration statements for the Contracts on Form S-1.

The time and cost burden of preparing GAAP financial statements solely for non-variable insurance products that must be registered on Form S-1 or Form S-3 impedes many insurance companies from offering the products. Reducing this burden will likely enable additional insurance companies to enter the marketplace for such products and increase the choices available to investors among such products for retirement and other long term purposes.

Background

The Company

AAIA is an Iowa-domiciled insurance company that is principally engaged in selling retirement products, including fixed indexed annuities and fixed rate annuities. AAIA is licensed to sell insurance in 49 states, Puerto Rico and the District of Columbia and through its wholly-owned subsidiary, Athene Annuity & Life Assurance Company of New York ("AANY"), sells products in New York State. The Company has a number of other wholly-owned insurance subsidiaries, including Structured Annuity Reinsurance Company ("STAR").

AAIA is an indirect wholly-owned subsidiary of Athene Holding Ltd. ("AHL"). AHL is a Bermuda exempted company,¹ which through its insurance subsidiaries, AAIA, AANY, and Athene Annuity & Life Assurance Company (a Delaware domiciled insurance company), issues and reinsures annuity contracts and other retirement products throughout the 50 United States, Puerto Rico and the District of Columbia. Since December 2016, when AHL registered a class of equity securities with the Securities and Exchange Commission (the "SEC"), AHL has been obligated to file reports under the Securities Exchange Act of 1934 (the "1934 Act") for which it prepares consolidated GAAP financial statements. AHL operates its core business strategy out of one reportable segment. That segment, Retirement Services, includes retail operations, which provide retirement solutions to policyholders, and reinsurance operations, which are conducted principally through Athene Life Re Ltd. ("ALRe"), a Bermuda exempted company, which is a direct wholly-owned subsidiary of AHL that reinsures the types of fixed indexed annuities and fixed rate annuities sold by AAIA².

AAIA generally reinsures 80% of its core business with ALRe on a modified co-insurance basis. Two of its wholly-owned subsidiaries, AANY and STAR, also have a significant volume of intercompany reinsurance arrangements. Under modified coinsurance arrangements, the ceding insurance company retains the insurance liabilities as well as the assets supporting the reinsured contracts on its books and makes periodic payments to the reinsurer. The reinsurance arrangements are a pervasive element of AAIA's business. Of AAIA's \$59 billion invested assets, \$40 billion are covered by these modified co-insurance reinsurance arrangements with ALRe. Since the inception of these reinsurance arrangements, which principally date back to 2013 with some dating back as far as 2011, the Company and its wholly-owned subsidiaries have made more than \$2 billion in reinsurance settlement payments over more than 1,000 separate transactions.

As an Iowa-based insurance company, AAIA prepares SAP financial statements, which are audited by an independent auditor, for filing with the domiciliary state insurance regulator and the National Association of Insurance Commissioners. State regulators review the financial statements as part of a comprehensive regulatory program that focuses on the Company's solvency with the goal of ensuring that the Company can fulfill its contractual obligations to policyholders. The ultimate objective of state solvency regulation is to ensure that the insurance company can pay policyholder liabilities when they come due and that the insurance company maintains capital and surplus at all times in such forms as required by state law to provide a margin of safety. With the objective of solvency regulation, statutory accounting principles focus on the insurance company's balance sheet and emphasize the company's liquidity.

¹ Bermuda exempted companies are principally owned by non-Bermudians and conduct business from Bermuda in transactions and activities that are external to Bermuda or with other Bermuda exempted companies.

² The fixed indexed annuities and fixed rate annuities sold by AAIA are not securities subject to registration or regulation under Federal securities laws.

The Contracts

AAIA has recently registered a Contract on Form S-1 that it intends to begin offering to investors as soon as practicable.³ Like variable annuity contracts, the Contract has an accumulation phase during which the Contract may pay a death benefit and an income phase when the contract owner may receive periodic income payments pursuant to one of the available payout options. During the accumulation phase, the Contract credits interest at the end of a stated term based on a formula that references the performance of one or more securities indices. That interest is subject to a cap on index performance gains and a floor or buffer on index performance losses. If the contract owner withdraws contract value or surrenders the Contract before the end of the stated term, the proceeds payable to the contract owner are adjusted according to a formula stated in the Contract that reflects the current value of the options imputed in the formula used to calculate interest credited under the Contract.⁴ By shifting some market risk to contract owners, the Contract enables AAIA to offer contract owners the potential for higher credited interest.

The Contract is the first security that the Company has registered with the SEC⁵ and, but for the relief sought by this letter, would for the first time require the Company to prepare GAAP compliant financial statements. While AAIA provides financial information to AHL for its use in preparing consolidated GAAP financial statements filed with the SEC, AAIA historically has not prepared GAAP compliant financial statements on an entity basis and does not otherwise expect to do so in the future. Specifically, the Company has never prepared GAAP financial information that records the substantial volume of its intercompany reinsurance arrangements. Because accounting for these reinsurance arrangements is fully eliminated by AHL in consolidation, the transactions are not recorded in AHL's GAAP financial information and do not comprise a part of the consolidated GAAP financial statements that AHL files with the SEC. Similarly, other intercompany transactions are not recorded on a GAAP basis. For example, transfers of investment securities are recorded at book value rather than market value as required by GAAP. Recording such transfers on a GAAP basis would require the recognition of gains at the entity level that would be eliminated in consolidation at the AHL level. AHL will continue to eliminate these transactions in consolidation after the Company begins issuing the Contracts.

The Company is eligible for and will rely on relief provided by Rule 12h-7 under the 1934 Act from the requirement to file periodic reports under that act. As required by Rule 12h-7, the Company is subject to supervision by the Insurance Commissioner of the State of Iowa. It files a statement of its annual condition with, is supervised by and its financial condition is periodically examined by the Insurance Commissioner of the State of Iowa. In addition, as required by Rule 12h-7, the only SEC registered securities that the Company intends to issue are insurance contracts that are subject to regulation under Iowa insurance laws, which securities will not constitute an equity interest in the Company, and those securities will not be listed, traded or quoted on an exchange, alternative trading system, inter-dealer quotation system, electronic communications network or any other similar system, network or publication for trading or quoting.

The Cost of Preparing GAAP Financial Statements

Constructing GAAP compliant financial statements at an AAIA level would be very time consuming and expensive. Currently, blocks of business within AAIA and its wholly-owned subsidiaries are

³ See File No. 333-225544. The Contract does not qualify for registration on Forms N-3, N-4 or N-6 because it is not issued through an insurance company separate account that is registered under the Investment Company Act of 1940. The Company may offer different versions of the Contracts in the future.

⁴ The adjustment offsets costs the Company incurs to unwind before the end of the stated term the transaction by which the Company hedges its exposure to changes in the index value as a result of its obligations to pay interest under the Contracts.

⁵ AAIA has not issued any variable insurance products registered on Forms N-3, N-4 or N-6.

covered by six separate reinsurance treaties that date as far back as 2011. To prepare GAAP compliant financial statements for AAIA, management would need to record the relevant reinsurance accounting transactions for each payment made under the reinsurance treaties from the beginning of the relevant treaty, which comprise over 1,000 separate transactions totaling more than \$2 billion. Similarly, the Company would have to recalculate the value of any invested asset that has been transferred to another Athene entity with corresponding adjustments to bond amortization and deferred acquisition cost amortization and would have to prepare GAAP compliant financial statements for each of its subsidiaries to perform a GAAP basis consolidation of subsidiaries. Two of the Company's insurance subsidiaries, AANY and STAR, also have substantial reinsurance arrangements and have made intercompany transfers of their investment assets that would require recalculations, which would further complicate the process of constructing GAAP compliant financial statements at an AAIA level. Given the nature and scope of these various recalculations and adjustments, preparing GAAP compliant financial statements would require the Company to revisit virtually every line item of the trial balance that it provides to AHL. Overall, the Company estimates that completing such an effort could take 20 months and cost \$8 million, principally to cover the expense of hiring additional in house-personnel and audit fees for the Company's external accountants for the additional required audit.

In contrast to the process required to record the reinsurance arrangements under GAAP, the Company's SAP financial statements already fully reflect the intercompany cash payments and associated reinsurance accounting made under the affiliated reinsurance arrangements. Because of fundamental differences between SAP and GAAP accounting frameworks, the SAP numbers do not easily translate to GAAP. Furthermore, SAP financial statements, which the Company files quarterly with the National Association of Insurance Commissioners and its domiciliary state regulator, report the Company's capital level and risk-based capital percentages, which are utilized by users of these financial statements to monitor the Company's financial solvency. Together these metrics grounded in SAP provide information that may be most relevant to investors in the Contracts in determining the Company's financial solvency and its ability to meet obligations to those investors.

Request for Relief

Because the costs and administrative burdens of preparing and obtaining an independent audit of GAAP compliant financial statements for the Company solely for inclusion in Form S-1 registration statements for the Contracts would be substantial, and would not provide investors in the Contracts with material information beyond that available in SAP financial statements, the Company requests relief pursuant to Rule 3-13 of Regulation S-X to file SAP financial statements in place of GAAP financial statements in registration statements for the Contracts.⁶ Rule 3-13 of Regulation S-X provides that the SEC "may, upon the informal written request of the registrant, and where consistent with the protection of investors, permit the omission of one or more financial statements required by Regulation S-X or the filing in substitution thereof of appropriate statements of a comparable character." For the reasons explained herein, the Company believes that SAP financial statements audited by an independent auditor⁷ are appropriate statements of a comparable character for the Form S-1 registration statements for the Contracts.⁸

⁶ The Company will rely on relief from the duty under Section 15(d) of the Securities Exchange Act of 1934 (the "1934 Act") to file reports required by Section 13(a) that is provided by Rule 12h-7, thereunder. For this reason, it is not seeking relief to file SAP financial statements in 1934 Act reports.

⁷ The auditor will satisfy the independence standards of Article 2 of Regulation S-X and be registered with and subject to inspection by the Public Company Accounting Oversight Board ("PCAOB").

⁸ Because the Company will rely on Rule 12h-7, it is not requesting any relief pursuant to Rule 3-13 with respect to the 1934 Act.

SAP financial statements will provide investors in the Contracts with sufficient information to assess AAIA's ability to meet its contractual obligations.

In July 2017, Chairman Jay Clayton publicly acknowledged that the SEC's existing rules may require public companies to provide disclosure that is burdensome to produce, but is not material to the total mix of information available to investors, and that such requirements may be appropriate for relief under Rule 3-13 of Regulation S-X.⁹ The Company believes that requiring the preparation of GAAP financial statements solely for inclusion in registration statements on Form S-1 for the Contracts presents such a circumstance appropriate for relief under Rule 3-13.

Forms N-3, N-4 and N-6 used to register variable insurance products under the Securities Act of 1933 already permit use of SAP financial statements in place of GAAP financial statements if the insurance company issuing the contract would not have to prepare GAAP financial statements except for use in registration statements on such forms. When proposing Forms N-3 and N-4 for variable annuity contracts with instructions permitting the use of SAP financial statements, the SEC recognized that guarantees associated with annuity payments and other benefits provided by the contracts, which are backed by the insurance company's general account, depend on the solvency of the insurance company, and that contract owners, participants and annuitants who invest in the contracts may not want or need disclosure about the financial performance of the insurance company, but instead may be interested only in the company's solvency.¹⁰

Similar to investors in variable annuity contracts, investors in the Contracts will be most interested in information relevant to assessing the Company's ability to fulfill its contractual obligations. SAP financial statements are designed to provide precisely this type of information. They contain detailed information about an insurance company's balance sheet as well as its regulatory capital and surplus, which serve as financial cushions for paying policyholder claims. Furthermore, SAP financial statements enable state regulators to determine the Company's ability to meet policyholder obligations based on the availability of readily marketable assets when obligations are due. In contrast, GAAP financial statements assist investors in understanding the Company's going concern value. Due to the absence of any secondary market in the Contracts, investors in the Contracts do not need information regarding the Company's going concern value among other things. Consequently, SAP financial statements should provide investors in the Contracts with sufficient information to assess AAIA's solvency and its ability to fulfill their contractual obligations. GAAP financial statements would not provide additional disclosure value to investors that justifies the significant costs and administrative burdens of preparing and auditing an additional set of financial statements solely to include in the Form S-1 registration statements for the Contracts.

When the SEC provided GAAP relief in Forms N-3, N-4 and N-6, it explicitly recognized alleviating disclosure burden as a legitimate reason to permit the use of SAP financial statements by an insurance company that would not have to prepare GAAP financial statements except for use in a registration statement for an insurance product. In the adopting release for Forms N-3 and N-4, the SEC stated that "the use of statutory financial statements is permitted solely to relieve the disclosure burden upon this group of registrants and their sponsoring insurance company."¹¹ Constructing financial information necessary to bring AAIA's financial statements into GAAP compliance would impose substantial costs and administrative burdens on the Company. As noted above, the construction of these financial statements would require the recalculation of more than 1,000 transactions totaling more than \$2 billion dating back as far as 2011, will cost the Company \$8 million and will take up to 20 months to complete.

⁹ Remarks of SEC Chairman Jay Clayton at the Economic Club of New York (July 12, 2017).

¹⁰ See Registration Forms for Insurance Company Separate Accounts that Offer Variable Annuity Contracts (Proposing Release) Rel. Nos. 33-6502 and IC-13689 (December 22, 1983).

¹¹ See Registration Forms for Insurance Company Separate Accounts that Offer Variable Annuity Contracts (Adopting Release) Rel. Nos. 33-6588 and IC-14575 (June 14, 1985), at footnote 9.

But for the need to register the Contracts on Form S-1, AAIA would be eligible to file SAP financial statements in Forms N-3, N-4 and N-6.

Because relief permitting the use of SAP financial statements in Forms N-3, N-4 and N-6 is designed to relieve the burden of preparing GAAP financial statements solely for use in registration statements for variable insurance products, it is generally not available to an insurance company that prepares GAAP financial statements for use by its parent company in consolidated financial statements filed with the SEC. More specifically, describing the scope of relief provided in Forms N-3, N-4 and N-6, the SEC stated in the proposing release for Form N-6 (the "Form N-6 Proposing Release") "(i)n those limited circumstances when GAAP financial statements are not prepared for either the depositor (the insurance company issuing the variable insurance contract) or its parent...and, therefore, neither partial GAAP financial statements nor a GAAP reporting package is prepared by the depositor, statutory financial statements could be used..."¹² The Company believes that it would qualify for GAAP relief under this standard and that it would continue to qualify after it begins to issue the Contracts.

Due to the extensive accounting adjustments required to bring into compliance with GAAP the financial information AAIA currently provides for consolidation by its parent company, the Company believes that information does not constitute either a "partial GAAP financial statement" or a "GAAP reporting package" as referenced in the Form N-6 Proposing Release. As noted above, bringing the financial information reported to AHL into compliance with GAAP would require AAIA to record the relevant reinsurance accounting transactions for each payment made under the reinsurance treaties from the beginning of the relevant treaty, which comprise over 1,000 separate transactions totaling more than \$2 billion, and to recalculate gains and losses on the transfers of investment assets that would be eliminated in consolidation at the AHL level. Furthermore, AAIA would have to prepare GAAP financial statements for each of its subsidiaries in order to perform a GAAP basis consolidation of subsidiaries. Two of the Company's subsidiaries, AANY and STAR, also have substantial intercompany reinsurance arrangements and intercompany transfers that need to be recorded in compliance with GAAP which would require additional recalculations and adjustments. As previously noted, the nature and scope of these recalculations and adjustments would impact virtually every line of the trial balance that the Company provides to its parent for consolidation.

That the limited GAAP financial information provided by the Company for consolidation by its parent does not and will not constitute a GAAP reporting package under the standards applicable to Forms N-3, N-4 and N-6 for variable insurance products is further supported by the fact that certain insurance company depositors that prepare GAAP financial information on a business segment rather than an entity basis for consolidation by their parent companies file SAP financial statements in their variable product registration statements. These companies rely on the GAAP relief provided by Forms N-3, N-4 and N-6 despite reporting GAAP financial information to their parent company for consolidation in financial statements filed with the SEC. Like AAIA, these companies do not prepare a substantial portion of the GAAP financial information necessary to complete GAAP compliant financial statements at an entity level and are managed for financial reporting purposes on a business segment rather than an entity basis. Such companies have maintained that they are eligible for GAAP relief provided by Forms N-3, N-4 and N-6 because preparing GAAP financial statements on an entity basis would impose significant additional costs and administrative burdens, and the SEC staff has not objected. In this regard, the staff has interpreted the references in the Form N-6 Proposing Release to "partial GAAP financial statements" and a "GAAP reporting package" not to apply where requiring an insurance company to prepare GAAP financial statements would impose considerable costs and administrative burdens.

¹² See Registration Form for Insurance Company Separate Accounts Registered as Unit Investment Trusts that Offer Variable Life Insurance Policies (Proposing Release), Rel. Nos. 33-7514 and IC-23066 (March 13, 1998), p. 19.

Similar to insurance companies that conduct multiple business segments across multiple entities, AHL, due to its substantial volume of intercompany reinsurance arrangements, conducts its single reportable segment across multiple entities. The financial reporting and management of this segment, like that of other insurance companies that prepare GAAP financial information on a business segment basis, occur at the level of the holding company (AHL) rather than at each individual insurance company. Like such other insurance companies, AAIA does not, and will not, prepare a substantial portion of the GAAP financial information necessary to complete its own GAAP compliant financial statements. Constructing and recording the missing information would impose significant costs and administrative burdens. The same logic used by insurance companies that prepare GAAP financial information on a business segment basis to establish their eligibility to file SAP financial statements in variable insurance product registration statements on Forms N-3, N-4 and N-6, therefore, should also apply to AAIA.

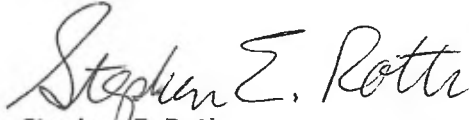
Conclusion

Because the Contracts are insurance products subject to state regulation, SAP financial statements would provide investors in the Contracts with sufficient information to assess the Company's ability to meet its obligations under the Contracts and filing SAP financial statements in place of GAAP financial statements would be consistent with investor protection. Investors in the Contracts will be most interested in financial information that will enable them to assess the Company's solvency and its ability to meet its obligations under the Contracts. SAP financial statements are designed to provide precisely this sort of information to state insurance regulators. Requiring the Company to file GAAP compliant financial statements will not provide investors in the Contracts with additional information that justifies the significant costs and administrative burdens of preparing the financial statements.

For the reasons stated above, we respectfully request, on behalf of AAIA, that the Staff grant relief under Rule 3-13 of Regulation S-X to permit the Company to file SAP financial statements audited by an independent auditor in registration statements on Form S-1 for the Contracts.

Thank you for your attention to this matter. Please contact me at 202-383-0158 or Lorna MacLeod at 202-383-0817 if you need additional information or have any questions concerning this request.

Sincerely,



Stephen E. Roth

Eversheds Sutherland (US) LLP

cc: Paul Cellupica
William Kotapish
Harry Eisenstein