

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2015

Commission File Number 1-8787



American International Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

175 Water Street, New York, New York
(Address of principal executive offices)

13-2592361
(I.R.S. Employer
Identification No.)

10038
(Zip Code)

Registrant's telephone number, including area code: **(212) 770-7000**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of October 29, 2015, there were 1,237,012,512 shares outstanding of the registrant's common stock.

AMERICAN INTERNATIONAL GROUP, INC.
 QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTERLY PERIOD ENDED
 SEPTEMBER 30, 2015
 TABLE OF CONTENTS

FORM 10-Q		Page
Item Number	Description	
PART I — FINANCIAL INFORMATION		
Item 1	Condensed Consolidated Financial Statements	2
	Note 1. Basis of Presentation	7
	Note 2. Summary of Significant Accounting Policies	8
	Note 3. Segment Information	11
	Note 4. Fair Value Measurements	13
	Note 5. Investments	32
	Note 6. Lending Activities	40
	Note 7. Variable Interest Entities	41
	Note 8. Derivatives and Hedge Accounting	44
	Note 9. Contingencies, Commitments and Guarantees	49
	Note 10. Equity	55
	Note 11. Earnings Per Share	60
	Note 12. Employee Benefits	60
	Note 13. Income Taxes	62
	Note 14. Information Provided in Connection with Outstanding Debt	64
	Note 15. Subsequent Events	71
Item 2	Management's Discussion and Analysis of Financial Condition and Results of Operations	72
	<ul style="list-style-type: none"> · Cautionary Statement Regarding Forward-Looking Information 72 · Use of Non-GAAP Measures 75 · Executive Overview 78 · Results of Operations 91 · Investments 130 · Insurance Reserves 149 · Liquidity and Capital Resources 162 · Enterprise Risk Management 177 · Critical Accounting Estimates 182 · Regulatory Environment 183 · Glossary 184 · Acronyms 187 	
Item 3	Quantitative and Qualitative Disclosures About Market Risk	188
Item 4	Controls and Procedures	188
PART II — OTHER INFORMATION		
Item 1	Legal Proceedings	189
Item 1A	Risk Factors	189
Item 2	Unregistered Sales of Equity Securities and Use of Proceeds	189
Item 4	Mine Safety Disclosures	189
Item 6	Exhibits	190
SIGNATURES		191

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

AMERICAN INTERNATIONAL GROUP, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS *(unaudited)*

<i>(in millions, except for share data)</i>	September 30, 2015	December 31, 2014
Assets:		
Investments:		
Fixed maturity securities:		
Bonds available for sale, at fair value (amortized cost: 2015 - \$241,985; 2014 - \$243,307)	\$ 252,954	\$ 259,859
Other bond securities, at fair value (See Note 5)	16,822	19,712
Equity Securities:		
Common and preferred stock available for sale, at fair value (cost: 2015 - \$1,806; 2014 - \$1,930)	3,792	4,395
Other common and preferred stock, at fair value (See Note 5)	1,066	1,049
Mortgage and other loans receivable, net of allowance (portion measured at fair value: 2015 - \$11; 2014 - \$6)	28,236	24,990
Other invested assets (portion measured at fair value: 2015 - \$9,333; 2014 - \$9,394)	31,123	34,518
Short-term investments (portion measured at fair value: 2015 - \$2,733; 2014 - \$1,684)	12,408	11,243
Total investments	346,401	355,766
Cash	1,569	1,758
Accrued investment income	2,696	2,712
Premiums and other receivables, net of allowance	12,078	12,031
Reinsurance assets, net of allowance	20,542	21,959
Deferred income taxes	19,511	19,339
Deferred policy acquisition costs	10,537	9,827
Other assets, including restricted cash of \$247 in 2015 and \$2,025 in 2014	11,515	12,153
Separate account assets, at fair value	77,136	80,036
Total assets	\$ 501,985	\$ 515,581
Liabilities:		
Liability for unpaid losses and loss adjustment expenses	\$ 71,436	\$ 77,260
Unearned premiums	22,686	21,324
Future policy benefits for life and accident and health insurance contracts	42,991	42,749
Policyholder contract deposits (portion measured at fair value: 2015 - \$2,287; 2014 - \$1,561)	126,641	124,613
Other policyholder funds (portion measured at fair value: 2015 - \$8; 2014 - \$8)	4,192	4,669
Other liabilities (portion measured at fair value: 2015 - \$298; 2014 - \$350)	26,565	26,441
Long-term debt (portion measured at fair value: 2015 - \$3,985; 2014 - \$5,466)	30,719	31,217
Separate account liabilities	77,136	80,036
Total liabilities	402,366	408,309
Contingencies, commitments and guarantees (see Note 9)		
AIG shareholders' equity:		
Common stock, \$2.50 par value; 5,000,000,000 shares authorized; shares issued: 2015 - 1,906,671,492 and 2014 - 1,906,671,492	4,766	4,766
Treasury stock, at cost; 2015 - 659,876,877 shares; 2014 - 530,744,521 shares	(26,881)	(19,218)
Additional paid-in capital	81,435	80,958
Retained earnings	33,122	29,775
Accumulated other comprehensive income	6,557	10,617
Total AIG shareholders' equity	98,999	106,898
Non-redeemable noncontrolling interests	620	374
Total equity	99,619	107,272
Total liabilities and equity	\$ 501,985	\$ 515,581

See accompanying Notes to Condensed Consolidated Financial Statements.

AMERICAN INTERNATIONAL GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS) (unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
<i>(dollars in millions, except per share data)</i>				
Revenues:				
Premiums	\$ 8,862	\$ 9,486	\$ 27,229	\$ 28,046
Policy fees	701	677	2,066	1,948
Net investment income	3,206	4,028	10,870	12,108
Net realized capital gains (losses):				
Total other-than-temporary impairments on available for sale securities	(225)	(34)	(460)	(116)
Portion of other-than-temporary impairments on available for sale fixed maturity securities recognized in Other comprehensive income (loss)	(17)	(1)	(31)	(21)
Net other-than-temporary impairments on available for sale securities recognized in net income (loss)	(242)	(35)	(491)	(137)
Other realized capital gains (losses)	(100)	571	1,616	683
Total net realized capital gains (losses)	(342)	536	1,125	546
Aircraft leasing revenue	-	-	-	1,602
Other income	395	1,970	3,206	4,746
Total revenues	12,822	16,697	44,496	48,996
Benefits, losses and expenses:				
Policyholder benefits and losses incurred	6,936	7,203	20,587	20,771
Interest credited to policyholder account balances	881	882	2,758	2,800
Amortization of deferred policy acquisition costs	1,275	1,288	3,981	3,989
General operating and other expenses	3,175	3,151	9,214	9,889
Interest expense	321	430	977	1,372
Aircraft leasing expenses	-	-	-	1,585
Loss on extinguishment of debt	346	742	756	1,014
Net (gain) loss on sale of divested businesses	3	(18)	10	(2,196)
Total benefits, claims and expenses	12,937	13,678	38,283	39,224
Income (loss) from continuing operations before income tax expense	(115)	3,019	6,213	9,772
Income tax expense	65	820	2,142	2,908
Income (loss) from continuing operations	(180)	2,199	4,071	6,864
Income (loss) from discontinued operations, net of income tax expense	(17)	2	-	(15)
Net income (loss)	(197)	2,201	4,071	6,849
Less:				
Net income (loss) from continuing operations attributable to noncontrolling interests	34	9	34	(25)
Net income (loss) attributable to AIG	\$ (231)	\$ 2,192	\$ 4,037	\$ 6,874
Income (loss) per common share attributable to AIG:				
Basic:				
Income (loss) from continuing operations	\$ (0.17)	\$ 1.54	\$ 3.05	\$ 4.78
Income (loss) from discontinued operations	\$ (0.01)	\$ -	\$ -	\$ (0.01)
Net income (loss) attributable to AIG	\$ (0.18)	\$ 1.54	\$ 3.05	\$ 4.77
Diluted:				
Income (loss) from continuing operations	\$ (0.17)	\$ 1.52	\$ 2.97	\$ 4.72
Income (loss) from discontinued operations	\$ (0.01)	\$ -	\$ -	\$ (0.01)
Net income (loss) attributable to AIG	\$ (0.18)	\$ 1.52	\$ 2.97	\$ 4.71
Weighted average shares outstanding:				
Basic	1,279,072,748	1,419,239,774	1,324,407,969	1,440,148,774
Diluted	1,279,072,748	1,442,067,842	1,357,108,784	1,459,483,233
Dividends declared per common share	\$ 0.280	\$ 0.125	\$ 0.530	\$ 0.375

See accompanying Notes to Condensed Consolidated Financial Statements.

AMERICAN INTERNATIONAL GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (unaudited)

<i>(in millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income (loss)	\$ (197)	\$ 2,201	\$ 4,071	\$ 6,849
Other comprehensive income (loss), net of tax				
Change in unrealized appreciation (depreciation) of fixed maturity investments on which other-than-temporary credit impairments were taken	(61)	59	(169)	174
Change in unrealized appreciation (depreciation) of all other investments	(857)	(168)	(3,309)	4,972
Change in foreign currency translation adjustments	(238)	(78)	(734)	(189)
Change in retirement plan liabilities adjustment	92	6	148	13
Other comprehensive income (loss)	(1,064)	(181)	(4,064)	4,970
Comprehensive income (loss)	(1,261)	2,020	7	11,819
Comprehensive income (loss) attributable to noncontrolling interests	33	8	30	(26)
Comprehensive income (loss) attributable to AIG	\$ (1,294)	\$ 2,012	\$ (23)	\$ 11,845

See accompanying Notes to Consolidated Financial Statements.

AMERICAN INTERNATIONAL GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (unaudited)

<i>(in millions)</i>	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total AIG Share- holders' Equity	Non- redeemable Non- controlling Interests	Total Equity
Nine Months Ended September 30, 2015								
Balance, beginning of year	\$ 4,766	\$ (19,218)	\$ 80,958	\$ 29,775	\$ 10,617	\$ 106,898	\$ 374	\$ 107,272
Purchase of common stock	-	(7,663)	-	-	-	(7,663)	-	(7,663)
Net income attributable to AIG or noncontrolling interests	-	-	-	4,037	-	4,037	34	4,071
Dividends	-	-	-	(687)	-	(687)	-	(687)
Other comprehensive loss	-	-	-	-	(4,060)	(4,060)	(4)	(4,064)
Deferred income taxes	-	-	(7)	-	-	(7)	-	(7)
Net increase due to acquisitions and consolidations	-	-	-	-	-	-	214	214
Contributions from noncontrolling interests	-	-	-	-	-	-	(2)	(2)
Distributions to noncontrolling interests	-	-	-	-	-	-	(5)	(5)
Other	-	-	484	(3)	-	481	9	490
Balance, end of period	\$ 4,766	\$ (26,881)	\$ 81,435	\$ 33,122	\$ 6,557	\$ 98,999	\$ 620	\$ 99,619

Nine Months Ended September 30, 2014

Balance, beginning of year	\$ 4,766	\$ (14,520)	\$ 80,899	\$ 22,965	\$ 6,360	\$ 100,470	\$ 611	\$ 101,081
Purchase of common stock	-	(3,200)	-	-	-	(3,200)	-	(3,200)
Net income (loss) attributable to AIG or noncontrolling interests	-	-	-	6,874	-	6,874	(25)	6,849
Dividends	-	-	-	(539)	-	(539)	-	(539)
Other comprehensive income (loss)	-	-	-	-	4,971	4,971	(1)	4,970
Net decrease due to dispositions	-	-	-	-	-	-	(123)	(123)
Contributions from noncontrolling interests	-	-	-	-	-	-	13	13
Distributions to noncontrolling interests	-	-	-	-	-	-	(78)	(78)
Other	-	-	5	-	-	5	5	10
Balance, end of period	\$ 4,766	\$ (17,720)	\$ 80,904	\$ 29,300	\$ 11,331	\$ 108,581	\$ 402	\$ 108,983

See accompanying Notes to Condensed Consolidated Financial Statements.

AMERICAN INTERNATIONAL GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

Nine Months Ended September 30, (in millions)	2015	2014
Cash flows from operating activities:		
Net income	\$ 4,071	\$ 6,849
Loss from discontinued operations	-	15
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Noncash revenues, expenses, gains and losses included in income (loss):		
Net gains on sales of securities available for sale and other assets	(660)	(602)
Net (gain) loss on sale of divested businesses	10	(2,196)
Losses on extinguishment of debt	756	1,014
Unrealized gains in earnings - net	(550)	(797)
Equity in income from equity method investments, net of dividends or distributions	(684)	(1,106)
Depreciation and other amortization	3,502	3,372
Impairments of assets	886	415
Changes in operating assets and liabilities:		
Insurance reserves	(1,618)	184
Premiums and other receivables and payables - net	(389)	41
Reinsurance assets and funds held under reinsurance treaties	1,396	(64)
Capitalization of deferred policy acquisition costs	(4,376)	(4,546)
Current and deferred income taxes - net	1,736	2,291
Other, net	(1,846)	(513)
Total adjustments	(1,837)	(2,507)
Net cash provided by operating activities	2,234	4,357
Cash flows from investing activities:		
Proceeds from (payments for)		
Sales or distributions of:		
Available for sale investments	20,846	16,063
Other securities	4,895	3,936
Other invested assets	7,015	3,034
Divested businesses, net	-	2,348
Maturities of fixed maturity securities available for sale	18,427	18,628
Principal payments received on and sales of mortgage and other loans receivable	3,298	2,552
Purchases of:		
Available for sale investments	(36,333)	(34,630)
Other securities	(1,622)	(301)
Other invested assets	(2,675)	(3,205)
Mortgage and other loans receivable	(6,845)	(4,945)
Net change in restricted cash	1,476	(660)
Net change in short-term investments	(1,028)	2,342
Other, net	(774)	(295)
Net cash provided by investing activities	6,680	4,867
Cash flows from financing activities:		
Proceeds from (payments for)		
Policyholder contract deposits	12,216	12,311
Policyholder contract withdrawals	(10,801)	(11,036)
Issuance of long-term debt	6,449	5,827
Repayments of long-term debt	(8,343)	(11,561)
Purchase of Common Stock	(7,473)	(3,403)
Dividends paid	(687)	(539)
Other, net	(425)	(1,200)
Net cash (used in) financing activities	(9,064)	(9,601)
Effect of exchange rate changes on cash	(39)	(19)
Net decrease in cash	(189)	(396)
Cash at beginning of year	1,758	2,241
Change in cash of businesses held-for-sale	-	88
Cash at end of period	\$ 1,569	\$ 1,933

Supplementary Disclosure of Condensed Consolidated Cash Flow Information

Cash paid during the period for:		
Interest	\$ 1,112	\$ 2,496
Taxes	\$ 406	\$ 614
Non-cash investing/financing activities:		
Interest credited to policyholder contract deposits included in financing activities	\$ 2,801	\$ 3,007
Non-cash consideration received from sale of ILFC	\$ -	\$ 4,586
Non-cash consideration received from sale of AerCap	\$ 500	\$ -

See accompanying Notes to Condensed Consolidated Financial Statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

1. BASIS OF PRESENTATION

American International Group, Inc. (AIG) is a leading global insurance organization serving customers in more than 100 countries and jurisdictions. AIG companies serve commercial, institutional and individual customers through one of the most extensive worldwide property-casualty networks of any insurer. In addition, AIG companies are leading providers of life insurance and retirement services in the United States. AIG Common Stock, par value \$2.50 per share (AIG Common Stock), is listed on the New York Stock Exchange (NYSE: AIG) and the Tokyo Stock Exchange. Unless the context indicates otherwise, the terms "AIG," "we," "us" or "our" mean American International Group, Inc. and its consolidated subsidiaries and the term "AIG Parent" means American International Group, Inc. and not any of its consolidated subsidiaries.

These unaudited Condensed Consolidated Financial Statements do not include all disclosures that are normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States (GAAP) and should be read in conjunction with the audited Consolidated Financial Statements and the related notes included in our Annual Report on Form 10-K for the year ended December 31, 2014 (2014 Annual Report). The condensed consolidated financial information as of December 31, 2014 included herein has been derived from audited Consolidated Financial Statements in the 2014 Annual Report.

Certain of our foreign subsidiaries included in the Condensed Consolidated Financial Statements report on different fiscal-period bases. The effect on our condensed consolidated financial condition and results of operations of all material events occurring at these subsidiaries through the date of each of the periods presented in these Condensed Consolidated Financial Statements has been recorded. In the opinion of management, these Condensed Consolidated Financial Statements contain normal recurring adjustments, including eliminations of material intercompany accounts and transactions, necessary for a fair statement of the results presented herein.

Interim-period operating results may not be indicative of the operating results for a full year. We evaluated the need to recognize or disclose events that occurred subsequent to September 30, 2015 and prior to the issuance of these Condensed Consolidated Financial Statements.

Sale of ILFC and shares of AerCap

On May 14, 2014, we completed the sale of 100 percent of the common stock of International Lease Finance Corporation (ILFC) to AerCap Ireland Limited, a wholly owned subsidiary of AerCap Holdings N.V. (AerCap), in exchange for total consideration of approximately \$7.6 billion, including cash and 97.6 million newly-issued AerCap common shares (the AerCap Transaction). The total value of the consideration was based in part on AerCap's closing price per share of \$47.01 on May 13, 2014. ILFC's results of operations are reflected in Aircraft leasing revenue and Aircraft leasing expenses in the Condensed Consolidated Statements of Income (Loss) through the date of the completion of the sale.

In June 2015, we sold 86.9 million ordinary shares of AerCap by means of an underwritten public offering of 71.2 million ordinary shares and a private sale of 15.7 million ordinary shares to AerCap. We received cash proceeds of approximately \$3.7 billion, reflecting proceeds of approximately \$3.4 billion from the underwritten offering and cash proceeds of \$250 million from the private sale of shares to AerCap. In connection with the closing of the private sale of shares to AerCap, we also received \$500 million of 6.50% fixed-to-floating rate junior subordinated notes issued by AerCap Global Aviation Trust and guaranteed by AerCap and certain of its subsidiaries. These notes, included in Bonds available for sale, mature in 2045 and are callable beginning in 2025. We accounted for our interest in AerCap using the equity method of accounting through the date of the June 2015 sale, and as available for sale thereafter. In August 2015, we sold our remaining 10.7 million ordinary shares of AerCap by means of an underwritten public offering and received proceeds of approximately \$500 million.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Use of Estimates

The preparation of financial statements in accordance with GAAP requires the application of accounting policies that often involve a significant degree of judgment. Accounting policies that we believe are most dependent on the application of estimates and assumptions are considered our critical accounting estimates and are related to the determination of:

- income tax assets and liabilities, including recoverability of our net deferred tax asset and the predictability of future tax operating profitability of the character necessary to realize the net deferred tax asset;
- liability for unpaid losses and loss adjustment expenses;
- reinsurance assets;
- valuation of future policy benefit liabilities and timing and extent of loss recognition;
- valuation of liabilities for guaranteed benefit features of variable annuity products;
- estimated gross profits to value deferred acquisition costs for investment-oriented products;
- impairment charges, including other-than-temporary impairments on available for sale securities, impairments on investments in life settlements and goodwill impairment;
- liability for legal contingencies; and
- fair value measurements of certain financial assets and liabilities.

These accounting estimates require the use of assumptions about matters, some of which are highly uncertain at the time of estimation. To the extent actual experience differs from the assumptions used, our consolidated financial condition, results of operations and cash flows could be materially affected.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Standards Adopted During 2015

Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure

In January 2014, the Financial Accounting Standards Board (FASB) issued an accounting standard that clarifies that a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, so that the loan is derecognized and the real estate property is recognized, when either (i) the creditor obtains legal title to the residential real estate property upon completion of a foreclosure or (ii) the borrower conveys all interest in the residential real estate property to the creditor to satisfy the loan through completion of a deed in lieu of foreclosure or through a similar legal agreement.

We adopted the standard on its required effective date of January 1, 2015. The adoption of this standard had no material effect on our consolidated financial condition, results of operations or cash flows.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Reporting Discontinued Operations

In April 2014, the FASB issued an accounting standard that changes the requirements for presenting a component or group of components of an entity as a discontinued operation and requires new disclosures. Under the standard, the disposal of a component or group of components of an entity should be reported as a discontinued operation if the disposal represents a

strategic shift that has (or will have) a major effect on an entity's operations and financial results. Disposals of equity method investments, or those reported as held-for-sale, must be presented as a discontinued operation if they meet the new definition. The standard also requires entities to provide disclosures about the disposal of an individually significant component of an entity that does not qualify for discontinued operations presentation.

We adopted the standard on its required effective date of January 1, 2015 on a prospective basis. The adoption of this standard had no material effect on our consolidated financial condition, results of operations or cash flows.

Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures

In June 2014, the FASB issued an accounting standard that changes the accounting for repurchase-to-maturity transactions and repurchase financing arrangements. It also requires additional disclosures about repurchase agreements and other similar transactions. The standard aligns the accounting for repurchase-to-maturity transactions and repurchase agreements executed as repurchase financings with the accounting for other typical repurchase agreements such that they all will be accounted for as secured borrowings. The standard eliminates sale accounting for repurchase-to-maturity transactions and supersedes the standard under which a transfer of a financial asset and a contemporaneous repurchase financing could be accounted for on a combined basis as a forward agreement.

We adopted the standard on its required effective date of January 1, 2015 on a prospective basis. The adoption of this standard had no material effect on our consolidated financial condition, results of operations or cash flows.

Future Application of Accounting Standards

Revenue Recognition

In May 2014, the FASB issued an accounting standard that supersedes most existing revenue recognition guidance. The standard excludes from its scope the accounting for insurance contracts, leases, financial instruments, and certain other agreements that are governed under other GAAP guidance, but could affect the revenue recognition for certain of our other activities.

The standard is effective for interim and annual reporting periods beginning after December 15, 2017 and may be applied retrospectively or through a cumulative effect adjustment to retained earnings at the date of adoption. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. We plan to adopt the standard on its required effective date of January 1, 2018 and are assessing the impact of the standard on our consolidated financial condition, results of operations and cash flows.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

[Accounting for Share-Based Payments with Performance Targets](#)

In June 2014, the FASB issued an accounting standard that clarifies the accounting for share-based payments when the terms of an award provide that a performance target could be achieved after the requisite service period. The standard requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition.

The standard is effective for interim and annual reporting periods beginning after December 15, 2015. Early adoption is permitted. The standard may be applied prospectively to all awards granted or modified after the effective date or retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. We plan to adopt the standard on its required effective date of January 1, 2016 and do not expect the adoption of the standard to have a material effect on our consolidated financial condition, results of operations or cash flows.

[Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity](#)

In August 2014, the FASB issued an accounting standard that allows a reporting entity to measure the financial assets and financial liabilities of a qualifying consolidated collateralized financing entity using the fair value of either its financial assets or financial liabilities, whichever is more observable.

The standard is effective for interim and annual reporting periods beginning after December 15, 2015. Early adoption is permitted. The standard may be applied retrospectively or through a cumulative effect adjustment to retained earnings at the date of adoption. We plan to adopt the standard on its required effective date of January 1, 2016 and are assessing the impact of the standard on our consolidated financial condition, results of operations and cash flows.

[Consolidation: Amendments to the Consolidation Analysis](#)

In February 2015, the FASB issued an accounting standard that affects reporting entities that are required to evaluate whether they should consolidate certain legal entities. Specifically, the amendments modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities (VIEs) or voting interest entities; eliminate the presumption that a general partner should consolidate a limited partnership; affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships; and provide a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds.

The standard is effective for interim and annual reporting periods beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. The standard may be applied retrospectively or through a cumulative effect adjustment to retained earnings as of the beginning of the year of adoption. We plan to adopt the standard on its required effective date of January 1, 2016 and are assessing the impact of the standard on our consolidated financial condition, results of operations and cash flows.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Customer's Accounting for Fees Paid in a Cloud Computing Arrangement

In April 2015, the FASB issued an accounting standard that provides guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The guidance does not change generally accepted accounting principles applicable to a customer's accounting for service contracts. Consequently, all software licenses will be accounted for consistent with other licenses of intangible assets.

The standard is effective for interim and annual periods beginning after December 15, 2015. Early adoption is permitted. The standard may be adopted prospectively to all arrangements entered into or materially modified after the effective date or retrospectively. We plan to adopt the standard on its required effective date of January 1, 2016 and do not expect the adoption of the standard to have a material effect on our consolidated financial condition, results of operations or cash flows.

Short Duration Insurance Contracts

In May 2015, the FASB issued an accounting standard that requires additional disclosures (including accident year information) for short-duration insurance contracts. New disclosures about the liability for unpaid losses and loss adjustment expenses will be required of public business entities for annual periods beginning after December 15, 2015. The annual disclosures by accident year include: disaggregated net incurred and paid claims development tables segregated by business type (not required to exceed 10 years), reconciliation of total net reserves included in development tables to the reported liability for unpaid losses and loss adjustment expenses, incurred but not reported (IBNR) information, quantitative information and a qualitative description about claim frequency, and the average annual percentage payout of incurred claims. Further, the new standard requires, when applicable, disclosures about discounting liabilities for unpaid losses and loss adjustment expenses and significant changes and reasons for changes in methodologies and assumptions used to determine unpaid losses and loss adjustment expenses. In addition, the roll forward of the liability for unpaid losses and loss adjustment expenses currently disclosed in annual financial statements will be required for interim periods beginning in the first quarter of 2017. Early adoption of the new annual and interim disclosures is permitted.

We plan to adopt the standard on its required effective date. Because the new standard does not affect accounting recognition or measurement, the adoption of the standard will have no effect on our consolidated financial condition, results of operations, or cash flows.

3. SEGMENT INFORMATION

We report our results of operations consistent with the manner in which our chief operating decision makers review the business to assess performance and allocate resources through two reportable segments: Commercial Insurance and Consumer Insurance as well as a Corporate and Other category. The Corporate and Other category consists of businesses and items not allocated to our reportable segments.

We evaluate performance based on revenue and pre-tax operating income (loss). Pre-tax operating income (loss) is derived by excluding certain items from net income (loss) attributable to AIG. See the table below for items excluded from pre-tax operating income (loss).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The following tables present our operations by reportable segment:

	2015		2014	
	Total Revenues	Pre-Tax Operating Income (Loss)	Total Revenues	Pre-Tax Operating Income (Loss)
Three Months Ended September 30,				
<i>(in millions)</i>				
Commercial Insurance				
Property Casualty	\$ 5,715	\$ 569	\$ 6,425	\$ 952
Mortgage Guaranty	266	162	262	135
Institutional Markets	578	84	626	153
Total Commercial Insurance	6,559	815	7,313	1,240
Consumer Insurance				
Retirement	2,203	635	2,472	1,094
Life	1,578	(40)	1,575	50
Personal Insurance	2,871	62	3,163	120
Total Consumer Insurance	6,652	657	7,210	1,264
Corporate and Other*	109	(613)	1,121	149
AIG consolidation and elimination	(141)	(11)	(168)	(68)
Total AIG consolidated revenues and pre-tax operating income	13,179	848	15,476	2,585
Reconciling items from Total revenues and Pre-tax operating income (loss) to revenues and pre-tax income (loss):				
Changes in fair values of fixed maturity securities designated to hedge living benefit liabilities, net of interest expense	4	4	32	32
Changes in benefit reserves and DAC, VOBA and SIA related to net realized capital gains	-	(2)	-	(45)
Loss on extinguishment of debt	-	(346)	-	(742)
Net realized capital gains (loss)	(342)	(342)	536	536
Net gain (loss) on sale of divested businesses	-	(3)	-	17
Non-operating litigation reserves and settlements	-	30	653	636
Reserve development related to non-operating run-off insurance business	-	(30)	-	-
Restructuring and other costs	-	(274)	-	-
Other	(19)	-	-	-
Revenues and pre-tax income (loss)	\$ 12,822	\$ (115)	\$ 16,697	\$ 3,019

	2015		2014	
	Total Revenues	Pre-Tax Operating Income (Loss)	Total Revenues	Pre-Tax Operating Income (Loss)
Nine Months Ended September 30,				
<i>(in millions)</i>				
Commercial Insurance				
Property Casualty	\$ 17,904	\$ 2,931	\$ 18,868	\$ 3,313
Mortgage Guaranty	791	464	769	421
Institutional Markets	2,374	382	2,028	552
Total Commercial Insurance	21,069	3,777	21,665	4,286
Consumer Insurance				
Retirement	7,056	2,239	7,367	2,773
Life	4,823	280	4,745	500
Personal Insurance	8,602	106	9,356	278
Total Consumer Insurance	20,481	2,625	21,468	3,551
Corporate and Other*	2,270	(79)	3,218	39
AIG consolidation and elimination	(416)	(80)	(356)	(42)
Total AIG consolidated revenues and pre-tax operating income	43,404	6,243	45,995	7,834

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Reconciling items from Total revenues and Pre-tax operating income (loss) to revenues and pre-tax income:

Changes in fair values of fixed maturity securities designated to hedge living benefit liabilities, net of interest expense	(39)	(39)	162	162
Changes in benefit reserves and DAC, VOBA and SIA related to net realized capital gains	-	(84)	-	(90)
Loss on extinguishment of debt	-	(756)	-	(1,014)
Net realized capital gains	1,125	1,125	546	546
Net gain (loss) on sale of divested businesses	(48)	(58)	1,602	2,189
Non-operating litigation reserves and settlements	91	86	691	145
Reserve development related to non-operating run-off insurance business	-	(30)	-	-
Restructuring and other costs	-	(274)	-	-
Other	(37)	-	-	-
Revenues and pre-tax income	\$ 44,496	\$ 6,213	48,996	9,772

* Corporate and Other includes income from assets held by AIG Parent and other corporate subsidiaries.

4. FAIR VALUE MEASUREMENTS

Fair Value Measurements on a Recurring Basis

Assets and liabilities recorded at fair value in the Condensed Consolidated Balance Sheets are measured and classified in accordance with a fair value hierarchy consisting of three "levels" based on the observability of valuation inputs:

- **Level 1:** Fair value measurements based on quoted prices (unadjusted) in active markets that we have the ability to access for identical assets or liabilities. Market price data generally is obtained from exchange or dealer markets. We do not adjust the quoted price for such instruments.
- **Level 2:** Fair value measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals.
- **Level 3:** Fair value measurements based on valuation techniques that use significant inputs that are unobservable. Both observable and unobservable inputs may be used to determine the fair values of positions classified in Level 3. The circumstances for using these measurements include those in which there is little, if any, market activity for the asset or liability. Therefore, we must make certain assumptions about the inputs a hypothetical market participant would use to value that asset or liability. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table presents information about assets and liabilities measured at fair value on a recurring basis and indicates the level of the fair value measurement based on the observability of the inputs used:

September 30, 2015 (in millions)	Level 1	Level 2	Level 3	Counterparty Netting*	Cash Collateral	Total
Assets:						
Bonds available for sale:						
U.S. government and government sponsored entities	\$ 8	\$ 1,874	\$ -	\$ -	\$ -	\$ 1,882
Obligations of states, municipalities and political subdivisions	-	25,406	2,140	-	-	27,546
Non-U.S. governments	709	17,688	31	-	-	18,428
Corporate debt	-	137,646	2,476	-	-	140,122
RMBS	-	18,766	16,859	-	-	35,625
CMBS	-	10,988	2,729	-	-	13,717
CDO/ABS	-	9,526	6,108	-	-	15,634
Total bonds available for sale	717	221,894	30,343	-	-	252,954
Other bond securities:						
U.S. government and government sponsored entities	155	3,658	-	-	-	3,813
Obligations of states, municipalities and political subdivisions	-	75	-	-	-	75
Non-U.S. governments	-	2	-	-	-	2
Corporate debt	-	1,233	16	-	-	1,249
RMBS	-	784	1,501	-	-	2,285
CMBS	-	600	219	-	-	819
CDO/ABS	-	1,432	7,147	-	-	8,579
Total other bond securities	155	7,784	8,883	-	-	16,822
Equity securities available for sale:						
Common stock	2,961	-	-	-	-	2,961
Preferred stock	23	-	-	-	-	23
Mutual funds	806	2	-	-	-	808
Total equity securities available for sale	3,790	2	-	-	-	3,792
Other equity securities	1,044	-	22	-	-	1,066
Mortgage and other loans receivable	-	-	11	-	-	11
Other invested assets	2	4,371	4,960	-	-	9,333
Derivative assets:						
Interest rate contracts	-	4,070	13	-	-	4,083
Foreign exchange contracts	-	836	-	-	-	836
Equity contracts	121	14	40	-	-	175
Commodity contracts	-	-	-	-	-	-
Credit contracts	-	-	3	-	-	3
Other contracts	-	-	27	-	-	27
Counterparty netting and cash collateral	-	-	-	(1,691)	(2,129)	(3,820)
Total derivative assets	121	4,920	83	(1,691)	(2,129)	1,304
Short-term investments	1,032	1,701	-	-	-	2,733
Separate account assets	72,370	4,766	-	-	-	77,136
Total	\$ 79,231	\$ 245,438	\$ 44,302	\$ (1,691)	\$ (2,129)	\$ 365,151
Liabilities:						
Policyholder contract deposits	\$ -	\$ 38	\$ 2,249	\$ -	\$ -	\$ 2,287
Other policyholder funds	-	8	-	-	-	8

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Derivative liabilities:						
Interest rate contracts	-	2,787	71	-	-	2,858
Foreign exchange contracts	-	1,208	7	-	-	1,215
Equity contracts	-	82	1	-	-	83
Commodity contracts	-	-	-	-	-	-
Credit contracts	-	-	531	-	-	531
Other contracts	-	1	78	-	-	79
Counterparty netting and cash collateral	-	-	-	(1,691)	(910)	(2,601)
Total derivative liabilities	-	4,078	688	(1,691)	(910)	2,165
Long-term debt	-	3,795	190	-	-	3,985
Other liabilities	116	182	-	-	-	298
Total	\$ 116	\$ 8,101	\$ 3,127	\$ (1,691)	\$ (910)	\$ 8,743

December 31, 2014

(in millions)	Level 1	Level 2	Level 3	Counterparty Netting	Cash Collateral	Total
Assets:						
Bonds available for sale:						
U.S. government and government sponsored entities	\$ 322	\$ 2,670	\$ -	\$ -	\$ -	\$ 2,992
Obligations of states, municipalities and political subdivisions	-	25,500	2,159	-	-	27,659
Non-U.S. governments	742	20,323	30	-	-	21,095
Corporate debt	-	142,550	1,883	-	-	144,433
RMBS	-	20,715	16,805	-	-	37,520
CMBS	-	10,189	2,696	-	-	12,885
CDO/ABS	-	7,165	6,110	-	-	13,275
Total bonds available for sale	1,064	229,112	29,683	-	-	259,859
Other bond securities:						
U.S. government and government sponsored entities	130	5,368	-	-	-	5,498
Obligations of states, municipalities and political subdivisions	-	122	-	-	-	122
Non-U.S. governments	-	2	-	-	-	2
Corporate debt	-	719	-	-	-	719
RMBS	-	989	1,105	-	-	2,094
CMBS	-	708	369	-	-	1,077
CDO/ABS	-	2,751	7,449	-	-	10,200
Total other bond securities	130	10,659	8,923	-	-	19,712
Equity securities available for sale:						
Common stock	3,626	2	1	-	-	3,629
Preferred stock	25	-	-	-	-	25
Mutual funds	738	3	-	-	-	741
Total equity securities available for sale	4,389	5	1	-	-	4,395
Other equity securities	1,024	25	-	-	-	1,049
Mortgage and other loans receivable	-	-	6	-	-	6
Other invested assets	2	3,742	5,650	-	-	9,394
Derivative assets:						
Interest rate contracts	2	3,729	12	-	-	3,743
Foreign exchange contracts	-	839	1	-	-	840
Equity contracts	98	58	51	-	-	207
Commodity contracts	-	-	-	-	-	-
Credit contracts	-	-	4	-	-	4
Other contracts	-	-	31	-	-	31
Counterparty netting and cash collateral	-	-	-	(2,102)	(1,119)	(3,221)
Total derivative assets	100	4,626	99	(2,102)	(1,119)	1,604

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Short-term investments	584	1,100	-	-	-	1,684
Separate account assets	73,939	6,097	-	-	-	80,036
Total	\$ 81,232	\$ 255,366	\$ 44,362	\$ (2,102)	\$ (1,119)	\$ 377,739
Liabilities:						
Policyholder contract deposits	\$ -	\$ 52	\$ 1,509	\$ -	\$ -	\$ 1,561
Other policyholder funds	-	8	-	-	-	8
Derivative liabilities:						
Interest rate contracts	-	3,047	86	-	-	3,133
Foreign exchange contracts	-	1,482	9	-	-	1,491
Equity contracts	-	98	4	-	-	102
Commodity contracts	-	6	-	-	-	6
Credit contracts	-	-	982	-	-	982
Other contracts	-	-	90	-	-	90
Counterparty netting and cash collateral	-	-	-	(2,102)	(1,429)	(3,531)
Total derivative liabilities	-	4,633	1,171	(2,102)	(1,429)	2,273
Long-term debt	-	5,253	213	-	-	5,466
Other liabilities	34	316	-	-	-	350
Total	\$ 34	\$ 10,262	\$ 2,893	\$ (2,102)	\$ (1,429)	\$ 9,658

* Represents netting of derivative exposures covered by a qualifying master netting agreement.

Transfers of Level 1 and Level 2 Assets and Liabilities

Our policy is to record transfers of assets and liabilities between Level 1 and Level 2 at their fair values as of the end of each reporting period, consistent with the date of the determination of fair value. Assets are transferred out of Level 1 when they are no longer transacted with sufficient frequency and volume in an active market. Conversely, assets are transferred from Level 2 to Level 1 when transaction volume and frequency are indicative of an active market.

During the three- and nine-month periods ended September 30, 2015, we transferred \$188 million and \$450 million, respectively, of securities issued by Non-U.S. government entities from Level 1 to Level 2, because they are no longer considered actively traded. For similar reasons, during the nine-month period ended September 30, 2015, we transferred \$180 million of securities issued by the U.S. government and government sponsored entities from Level 1 to Level 2, while we had no material transfers of these securities from Level 1 to Level 2 during the three-month period ended September 30, 2015. We had no material transfers from Level 2 to Level 1 during the three- and nine-month periods ended September 30, 2015.

During the three- and nine-month periods ended September 30, 2014, we transferred \$32 million and \$330 million, respectively, of securities issued by Non-U.S. government entities from Level 1 to Level 2, because they are no longer considered actively traded. For similar reasons, during the three- and nine-month periods ended September 30, 2014, we transferred \$4 million and \$107 million, respectively, of securities issued by the U.S. government and government sponsored entities from Level 1 to Level 2. We had no material transfers from Level 2 to Level 1 during the three- and nine-month periods ended September 30, 2014.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Changes in Level 3 Recurring Fair Value Measurements

The following tables present changes during the three- and nine-month periods ended September 30, 2015 and 2014 in Level 3 assets and liabilities measured at fair value on a recurring basis, and the realized and unrealized gains (losses) related to the Level 3 assets and liabilities in the Condensed Consolidated Balance Sheets at September 30, 2015 and 2014:

	Fair Value Beginning of Period	Net Realized and Unrealized Gains (Losses) Included in Income	Other Comprehensive Income (Loss)	Purchases, Sales, Issues and Settlements, Net	Gross Transfers In	Gross Transfers Out	Fair Value End of Period	Changes in Unrealized Gains (Losses) Included in Income on Instruments Held at End of Period
<i>(in millions)</i>								
Three Months Ended September 30, 2015								
Assets:								
Bonds available for sale:								
Obligations of states, municipalities and political subdivisions	\$ 2,180	\$ (1)	\$ (15)	\$ 16	\$ -	\$ (40)	\$ 2,140	\$ -
Non-U.S. governments	33	-	(1)	(1)	-	-	31	-
Corporate debt	2,118	5	2	(63)	987	(573)	2,476	-
RMBS	17,097	265	(151)	(352)	-	-	16,859	-
CMBS	2,677	17	(15)	50	-	-	2,729	-
CDO/ABS	6,071	8	57	(21)	6	(13)	6,108	-
Total bonds available for sale	30,176	294	(123)	(371)	993	(626)	30,343	-
Other bond securities:								
Corporate debt	16	-	-	-	-	-	16	-
RMBS	1,337	(4)	-	169	-	(1)	1,501	(3)
CMBS	223	(1)	-	(8)	5	-	219	(1)
CDO/ABS	7,426	85	-	(415)	51	-	7,147	23
Total other bond securities	9,002	80	-	(254)	56	(1)	8,883	19
Equity securities available for sale:								
Common stock	-	-	-	-	-	-	-	-
Total equity securities available for sale	-	-	-	-	-	-	-	-
Other equity securities								
Mortgage and other loans receivable	6	-	-	5	-	-	11	-
Other invested assets	5,075	(52)	(90)	64	15	(52)	4,960	-
Total	\$ 44,281	\$ 322	\$ (213)	\$ (556)	\$ 1,064	\$ (679)	\$ 44,219	\$ 19
Liabilities:								
Policyholder contract deposits	\$ (1,232)	\$ (871)	\$ -	\$ (146)	\$ -	\$ -	\$ (2,249)	\$ 32
Derivative liabilities, net:								
Interest rate contracts	(62)	(3)	-	7	-	-	(58)	(4)
Foreign exchange contracts	(7)	(1)	-	1	-	-	(7)	(2)
Equity contracts	63	(21)	-	(3)	-	-	39	(21)
Commodity contracts	-	-	-	-	-	-	-	-
Credit contracts	(551)	11	-	12	-	-	(528)	23
Other contracts	(16)	(12)	-	(23)	-	-	(51)	(13)
Total derivative liabilities, net^(a)	(573)	(26)	-	(6)	-	-	(605)	(17)
Long-term debt ^(b)	(193)	3	-	-	-	-	(190)	-
Total	\$ (1,998)	\$ (894)	\$ -	(152)	\$ -	\$ -	(3,044)	\$ 15

TABLE OF CONTENTS

ITEM 1 / NOTE 4. FAIR VALUE MEASUREMENTS

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

<i>(in millions)</i>	Fair Value Beginning of Period ^(a)	Net Realized and Unrealized Gains (Losses) Included in Income	Other Comprehensive Income (Loss)	Purchases, Sales, Issues and Settlements, Net	Gross Transfers In	Gross Transfers Out	Fair Value End of Period	Changes in Unrealized Gains (Losses) Included in Income on Instruments Held at End of Period
Nine Months Ended September 30, 2015								
Assets:								
Bonds available for sale:								
Obligations of states, municipalities and political subdivisions	\$ 2,159	\$ -	\$ (94)	\$ 174	\$ -	\$ (99)	\$ 2,140	\$ -
Non-U.S. governments	30	-	(2)	3	-	-	31	-
Corporate debt	1,883	19	(31)	(209)	1,443	(629)	2,476	-
RMBS	16,805	804	(322)	(428)	-	-	16,859	-
CMBS	2,696	63	(45)	97	-	(82)	2,729	-
CDO/ABS	6,110	138	(110)	98	6	(134)	6,108	-
Total bonds available for sale	29,683	1,024	(604)	(265)	1,449	(944)	30,343	-
Other bond securities:								
Corporate debt	-	-	-	-	16	-	16	-
RMBS	1,105	22	-	389	44	(59)	1,501	(21)
CMBS	369	7	-	(162)	5	-	219	(3)
CDO/ABS	7,449	482	-	(1,341)	632	(75)	7,147	(55)
Total other bond securities	8,923	511	-	(1,114)	697	(134)	8,883	(79)
Equity securities available for sale:								
Common stock	1	2	-	(3)	-	-	-	-
Total equity securities available for sale	1	2	-	(3)	-	-	-	-
Other equity securities	-	-	-	-	22	-	22	(2)
Mortgage and other loans receivable	6	-	-	5	-	-	11	-
Other invested assets	5,650	475	(639)	(522)	113	(117)	4,960	-
Total	\$ 44,263	\$ 2,012	\$ (1,243)	\$ (1,899)	\$ 2,281	\$ (1,195)	\$ 44,219	\$ (81)
Liabilities:								
Policyholder contract deposits	\$ (1,509)	\$ (410)	\$ -	\$ (330)	\$ -	\$ -	\$ (2,249)	\$ 72
Derivative liabilities, net:								
Interest rate contracts	(74)	(3)	-	19	-	-	(58)	(4)
Foreign exchange contracts	(8)	2	-	(1)	-	-	(7)	1
Equity contracts	47	(15)	-	7	-	-	39	(19)
Commodity contracts	-	-	-	-	-	-	-	-
Credit contracts	(978)	171	-	279	-	-	(528)	73
Other contracts	(59)	61	-	(53)	-	-	(51)	53
Total derivative liabilities, net^(a)	(1,072)	216	-	251	-	-	(605)	104
Long-term debt ^(b)	(213)	5	-	18	-	-	(190)	13
Total	\$ (2,794)	\$ (189)	\$ -	\$ (61)	\$ -	\$ -	\$ (3,044)	\$ 189

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

<i>(in millions)</i>	Fair value Beginning of Period	Net Realized and Unrealized Gains (Losses) Included in Income	Other Comprehensive Income (Loss)	Purchases, Sales, Issues and Settlements, Net	Gross Transfers In	Gross Transfers Out	Fair value End of Period	Changes in Unrealized Gains (Losses) Included in Income on Instruments Held at End of Period
Three Months Ended September 30, 2014								
Assets:								
Bonds available for sale:								
Obligations of states, municipalities and political subdivisions	\$ 1,991	\$ (1)	\$ (11)	\$ 43	\$ -	\$ (8)	\$ 2,014	\$ -
Non-U.S. governments	25	-	-	1	-	(3)	23	-
Corporate debt	2,196	2	(22)	(73)	3	(97)	2,009	-
RMBS	16,328	264	(49)	375	-	-	16,918	-
CMBS	5,917	27	(39)	14	-	(3)	5,916	-
CDO/ABS	7,431	18	(2)	692	53	(35)	8,157	-
Total bonds available for sale	33,888	310	(123)	1,052	56	(146)	35,037	-
Other bond securities:								
RMBS	1,062	-	-	(39)	-	-	1,023	(9)
CMBS	757	(24)	-	(20)	-	-	713	(21)
CDO/ABS	8,397	257	-	(451)	-	(134)	8,069	76
Total other bond securities	10,216	233	-	(510)	-	(134)	9,805	46
Equity securities available for sale:								
Common stock	-	-	1	-	-	(1)	-	-
Preferred stock	-	-	-	-	-	-	-	-
Mutual funds	-	-	-	-	1	-	1	-
Total equity securities available for sale	-	-	1	-	1	(1)	1	-
Mortgage and other loans receivable	6	-	-	-	-	-	6	-
Other invested assets	5,824	(7)	90	65	83	(246)	5,809	-
Total	\$ 49,934	\$ 536	\$ (32)	\$ 607	\$ 140	\$ (527)	\$ 50,658	\$ 46
Liabilities:								
Policyholder contract deposits	\$ (842)	\$ (155)	\$ 8	\$ (2)	\$ -	\$ -	\$ (991)	\$ (21)
Derivative liabilities, net:								
Interest rate contracts	(67)	(3)	-	1	-	(2)	(71)	(3)
Foreign exchange contracts	(9)	-	-	2	-	-	(7)	-
Equity contracts	91	6	-	2	-	(53)	46	-
Commodity contracts	1	(1)	-	-	-	-	-	-
Credit contracts	(1,085)	75	-	(8)	-	-	(1,018)	65
Other contracts	(53)	14	4	(20)	-	-	(55)	17
Total derivatives liabilities, net^(a)	(1,122)	91	4	(23)	-	(55)	(1,105)	79
Long-term debt ^(b)	(394)	21	-	1	-	75	(297)	16
Total	\$ (2,358)	\$ (43)	\$ 12	\$ (24)	\$ -	\$ 20	\$ (2,393)	\$ 74

TABLE OF CONTENTS

ITEM 1 / NOTE 4. FAIR VALUE MEASUREMENTS

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

<i>(in millions)</i>	Fair value Beginning of Period	Net Realized and Unrealized Gains (Losses) Included in Income	Other Comprehensive Income (Loss)	Purchases, Sales, Issues and Settlements, Net	Gross Transfers In	Gross Transfers Out	Fair value End of Period	Changes in Unrealized Gains (Losses) Included in Income on Instruments Held at End of Period
Nine Months Ended September 30, 2014								
Assets:								
Bonds available for sale:								
Obligations of states, municipalities and political subdivisions ^(c)	\$ 1,080	\$ (1)	\$ 180	\$ 896	\$ -	\$ (141)	\$ 2,014	\$ -
Non-U.S. governments	16	-	(1)	7	4	(3)	23	-
Corporate debt	1,255	8	31	(140)	1,358	(503)	2,009	-
RMBS	14,941	759	211	999	119	(111)	16,918	-
CMBS	5,735	50	201	(43)	69	(96)	5,916	-
CDO/ABS	6,974	70	1	1,426	222	(536)	8,157	-
Total bonds available for sale	30,001	886	623	3,145	1,772	(1,390)	35,037	-
Other bond securities:								
RMBS	937	51	-	33	2	-	1,023	9
CMBS	844	14	-	(151)	6	-	713	11
CDO/ABS	8,834	926	-	(1,338)	1	(354)	8,069	341
Total other bond securities	10,615	991	-	(1,456)	9	(354)	9,805	361
Equity securities available for sale:								
Common stock	1	-	1	-	-	(2)	-	-
Preferred stock	-	-	-	-	-	-	-	-
Mutual funds	-	-	-	-	1	-	1	-
Total equity securities available for sale	1	-	1	-	1	(2)	1	-
Mortgage and other loans receivable	-	-	-	6	-	-	6	-
Other invested assets	5,930	80	139	99	168	(607)	5,809	-
Total	\$ 46,547	\$ 1,957	\$ 763	\$ 1,794	\$ 1,950	\$ (2,353)	\$ 50,658	\$ 361
Liabilities:								
Policyholder contract deposits	\$ (312)	\$ (687)	\$ (16)	\$ 24	\$ -	\$ -	\$ (991)	\$ (140)
Derivative liabilities, net:								
Interest rate contracts	(100)	(2)	-	33	-	(2)	(71)	-
Foreign exchange contracts	-	3	-	(10)	-	-	(7)	4
Equity contracts	49	14	-	(12)	48	(53)	46	6
Commodity contracts	1	-	-	-	-	(1)	-	-
Credit contracts	(1,280)	229	-	33	-	-	(1,018)	229
Other contracts	(109)	49	51	(46)	-	-	(55)	37
Total derivatives liabilities, net^(a)	(1,439)	293	51	(2)	48	(56)	(1,105)	276
Long-term debt ^(b)	(370)	13	-	34	(70)	96	(297)	15
Total	\$ (2,121)	\$ (381)	\$ 35	\$ 56	\$ (22)	\$ 40	\$ (2,393)	\$ 151

(a) Total Level 3 derivative exposures have been netted in these tables for presentation purposes only.

(b) Includes guaranteed investment agreements (GIAs), notes, bonds, loans and mortgages payable.

(c) Purchases, Sales, Issues and Settlements, Net primarily reflect the effect of consolidating previously unconsolidated securitization vehicles.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Net realized and unrealized gains and losses related to Level 3 items shown above are reported in the Condensed Consolidated Statements of Income (Loss) as follows:

<i>(in millions)</i>	Net Investment Income	Net Realized Capital Gains (Losses)	Other Income	Total
Three Months Ended September 30, 2015				
Bonds available for sale	\$ 304	\$ (15)	\$ 5	\$ 294
Other bond securities	7	-	73	80
Equity securities available for sale	-	-	-	-
Other invested assets	(25)	(22)	(5)	(52)
Policyholder contract deposits	-	(871)	-	(871)
Derivative liabilities, net	-	(17)	(9)	(26)
Long-term debt	-	-	3	3
Three Months Ended September 30, 2014				
Bonds available for sale	\$ 320	\$ (22)	\$ 12	\$ 310
Other bond securities	(3)	-	236	233
Equity securities available for sale	-	-	-	-
Other invested assets	18	(20)	(5)	(7)
Policyholder contract deposits	-	(155)	-	(155)
Derivative liabilities, net	18	(1)	74	91
Long-term debt	-	-	21	21
Nine Months Ended September 30, 2015				
Bonds available for sale	\$ 926	\$ (14)	\$ 112	\$ 1,024
Other bond securities	48	3	460	511
Equity securities available for sale	-	2	-	2
Other invested assets	61	355	59	475
Policyholder contract deposits	-	(410)	-	(410)
Derivative liabilities, net	-	(12)	228	216
Long-term debt	-	-	5	5
Nine Months Ended September 30, 2014				
Bonds available for sale	\$ 922	\$ (73)	\$ 37	\$ 886
Other bond securities	97	2	892	991
Equity securities available for sale	-	-	-	-
Other invested assets	107	(33)	6	80
Policyholder contract deposits	-	(687)	-	(687)
Derivative liabilities, net	49	4	240	293
Long-term debt	-	-	13	13

The following tables present the gross components of purchases, sales, issues and settlements, net, shown above, for the three- and nine-month periods ended September 30, 2015 and 2014 related to Level 3 assets and liabilities in the Condensed Consolidated Balance Sheets:

<i>(in millions)</i>	Purchases	Sales	Settlements	Purchases, Sales, Issues and Settlements, Net ^(a)
Three Months Ended September 30, 2015				
Assets:				
Bonds available for sale:				
Obligations of states, municipalities and political subdivisions	\$ 35	\$ -	\$ (19)	\$ 16
Non-U.S. governments	3	(1)	(3)	(1)
Corporate debt	32	-	(95)	(63)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

RMBS	449	(29)	(772)	(352)
CMBS	50	-	-	50
CDO/ABS	160	(9)	(172)	(21)
Total bonds available for sale	729	(39)	(1,061)	(371)
Other bond securities:				
RMBS	218	(6)	(43)	169
CMBS	-	-	(8)	(8)
CDO/ABS	10	(5)	(420)	(415)
Total other bond securities	228	(11)	(471)	(254)
Equity securities available for sale	-	-	-	-
Mortgage and other loans receivable	5	-	-	5
Other invested assets	193	-	(129)	64
Total assets	\$ 1,155	\$ (50)	\$ (1,661)	\$ (556)
Liabilities:				
Policyholder contract deposits	\$ -	\$ (122)	\$ (24)	\$ (146)
Derivative liabilities, net	1	-	(7)	(6)
Long-term debt ^(b)	-	-	-	-
Total liabilities	\$ 1	\$ (122)	\$ (31)	\$ (152)

Three Months Ended September 30, 2014

Assets:

Bonds available for sale:					
Obligations of states, municipalities and political subdivisions	\$ 66	\$ (3)	\$ (20)	\$ 43	
Non-U.S. governments	1	-	-	1	
Corporate debt	22	-	(95)	(73)	
RMBS	1,062	(62)	(625)	375	
CMBS	276	(167)	(95)	14	
CDO/ABS	1,085	(68)	(325)	692	
Total bonds available for sale	2,512	(300)	(1,160)	1,052	
Other bond securities:					
RMBS	-	(3)	(36)	(39)	
CMBS	-	(9)	(11)	(20)	
CDO/ABS	6	(4)	(453)	(451)	
Total other bond securities	6	(16)	(500)	(510)	
Equity securities available for sale	-	-	-	-	
Other invested assets	276	-	(211)	65	
Total assets	\$ 2,794	\$ (316)	\$ (1,871)	\$ 607	
Liabilities:					
Policyholder contract deposits	\$ -	\$ (36)	\$ 34	\$ (2)	
Derivative liabilities, net	-	(2)	(21)	(23)	
Long-term debt ^(b)	-	-	1	1	
Total liabilities	\$ -	\$ (38)	\$ 14	\$ (24)	

(in millions)	Purchases	Sales	Settlements	Purchases, Sales, Issues and Settlements, Net ^(a)
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Nine Months Ended September 30, 2015

Assets:

Bonds available for sale:				
Obligations of states, municipalities and political subdivisions	\$ 258	\$ (22)	\$ (62)	\$ 174
Non-U.S. governments	11	(1)	(7)	3
Corporate debt	220	(60)	(369)	(209)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

RMBS	1,856	(194)	(2,090)	(428)
CMBS	192	(27)	(68)	97
CDO/ABS	1,021	(210)	(713)	98
Total bonds available for sale	3,558	(514)	(3,309)	(265)
Other bond securities:				
RMBS	527	(16)	(122)	389
CMBS	-	(79)	(83)	(162)
CDO/ABS	236	(376)	(1,201)	(1,341)
Total other bond securities	763	(471)	(1,406)	(1,114)
Equity securities available for sale	-	(2)	(1)	(3)
Mortgage and other loans receivable	5	-	-	5
Other invested assets	497	(587)	(432)	(522)
Total assets	\$ 4,823	\$ (1,574)	\$ (5,148)	\$ (1,899)
Liabilities:				
Policyholder contract deposits	\$ -	\$ (307)	\$ (23)	\$ (330)
Derivative liabilities, net	18	-	233	251
Long-term debt ^(b)	-	-	18	18
Total liabilities	\$ 18	\$ (307)	\$ 228	\$ (61)

Nine Months Ended September 30, 2014

Assets:

Bonds available for sale:				
Obligations of states, municipalities and political subdivisions ^(c)	\$ 1,002	\$ (35)	\$ (71)	\$ 896
Non-U.S. governments	8	-	(1)	7
Corporate debt	141	(8)	(273)	(140)
RMBS	2,814	(88)	(1,727)	999
CMBS	368	(224)	(187)	(43)
CDO/ABS	2,307	(70)	(811)	1,426
Total bonds available for sale	6,640	(425)	(3,070)	3,145
Other bond securities:				
RMBS	162	(22)	(107)	33
CMBS	-	(15)	(136)	(151)
CDO/ABS	50	(19)	(1,369)	(1,338)
Total other bond securities	212	(56)	(1,612)	(1,456)
Equity securities available for sale	-	-	-	-
Mortgage and other loans receivable	6	-	-	6
Other invested assets	709	(1)	(609)	99
Total assets	\$ 7,567	\$ (482)	\$ (5,291)	\$ 1,794
Liabilities:				
Policyholder contract deposits	\$ -	\$ (94)	\$ 118	\$ 24
Derivative liabilities, net	1	(2)	(1)	(2)
Long-term debt ^(b)	-	-	34	34
Total liabilities	\$ 1	\$ (96)	\$ 151	\$ 56

(a) There were no issuances during the three- and nine-month periods ended September 30, 2015 and 2014, respectively.

(b) Includes GIAs, notes, bonds, loans and mortgages payable.

(c) Purchases primarily reflect the effect of consolidating previously unconsolidated securitization vehicles.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Both observable and unobservable inputs may be used to determine the fair values of positions classified in Level 3 in the tables above. As a result, the unrealized gains (losses) on instruments held at September 30, 2015 and 2014 may include changes in fair value that were attributable to both observable (e.g., changes in market interest rates) and unobservable inputs (e.g., changes in unobservable long-dated volatilities).

Transfers of Level 3 Assets and Liabilities

We record transfers of assets and liabilities into or out of Level 3 classification at their fair values as of the end of each reporting period, consistent with the date of the determination of fair value. The Net realized and unrealized gains (losses) included in income (loss) or Other comprehensive income (loss) as shown in the table above excludes \$17 million and \$35 million of net gains related to assets and liabilities transferred into Level 3 during the three- and nine-month periods ended September 30, 2015, respectively, and includes \$3 million and \$6 million of net gains related to assets and liabilities transferred out of Level 3 during the three- and nine-month periods ended September 30, 2015, respectively.

The Net realized and unrealized gains (losses) included in income (loss) or Other comprehensive income (loss) as shown in the table above excludes \$2 million of net losses and \$35 million of net gains related to assets and liabilities transferred into Level 3 during the three- and nine-month periods ended September 30, 2014, respectively, and includes \$52 million and \$50 million of net gains related to assets and liabilities transferred out of Level 3 during the three- and nine-month periods ended September 30, 2014, respectively.

Transfers of Level 3 Assets

During the three- and nine-month periods ended September 30, 2015 and 2014, transfers into Level 3 assets primarily included certain investments in RMBS, CDO/ABS and private placement corporate debt. The transfers of investments in RMBS and CDO/ABS into Level 3 assets were due to decreases in market transparency and liquidity for individual security types. Transfers of investments in private placement corporate debt into Level 3 assets were primarily the result of limited market pricing information that required us to determine fair value for these securities based on inputs that are adjusted to better reflect our own assumptions regarding the characteristics of a specific security or associated market liquidity.

During the three- and nine-month periods ended September 30, 2015 and 2014, transfers out of Level 3 assets primarily related to certain investments in corporate debt, RMBS, CDO/ABS, and investments in hedge funds. Transfers of certain investments in corporate debt, RMBS, and CDO/ABS out of Level 3 assets were based on consideration of market liquidity as well as related transparency of pricing and associated observable inputs for these investments. The transfers of certain hedge fund investments out of Level 3 assets were primarily the result of easing of certain fund-imposed redemption restrictions.

Transfers of Level 3 Liabilities

There were no significant transfers of derivative or other liabilities into or out of Level 3 for the three- and nine-month periods ended September 30, 2015 and 2014.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Quantitative Information About Level 3 Fair Value Measurements

The table below presents information about the significant unobservable inputs used for recurring fair value measurements for certain Level 3 instruments, and includes only those instruments for which information about the inputs is reasonably available to us, such as data from third-party valuation service providers and from internal valuation models. Because input information from third-parties with respect to certain Level 3 instruments (primarily CDO/ABS) may not be reasonably available to us, balances shown below may not equal total amounts reported for such Level 3 assets and liabilities:

(in millions)	Fair Value at September 30, 2015	Valuation Technique	Unobservable Input	Range (Weighted Average)
Assets:				
Obligations of states, municipalities and political subdivisions	\$ 1,199	Discounted cash flow	Yield ^(b)	4.34% - 5.16% (4.75%)
Corporate debt	1,506	Discounted cash flow	Yield ^(b)	3.91% - 5.80% (4.85%)
RMBS	17,609	Discounted cash flow	Constant prepayment rate ^{(a)(c)} Loss severity ^{(a)(c)} Constant default rate ^{(a)(c)} Yield ^(c)	0.93% - 8.91% (4.92%) 45.29% - 77.96% (61.63%) 3.47% - 9.01% (6.24%) 3.02% - 5.96% (4.49%)
CDO/ABS	3,217	Discounted cash flow	Yield ^(c)	2.79% - 4.33% (3.56%)
CMBS	2,656	Discounted cash flow	Yield ^(b)	0.00% - 18.45% (6.07%)
Liabilities:				
Policyholder contract deposits				
GMWB	1,392	Discounted cash flow	Equity implied volatility ^(b) Base lapse rate ^(b) Dynamic lapse rate ^(b) Mortality rate ^(b) Utilization rate ^(b)	6.00% - 39.00% ^(d) 0.50% - 30.00% ^(d) 0.07% - 45.00% ^(d) 0.05% - 35.00% ^(d) 1.00% - 65.00% ^(d)
Index Annuities	556	Discounted cash flow	Lapse rate Mortality rate	0.75% - 66.00% ^(d) 0.02% - 44.06% ^(d)
Indexed Life	295	Discounted cash flow	Equity implied volatility Base lapse rate Mortality rate	10.00% to 25.00% ^(d) 2.00% to 19.00% ^(d) 0.00% to 20.00% ^(d)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

<i>(in millions)</i>	Fair Value at December 31, 2014	Valuation Technique	Unobservable Input	Range (Weighted Average)
Assets:				
Obligations of states, municipalities and political subdivisions	\$ 1,178	Discounted cash flow	Yield ^(b)	3.9% - 4.62% (4.26%)
Corporate debt	1,145	Discounted cash flow	Yield ^(b)	3.46% - 8.75% (6.10%)
RMBS	17,353	Discounted cash flow	Constant prepayment rate ^{(a)(c)} Loss severity ^{(a)(c)} Constant default rate ^{(a)(c)} Yield ^(c)	0.59% - 9.35% (4.97%) 46.04% - 79.56% (62.80%) 3.67% - 9.96% (6.82%) 2.67% - 6.64% (4.65%)
CDO/ABS	5,282	Discounted cash flow	Yield ^(c)	4.70% - 9.70% (7.10%)
CMBS	2,687	Discounted cash flow	Yield ^(b)	0.00% - 17.29% (6.06%)
Liabilities:				
Policyholder contract deposits				
GMWB	890	Discounted cash flow	Equity implied volatility ^(b) Base lapse rate ^(b) Dynamic lapse rate ^(b) Mortality rate ^(b) Utilization rate ^(b)	6.00% - 39.00% ^(d) 1.00% - 40.00% ^(d) 0.20% - 60.00% ^(d) 0.10% - 35.00% ^(d) 0.50% - 30.00% ^(d)
Index Annuities	294	Discounted cash flow	Lapse rate Mortality rate	0.75% - 66.00% ^(d) 0.02% - 44.06% ^(d)
Indexed Life	259	Discounted cash flow	Equity implied volatility Base lapse rate Mortality rate	10.00% to 25.00% ^(d) 2.00% to 19.00% ^(d) 0.00% to 20.00% ^(d)
Total derivative liabilities, net ^(e)	791	BET	Recovery rate ^(b) Diversity score ^(b) Weighted average life ^(b)	5.00% - 23.00% (13.00%) 8 - 25 (13) 2.67 - 10.49 years (4.65 years)

(a) The unobservable inputs and ranges for the constant prepayment rate, loss severity and constant default rate relate to each of the individual underlying mortgage loans that comprise the entire portfolio of securities in the RMBS and CDO securitization vehicles and not necessarily to the securitization vehicle bonds (tranches) purchased by us. The ranges of these inputs do not directly correlate to changes in the fair values of the tranches purchased by us because there are other factors relevant to the fair values of specific tranches owned by us including, but not limited to, purchase price, position in the waterfall, senior versus subordinated position and attachment points.

(b) Represents discount rates, estimates and assumptions that we believe would be used by market participants when valuing these assets and liabilities.

(c) Information received from independent third-party valuation service providers.

(d) Represents actual maximum and minimum, not weighted average rates.

(e) Beginning in the third quarter of 2015, we have begun valuing these transactions using prices obtained from vendors and/or counterparties and discontinued use of the BET model.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The ranges of reported inputs for Corporate debt, RMBS, CDO/ABS, and CMBS valued using a discounted cash flow technique consist of one standard deviation in either direction from the value-weighted average. The preceding table does not give effect to our risk management practices that might offset risks inherent in these investments.

Sensitivity to Changes in Unobservable Inputs

We consider unobservable inputs to be those for which market data is not available and that are developed using the best information available to us about the assumptions that market participants would use when pricing the asset or liability. Relevant inputs vary depending on the nature of the instrument being measured at fair value. The following paragraphs provide a general description of sensitivities of significant unobservable inputs along with interrelationships between and among the significant unobservable inputs and their impact on the fair value measurements. The effect of a change in a particular assumption in the sensitivity analysis below is considered independently of changes in any other assumptions. In practice, simultaneous changes in assumptions may not always have a linear effect on the inputs discussed below. Interrelationships may also exist between observable and unobservable inputs. Such relationships have not been included in the discussion below. For each of the individual relationships described below, the inverse relationship would also generally apply.

Obligations of States, Municipalities and Political Subdivisions

The significant unobservable input used in the fair value measurement of certain investments in obligations of states, municipalities and political subdivisions is yield. In general, increases in the yield would decrease the fair value of investments in obligations of states, municipalities and political subdivisions.

Corporate Debt

Corporate debt securities included in Level 3 are primarily private placement issuances that are not traded in active markets or that are subject to transfer restrictions. Fair value measurements consider illiquidity and non-transferability. When observable price quotations are not available, fair value is determined based on discounted cash flow models using discount rates based on credit spreads, yields or price levels of publicly-traded debt of the issuer or other comparable securities, considering illiquidity and structure. The significant unobservable input used in the fair value measurement of corporate debt is the yield. The yield is affected by the market movements in credit spreads and U.S. Treasury yields. In addition, the migration in credit quality of a given security generally has a corresponding effect on the fair value measurement of the security. For example, a downward migration of credit quality would increase spreads. Holding U.S. Treasury rates constant, an increase in corporate credit spreads would decrease the fair value of corporate debt.

RMBS and CDO/ABS

The significant unobservable inputs used in fair value measurements of RMBS and CDO/ABS valued by third-party valuation service providers are constant prepayment rates (CPR), loss severity, constant default rates (CDR), and yield. A change in the assumptions used for the probability of default will generally be accompanied by a corresponding change in the assumption used for the loss severity and an inverse change in the assumption used for prepayment rates. In general, increases in CPR, loss severity, CDR, and yield, in isolation, would result in a decrease in the fair value measurement. Changes in fair value based on variations in assumptions generally cannot be extrapolated because the relationship between the directional change of each input is not usually linear.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

CMBS

The significant unobservable input used in fair value measurements for CMBS is the yield. Prepayment assumptions for each mortgage pool are factored into the yield. CMBS generally feature a lower degree of prepayment risk than RMBS because commercial mortgages generally contain a penalty for prepayment. In general, increases in the yield would decrease the fair value of CMBS.

Policyholder contract deposits

Embedded derivatives within Policyholder contract deposits relate to guaranteed minimum withdrawal benefits (GMWB) within variable annuity products and certain enhancements to interest crediting rates based on market indices within equity-index annuities and guaranteed investment contracts (GICs). GMWB represents our largest exposure of these embedded derivatives. The carrying value of the GMWB may fluctuate significantly based on interest rates and the performance of the equity markets and therefore, at certain points in time, the carrying value may be a net asset rather than a net liability. The principal unobservable input used for GMWBs and embedded derivatives in equity-index annuities measured at fair value is equity implied volatility. For GMWBs, other significant unobservable inputs include base and dynamic lapse rates, mortality rates, and utilization rates. Lapse, mortality, and utilization rates may vary significantly depending upon age groups and duration. In general, increases in volatility and utilization rates will increase the fair value of the liability associated with GMWB, while increases in lapse rates and mortality rates will decrease the fair value of the liability.

Derivative liabilities – credit contracts

The significant unobservable inputs used for Derivative liabilities – credit contracts are recovery rates, diversity scores, and the weighted average life of the portfolio. AIG non-performance risk is also considered in the measurement of the liability.

An increase in recovery rates and diversity score will decrease the fair value of the liability. An increase in the weighted average life will increase the fair value measurement of the liability.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Investments in Certain Entities Carried at Fair Value Using Net Asset Value Per Share

The following table includes information related to our investments in certain other invested assets, including private equity funds and hedge funds that calculate net asset value per share (or its equivalent). For these investments, which are measured at fair value on a recurring basis, we use the net asset value per share to measure fair value.

(in millions)	Investment Category Includes	September 30, 2015		December 31, 2014	
		Fair Value Using Net Asset Value Per Share (or its equivalent)	Unfunded Commitments	Fair Value Using Net Asset Value Per Share (or its equivalent)	Unfunded Commitments
Investment Category					
<i>Private equity funds:</i>					
Leveraged buyout	Debt and/or equity investments made as part of a transaction in which assets of mature companies are acquired from the current shareholders, typically with the use of financial leverage	\$ 1,941	\$ 423	\$ 2,275	\$ 450
Real Estate / Infrastructure	Investments in real estate properties and infrastructure positions, including power plants and other energy generating facilities	328	202	384	227
Venture capital	Early-stage, high-potential, growth companies expected to generate a return through an eventual realization event, such as an initial public offering or sale of the company	118	53	121	26
Distressed	Securities of companies that are in default, under bankruptcy protection, or troubled	158	42	164	43
Other	Includes multi-strategy, mezzanine and other strategies	288	260	216	234
Total private equity funds		2,833	980	3,160	980
<i>Hedge funds:</i>					
Event-driven	Securities of companies undergoing material structural changes, including mergers, acquisitions and other reorganizations	1,242	-	1,109	-
Long-short	Securities that the manager believes are undervalued, with corresponding short positions to hedge market risk	2,998	8	2,428	1
Macro	Investments that take long and short positions in financial instruments based on a top-down view of certain economic and capital market conditions	552	-	498	-
Distressed	Securities of companies that are in default, under bankruptcy protection or troubled	736	10	731	5
Emerging markets	Investments in the financial markets of developing countries	358	-	308	-
Other	Includes multi-strategy, relative value and other strategies	162	-	125	-
Total hedge funds		6,048	18	5,199	6
Total		\$ 8,881	\$ 998	\$ 8,359	\$ 986

Private equity fund investments included above are not redeemable, because distributions from the funds will be received when underlying investments of the funds are liquidated. Private equity funds are generally expected to have 10-year lives at their inception, but these lives may be extended at the fund manager's discretion, typically in one- or two-year increments. At September 30, 2015, assuming average original expected lives of 10 years for the funds, 82 percent of the total fair value using net asset value per share (or its equivalent) presented above would have expected remaining lives of three years or less, 5 percent between four and six years and 13 percent between seven and 10 years.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The hedge fund investments included above are generally redeemable monthly (14 percent), quarterly (48 percent), semi-annually (14 percent) and annually (24 percent), with redemption notices ranging from one day to 180 days. At September 30, 2015, however, investments representing approximately 45 percent of the total fair value of the hedge fund investments cannot be redeemed, either in whole or in part, because the investments include various contractual restrictions. The majority of these contractual restrictions, which may have been put in place at the fund's inception or thereafter, have pre-defined end dates and are generally expected to be lifted by the end of 2016. The fund investments for which redemption is restricted only in part generally relate to certain hedge funds that hold at least one investment that the fund manager deems to be illiquid.

Fair Value Option

The following table presents the gains and losses recorded related to the eligible instruments for which we elected the fair value option:

(in millions)	Gain (Loss) Three Months Ended September 30,		Gain (Loss) Nine Months Ended September 30,	
	2015	2014	2015	2014
Assets:				
Bond and equity securities	\$ (106)	\$ 252	\$ 495	\$ 1,529
Alternative Investments ^(a)	(115)	73	148	245
Other, including Short-term investments	-	2	2	7
Liabilities:				
Long-term debt ^(b)	(144)	23	(89)	(186)
Other liabilities	-	(4)	(3)	(10)
Total gain (loss)	\$ (365)	\$ 346	\$ 553	\$ 1,585

(a) Includes hedge funds, private equity funds and other investment partnerships.

(b) Includes GIAs, notes, bonds, loans and mortgages payable.

We recognized losses of \$18 million and \$7 million during the three- and nine-month periods ended September 30, 2015, respectively, and gains of \$8 million and losses of \$14 million during the three- and nine-month periods ended September 30, 2014, respectively, attributable to the observable effect of changes in credit spreads on our own liabilities for which the fair value option was elected. We calculate the effect of these credit spread changes using discounted cash flow techniques that incorporate current market interest rates, our observable credit spreads on these liabilities and other factors that mitigate the risk of nonperformance such as cash collateral posted.

The following table presents the difference between fair values and the aggregate contractual principal amounts of mortgage and other loans receivable and long-term debt for which the fair value option was elected:

(in millions)	September 30, 2015			December 31, 2014		
	Fair Value	Outstanding Principal Amount	Difference	Fair Value	Outstanding Principal Amount	Difference
Assets:						
Mortgage and other loans receivable	\$ 11	\$ 9	\$ 2	\$ 6	\$ 4	\$ 2
Liabilities:						
Long-term debt*	\$ 3,985	\$ 2,883	\$ 1,102	\$ 5,466	\$ 4,101	\$ 1,365

* Includes GIAs, notes, bonds, loans and mortgages payable.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Fair Value Measurements on a Non-Recurring Basis

The following table presents assets measured at fair value on a non-recurring basis at the time of impairment and the related impairment charges recorded during the periods presented:

(in millions)	Assets at Fair Value				Impairment Charges			
	Non-Recurring Basis				Three Months Ended September 30,		Nine Months Ended September 30,	
	Level 1	Level 2	Level 3	Total	2015	2014	2015	2014
September 30, 2015								
Other investments	\$ -	\$ -	\$ 986	\$ 986	\$ 22	\$ 62	\$ 74	\$ 117
Investments in life settlements	-	-	633	633	58	52	200	139
Other assets	-	-	12	12	4	1	12	2
Total	\$ -	\$ -	\$ 1,631	\$ 1,631	\$ 84	\$ 115	\$ 286	\$ 258
December 31, 2014								
Other investments	\$ -	\$ -	\$ 790	\$ 790				
Investments in life settlements	-	-	537	537				
Other assets	-	-	1	1				
Total	\$ -	\$ -	\$ 1,328	\$ 1,328				

Fair Value Information About Financial Instruments Not Measured at Fair Value

The following table presents the carrying value and estimated fair value of our financial instruments not measured at fair value and indicates the level in the fair value hierarchy of the estimated fair value measurement based on the observability of the inputs used:

(in millions)	Estimated Fair Value				Carrying Value
	Level 1	Level 2	Level 3	Total	
September 30, 2015					
Assets:					
Mortgage and other loans receivable	\$ -	\$ 202	\$ 29,134	\$ 29,336	\$ 28,225
Other invested assets	-	486	3,000	3,486	4,338
Short-term investments	-	9,675	-	9,675	9,675
Cash	1,569	-	-	1,569	1,569
Liabilities:					
Policyholder contract deposits associated with investment-type contracts	-	268	115,672	115,940	107,422
Other liabilities	-	1,756	-	1,756	1,756
Long-term debt	-	22,993	4,742	27,735	26,734
December 31, 2014					
Assets:					
Mortgage and other loans receivable	\$ -	\$ 449	\$ 26,157	\$ 26,606	\$ 24,984
Other invested assets	-	593	2,882	3,475	4,352
Short-term investments	-	9,559	-	9,559	9,559
Cash	1,758	-	-	1,758	1,758
Liabilities:					
Policyholder contract deposits associated with investment-type contracts	-	244	119,268	119,512	106,395
Other liabilities	-	1,120	-	1,120	1,120
Long-term debt	-	24,749	2,932	27,681	25,751

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

5. INVESTMENTS

Securities Available for Sale

The following table presents the amortized cost or cost and fair value of our available for sale securities:

<i>(in millions)</i>	Amortized Cost or Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Other-Than- Temporary Impairments in AOCI ^(a)
September 30, 2015					
Bonds available for sale:					
U.S. government and government sponsored entities	\$ 1,705	\$ 179	\$ (2)	\$ 1,882	\$ -
Obligations of states, municipalities and political subdivisions	26,305	1,361	(120)	27,546	16
Non-U.S. governments	17,940	818	(330)	18,428	-
Corporate debt	134,852	8,032	(2,762)	140,122	21
Mortgage-backed, asset-backed and collateralized:					
RMBS	32,891	3,046	(312)	35,625	1,479
CMBS	13,014	775	(72)	13,717	206
CDO/ABS	15,278	505	(149)	15,634	40
Total mortgage-backed, asset-backed and collateralized	61,183	4,326	(533)	64,976	1,725
Total bonds available for sale^(b)	241,985	14,716	(3,747)	252,954	1,762
Equity securities available for sale:					
Common stock	986	1,993	(18)	2,961	-
Preferred stock	19	4	-	23	-
Mutual funds	801	43	(36)	808	-
Total equity securities available for sale	1,806	2,040	(54)	3,792	-
Total	\$ 243,791	\$ 16,756	\$ (3,801)	\$ 256,746	\$ 1,762
December 31, 2014					
Bonds available for sale:					
U.S. government and government sponsored entities	\$ 2,806	\$ 204	\$ (18)	\$ 2,992	\$ -
Obligations of states, municipalities and political subdivisions	25,979	1,729	(49)	27,659	(13)
Non-U.S. governments	20,280	966	(151)	21,095	-
Corporate debt	134,961	10,594	(1,122)	144,433	64
Mortgage-backed, asset-backed and collateralized:					
RMBS	34,377	3,435	(292)	37,520	1,767
CMBS	12,129	815	(59)	12,885	215
CDO/ABS	12,775	628	(128)	13,275	47
Total mortgage-backed, asset-backed and collateralized	59,281	4,878	(479)	63,680	2,029
Total bonds available for sale^(b)	243,307	18,371	(1,819)	259,859	2,080
Equity securities available for sale:					
Common stock	1,185	2,461	(17)	3,629	-
Preferred stock	21	4	-	25	-
Mutual funds	724	54	(37)	741	-
Total equity securities available for sale	1,930	2,519	(54)	4,395	-
Total	\$ 245,237	\$ 20,890	\$ (1,873)	\$ 264,254	\$ 2,080

(a) Represents the amount of other-than-temporary impairments recognized in Accumulated other comprehensive income. Amount includes unrealized gains and losses on impaired securities relating to changes in the fair value of such securities subsequent to the impairment measurement date.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

(b) At September 30, 2015 and December 31, 2014, bonds available for sale held by us that were below investment grade or not rated totaled \$35.4 billion and \$35.1 billion, respectively.

Securities Available for Sale in a Loss Position

The following table summarizes the fair value and gross unrealized losses on our available for sale securities, aggregated by major investment category and length of time that individual securities have been in a continuous unrealized loss position:

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
<i>(in millions)</i>						
September 30, 2015						
Bonds available for sale:						
U.S. government and government sponsored entities	\$ 121	\$ 2	\$ 1	\$ -	\$ 122	\$ 2
Obligations of states, municipalities and political subdivisions	3,190	103	259	17	3,449	120
Non-U.S. governments	4,140	194	725	136	4,865	330
Corporate debt	32,818	1,858	4,664	904	37,482	2,762
RMBS	5,056	82	4,146	230	9,202	312
CMBS	2,239	46	571	26	2,810	72
CDO/ABS	4,686	44	2,018	105	6,704	149
Total bonds available for sale	52,250	2,329	12,384	1,418	64,634	3,747
Equity securities available for sale:						
Common stock	96	18	6	-	102	18
Mutual funds	297	28	16	8	313	36
Total equity securities available for sale	393	46	22	8	415	54
Total	\$ 52,643	\$ 2,375	\$ 12,406	\$ 1,426	\$ 65,049	\$ 3,801
December 31, 2014						
Bonds available for sale:						
U.S. government and government sponsored entities	\$ 526	\$ 5	\$ 281	\$ 13	\$ 807	\$ 18
Obligations of states, municipalities and political subdivisions	495	9	794	40	1,289	49
Non-U.S. governments	1,606	42	1,690	109	3,296	151
Corporate debt	12,132	450	11,570	672	23,702	1,122
RMBS	4,621	109	3,996	183	8,617	292
CMBS	220	1	2,087	58	2,307	59
CDO/ABS	3,857	50	1,860	78	5,717	128
Total bonds available for sale	23,457	666	22,278	1,153	45,735	1,819
Equity securities available for sale:						
Common stock	88	16	2	1	90	17
Mutual funds	280	37	64	-	344	37
Total equity securities available for sale	368	53	66	1	434	54
Total	\$ 23,825	\$ 719	\$ 22,344	\$ 1,154	\$ 46,169	\$ 1,873

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

At September 30, 2015, we held 12,631 and 198 individual fixed maturity and equity securities, respectively, that were in an unrealized loss position, of which 1,966 individual fixed maturity securities were in a continuous unrealized loss position for 12 months or more. We did not recognize the unrealized losses in earnings on these fixed maturity securities at September 30, 2015 because we neither intend to sell the securities nor do we believe that it is more likely than not that we will be required to sell these securities before recovery of their amortized cost basis. For fixed maturity securities with significant declines, we performed fundamental credit analyses on a security-by-security basis, which included consideration of credit enhancements, expected defaults on underlying collateral, review of relevant industry analyst reports and forecasts and other available market data.

Contractual Maturities of Fixed Maturity Securities Available for Sale

The following table presents the amortized cost and fair value of fixed maturity securities available for sale by contractual maturity:

September 30, 2015 <i>(in millions)</i>	Total Fixed Maturity Securities Available for Sale		Fixed Maturity Securities in a Loss Position Available for Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$ 10,295	\$ 10,412	\$ 945	\$ 926
Due after one year through five years	46,854	49,320	7,176	6,915
Due after five years through ten years	55,985	57,443	17,681	16,601
Due after ten years	67,668	70,803	23,330	21,476
Mortgage-backed, asset-backed and collateralized	61,183	64,976	19,249	18,716
Total	\$ 241,985	\$ 252,954	\$ 68,381	\$ 64,634
December 31, 2014				
Due in one year or less	\$ 9,821	\$ 9,975	\$ 637	\$ 620
Due after one year through five years	48,352	50,873	6,669	6,529
Due after five years through ten years	62,685	65,889	12,873	12,338
Due after ten years	63,168	69,442	10,255	9,607
Mortgage-backed, asset-backed and collateralized	59,281	63,680	17,120	16,641
Total	\$ 243,307	\$ 259,859	\$ 47,554	\$ 45,735

Actual maturities may differ from contractual maturities because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

The following table presents the gross realized gains and gross realized losses from sales or maturities of our available for sale securities:

<i>(in millions)</i>	Three Months Ended September 30,				Nine Months Ended September 30,			
	2015		2014		2015		2014	
	Gross Realized Gains	Gross Realized Losses	Gross Realized Gains	Gross Realized Losses	Gross Realized Gains	Gross Realized Losses	Gross Realized Gains	Gross Realized Losses
Fixed maturity securities	\$ 96	\$ 112	\$ 118	\$ 21	\$ 439	\$ 289	\$ 528	\$ 65
Equity securities	24	8	33	4	544	16	102	10
Total	\$ 120	\$ 120	\$ 151	\$ 25	\$ 983	\$ 305	\$ 630	\$ 75

For the three- and nine-month periods ended September 30, 2015, the aggregate fair value of available for sale securities sold was \$6.9 billion and \$20.9 billion, respectively, which resulted in net realized capital gains of zero and \$0.7 billion, respectively.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

For the three- and nine-month periods ended September 30, 2014, the aggregate fair value of available for sale securities sold was \$4.2 billion and \$16.2 billion, respectively, which resulted in net realized capital gains of \$0.1 billion and \$0.5 billion, respectively.

Other Securities Measured at Fair Value

The following table presents the fair value of other securities measured at fair value based on our election of the fair value option:

<i>(in millions)</i>	September 30, 2015		December 31, 2014	
	Fair Value	Percent of Total	Fair Value	Percent of Total
Fixed maturity securities:				
U.S. government and government sponsored entities	\$ 3,813	21 %	\$ 5,498	27 %
Obligations of states, municipalities and political subdivisions	75	-	122	1
Non-U.S. governments	2	-	2	-
Corporate debt	1,249	7	719	3
Mortgage-backed, asset-backed and collateralized:				
RMBS	2,285	13	2,094	10
CMBS	819	5	1,077	5
CDO/ABS and other collateralized*	8,579	48	10,200	49
Total mortgage-backed, asset-backed and collateralized	11,683	66	13,371	64
Total fixed maturity securities	16,822	94	19,712	95
Equity securities	1,066	6	1,049	5
Total	\$ 17,888	100 %	\$ 20,761	100 %

* Includes \$748 million and \$859 million of U.S. Government agency-backed ABS at September 30, 2015 and December 31, 2014, respectively.

Net Investment Income

The following table presents the components of Net investment income:

<i>(in millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Fixed maturity securities, including short-term investments	\$ 2,794	\$ 3,022	\$ 8,477	\$ 9,264
Equity securities	(5)	135	76	67
Interest on mortgage and other loans	360	318	1,046	947
Alternative investments*	88	636	1,471	2,108
Real estate	66	25	116	86
Other investments	36	25	86	34
Total investment income	3,339	4,161	11,272	12,506
Investment expenses	133	133	402	398
Net investment income	\$ 3,206	\$ 4,028	\$ 10,870	\$ 12,108

* Includes hedge funds, private equity funds, affordable housing partnerships, investments in life settlements and other investment partnerships.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Net Realized Capital Gains and Losses

The following table presents the components of Net realized capital gains (losses):

<i>(in millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Sales of fixed maturity securities	\$ (16)	\$ 97	\$ 150	\$ 463
Sales of equity securities	16	29	528	92
Other-than-temporary impairments:				
Severity	(10)	-	(12)	-
Change in intent	(81)	(14)	(193)	(20)
Foreign currency declines	(5)	(3)	(37)	(13)
Issuer-specific credit events	(176)	(31)	(314)	(124)
Adverse projected cash flows	(1)	(2)	(9)	(7)
Provision for loan losses	32	(11)	43	9
Foreign exchange transactions	(16)	350	304	329
Derivative instruments	13	102	509	(114)
Impairments on investments in life settlements	(58)	(52)	(200)	(139)
Other	(40)	71	356 *	70
Net realized capital gains (losses)	\$ (342)	\$ 536	\$ 1,125	\$ 546

* Includes realized gains due to the sale of Class B shares of Prudential Financial, Inc. and common shares of Springleaf Holdings, Inc. and realized losses on the sale of ordinary shares of AerCap.

Change in Unrealized Appreciation (Depreciation) of Investments

The following table presents the increase (decrease) in unrealized appreciation (depreciation) of our available for sale securities and other investments:

<i>(in millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Increase (decrease) in unrealized appreciation (depreciation) of investments:				
Fixed maturity securities	\$ (1,180)	\$ (1,515)	\$ (5,583)	\$ 6,123
Equity securities	(384)	303	(479)	348
Other investments	(85)	94	(625)	127
Total Increase (decrease) in unrealized appreciation (depreciation) of investments	\$ (1,649)	\$ (1,118)	\$ (6,687)	\$ 6,598

Evaluating Investments for Other-Than-Temporary Impairments

For a discussion of our policy for evaluating investments for other-than-temporary impairments, see Note 6 to the Consolidated Financial Statements in the 2014 Annual Report.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Credit Impairments

The following table presents a rollforward of the cumulative credit losses in other-than-temporary impairments recognized in earnings for available for sale fixed maturity securities:

<i>(in millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Balance, beginning of period	\$ 2,238	\$ 3,166	\$ 2,659	\$ 3,872
Increases due to:				
Credit impairments on new securities subject to impairment losses	51	13	101	35
Additional credit impairments on previously impaired securities	37	5	84	59
Reductions due to:				
Credit impaired securities fully disposed of for which there was no prior intent or requirement to sell	(63)	(116)	(213)	(528)
Credit impaired securities for which there is a current intent or anticipated requirement to sell	(1)	-	(1)	-
Accretion on securities previously impaired due to credit [*]	(197)	(183)	(565)	(544)
Other	-	-	-	(9)
Balance, end of period	\$ 2,065	\$ 2,885	\$ 2,065	\$ 2,885

* Represents both accretion recognized due to changes in cash flows expected to be collected over the remaining expected term of the credit impaired securities and the accretion due to the passage of time.

Purchased Credit Impaired (PCI) Securities

We purchase certain RMBS securities that have experienced deterioration in credit quality since their issuance. We determine, based on our expectations as to the timing and amount of cash flows expected to be received, whether it is probable at acquisition that we will not collect all contractually required payments for these PCI securities, including both principal and interest after considering the effects of prepayments. At acquisition, the timing and amount of the undiscounted future cash flows expected to be received on each PCI security is determined based on our best estimate using key assumptions, such as interest rates, default rates and prepayment speeds. At acquisition, the difference between the undiscounted expected future cash flows of the PCI securities and the recorded investment in the securities represents the initial accretable yield, which is accreted into Net investment income over their remaining lives on a level-yield basis. Additionally, the difference between the contractually required payments on the PCI securities and the undiscounted expected future cash flows represents the non-accretable difference at acquisition. The accretable yield and the non-accretable difference will change over time, based on actual payments received and changes in estimates of undiscounted expected future cash flows, which are discussed further below.

On a quarterly basis, the undiscounted expected future cash flows associated with PCI securities are re-evaluated based on updates to key assumptions. Declines in undiscounted expected future cash flows due to further credit deterioration as well as changes in the expected timing of the cash flows can result in the recognition of an other-than-temporary impairment charge, as PCI securities are subject to our policy for evaluating investments for other-than-temporary impairment. Changes to undiscounted expected future cash flows due solely to the changes in the contractual benchmark interest rates on variable rate PCI securities will change the accretable yield prospectively. Significant increases in undiscounted expected future cash flows for reasons other than interest rate changes are recognized prospectively as adjustments to the accretable yield.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The following tables present information on our PCI securities, which are included in bonds available for sale:

<i>(in millions)</i>	At Date of Acquisition	
Contractually required payments (principal and interest)	\$	32,656
Cash flows expected to be collected*		26,444
Recorded investment in acquired securities		17,662

* Represents undiscounted expected cash flows, including both principal and interest.

<i>(in millions)</i>	September 30, 2015		December 31, 2014	
Outstanding principal balance	\$	17,017	\$	16,962
Amortized cost		12,408		12,216
Fair value		13,426		13,462

The following table presents activity for the accretable yield on PCI securities:

<i>(in millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Balance, beginning of period	\$ 6,833	\$ 7,042	\$ 6,865	\$ 6,940
Newly purchased PCI securities	136	358	551	1,127
Disposals	-	-	(13)	-
Accretion	(220)	(223)	(661)	(654)
Effect of changes in interest rate indices	4	(96)	(140)	(327)
Net reclassification from (to) non-accretable difference, including effects of prepayments	180	30	331	25
Balance, end of period	\$ 6,933	\$ 7,111	\$ 6,933	\$ 7,111

Pledged Investments

Secured Financing and Similar Arrangements

We enter into secured financing transactions whereby certain securities are sold under agreements to repurchase (repurchase agreements), in which we transfer securities in exchange for cash, with an agreement by us to repurchase the same or substantially similar securities. At September 30, 2015, our secured financing transactions also include those that involve the transfer of securities to financial institutions in exchange for cash (securities lending agreements). In all of these secured financing transactions, the securities transferred by us (pledged collateral) may be sold or repledged by the counterparties. These agreements are recorded at their contracted amounts plus accrued interest, other than those that are accounted for at fair value.

Pledged collateral levels are monitored daily and are generally maintained at an agreed-upon percentage of the fair value of the amounts borrowed during the life of the transactions. In the event of a decline in the fair value of the pledged collateral under these secured financing transactions, we may be required to transfer cash or additional securities as pledged collateral under these agreements. At the termination of the transactions, we and our counterparties are obligated to return the amounts borrowed and the securities transferred, respectively.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The following table presents the fair value of securities pledged to counterparties under secured financing transactions, including repurchase and securities lending agreements:

<i>(in millions)</i>	September 30, 2015		December 31, 2014	
Fixed maturity securities available for sale	\$	996	\$	-
Other bond securities, at fair value	\$	994	\$	2,122

At September 30, 2015, amounts borrowed under repurchase and securities lending agreements totaled \$1.9 billion.

At September 30, 2015, outstanding overnight and continuous repurchase agreements were collateralized by U.S. government bond securities, at fair value, of \$155 million. Repurchase agreements with remaining contractual maturities of 31 - 90 days, 91 - 364 days and 365 days or greater were collateralized by Corporate bond securities, at fair value, of \$73 million, \$690 million, and \$76 million, respectively. Repurchase agreements with remaining contractual maturities up to 30 days were collateralized by U.S. government bond securities, available for sale, of \$15 million.

Securities lending agreements outstanding at September 30, 2015 had remaining contractual maturities of 31 - 90 days and the securities pledged to counterparties included \$856 million of Corporate bond securities and \$125 million of Non-U.S. government securities, all classified as available for sale.

We also enter into agreements in which securities are purchased by us under agreements to resell (reverse repurchase agreements), which are accounted for as secured financing transactions and reported as short-term investments or other assets, depending on their terms. These agreements are recorded at their contracted resale amounts plus accrued interest, other than those that are accounted for at fair value. In all reverse repurchase transactions, we take possession of or obtain a security interest in the related securities, and we have the right to sell or repledge this collateral received.

The following table presents information on the fair value of securities pledged to us under reverse repurchase agreements:

<i>(in millions)</i>	September 30, 2015		December 31, 2014	
Securities collateral pledged to us	\$	2,969	\$	2,506
Amount sold or repledged by us	\$	126	\$	131

Insurance - Statutory and Other Deposits

Total carrying values of cash and securities deposited by our insurance subsidiaries under requirements of regulatory authorities or other insurance-related arrangements, including certain annuity-related obligations and certain reinsurance treaties, were \$5.5 billion and \$5.9 billion at September 30, 2015 and December 31, 2014, respectively.

Other Pledges and Restrictions

Certain of our subsidiaries are members of Federal Home Loan Banks (FHLBs) and such membership requires the members to own stock in these FHLBs. We owned an aggregate of \$48 million and \$44 million of stock in FHLBs at September 30, 2015 and December 31, 2014, respectively. In addition, our subsidiaries have pledged securities available for sale with a fair value of \$1.2 billion and \$0.5 billion at September 30, 2015 and December 31, 2014, respectively, associated with advances from the FHLBs.

Certain GIAs have provisions that require collateral to be posted or payments to be made by us upon a downgrade of our long-term debt ratings. The actual amount of collateral required to be posted to the counterparties in the event of such downgrades, and the aggregate amount of payments that we could be required to make, depend on market conditions, the fair value of outstanding affected transactions and other factors prevailing at and after the time of the downgrade. The fair value of

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

securities pledged as collateral with respect to these obligations was approximately \$2.6 billion and \$3.5 billion at September 30, 2015 and December 31, 2014, respectively. This collateral primarily consists of securities of the U.S. government and government sponsored entities and generally cannot be repledged or resold by the counterparties.

At September 30, 2015, \$391 million of short-term investments were held in escrow accounts or were otherwise subject to restriction as to their use.

6. LENDING ACTIVITIES

The following table presents the composition of Mortgage and other loans receivable, net:

<i>(in millions)</i>	September 30, 2015	December 31, 2014
Commercial mortgages*	\$ 20,818	\$ 18,909
Life insurance policy loans	2,625	2,710
Commercial loans, other loans and notes receivable	4,999	3,642
Total mortgage and other loans receivable	28,442	25,261
Allowance for losses	(206)	(271)
Mortgage and other loans receivable, net	\$ 28,236	\$ 24,990

* Commercial mortgages primarily represent loans for offices, retail, apartments and industrial properties, with exposures in California and New York representing the largest geographic concentrations (aggregating approximately 12 percent and 21 percent, respectively, at September 30, 2015, and 14 percent and 18 percent, respectively, at December 31, 2014).

The following table presents the credit quality indicators for commercial mortgages:

<i>(dollars in millions)</i>	Number of Loans	Class						Total ^(c)	Percent of Total \$
		Apartments	Offices	Retail	Industrial	Hotel	Others		
September 30, 2015									
Credit Quality Indicator:									
In good standing	956	\$ 3,628	\$ 7,375	\$ 4,435	\$ 1,980	\$ 1,972	\$ 1,030	\$ 20,420	98 %
Restructured ^(a)	9	-	150	25	18	16	6	215	1
90 days or less delinquent	5	-	-	-	6	-	-	6	-
>90 days delinquent or in process of foreclosure	5	-	177	-	-	-	-	177	1
Total ^(b)	975	\$ 3,628	\$ 7,702	\$ 4,460	\$ 2,004	\$ 1,988	\$ 1,036	\$ 20,818	100 %
Allowance for loan losses		\$ 29	\$ 62	\$ 35	\$ 14	\$ 13	\$ 9	\$ 162	1 %
December 31, 2014									
Credit Quality Indicator:									
In good standing	1,007	\$ 3,384	\$ 6,100	\$ 3,807	\$ 1,689	\$ 1,660	\$ 1,812	\$ 18,452	98 %
Restructured ^(a)	7	-	343	7	-	17	-	367	2
90 days or less delinquent	6	-	-	10	-	-	5	15	-
>90 days delinquent or in process of foreclosure	4	-	75	-	-	-	-	75	-
Total ^(b)	1,024	\$ 3,384	\$ 6,518	\$ 3,824	\$ 1,689	\$ 1,677	\$ 1,817	\$ 18,909	100 %
Allowance for loan losses		\$ 3	\$ 86	\$ 28	\$ 22	\$ 6	\$ 14	\$ 159	1 %

(a) Loans that have been modified in troubled debt restructurings and are performing according to their restructured terms. For additional discussion of troubled debt restructurings, see Note 7 to the Consolidated Financial Statements in the 2014 Annual Report.

(b) Does not reflect Allowance for loan losses.

(c) Over 99 percent of the commercial mortgages held at such respective dates were current as to payments of principal and interest.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Allowance for Loan Losses

See Note 7 to the Consolidated Financial Statements in the 2014 Annual Report for a discussion of our accounting policy for evaluating Mortgage and other loans receivable for impairment.

The following table presents a rollforward of the changes in the allowance for losses on Mortgage and other loans receivable:

Nine Months Ended September 30, (in millions)	2015			2014		
	Commercial Mortgages	Other Loans	Total	Commercial Mortgages	Other Loans	Total
Allowance, beginning of year	\$ 159	\$ 112	\$ 271	\$ 201	\$ 111	\$ 312
Loans charged off	(23)	(6)	(29)	(10)	(13)	(23)
Recoveries of loans previously charged off	4	1	5	-	16	16
Net charge-offs	(19)	(5)	(24)	(10)	3	(7)
Provision for loan losses	22	(66)	(44)	(16)	(6)	(22)
Other	-	3	3	-	1	1
Allowance, end of period	\$ 162 *	\$ 44	\$ 206	\$ 175 *	\$ 109	\$ 284

* Of the total allowance, \$24 million and \$86 million relate to individually assessed credit losses on \$512 million and \$246 million of commercial mortgage loans at September 30, 2015 and 2014, respectively.

During the nine-month periods ended September 30, 2015 and 2014, loans with a carrying value of \$42 million and \$83 million, respectively, were modified in troubled debt restructurings.

7. VARIABLE INTEREST ENTITIES

We enter into various arrangements with VIEs in the normal course of business and consolidate the VIEs when we determine we are the primary beneficiary. This analysis includes a review of the VIE's capital structure, related contractual relationships and terms, nature of the VIE's operations and purpose, nature of the VIE's interests issued and our involvement with the entity. When assessing the need to consolidate a VIE, we evaluate the design of the VIE as well as the related risks the entity was designed to expose the variable interest holders to.

For VIEs with attributes consistent with that of an investment company or a money market fund, the primary beneficiary is the party or group of related parties that absorbs a majority of the expected losses of the VIE, receives the majority of the expected residual returns of the VIE, or both.

For all other VIEs, the primary beneficiary is the entity that has both (1) the power to direct the activities of the VIE that most significantly affect the entity's economic performance and (2) the obligation to absorb losses or the right to receive benefits that could be potentially significant to the VIE. While also considering these factors, the consolidation conclusion depends on the breadth of our decision-making ability and our ability to influence activities that significantly affect the economic performance of the VIE.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Balance Sheet Classification and Exposure to Loss

The following table presents the total assets and total liabilities associated with our variable interests in consolidated VIEs, as classified in the Condensed Consolidated Balance Sheets:

(in millions)	Real Estate and Investment Entities ^(d)	Securitization Vehicles	Structured Investment Vehicle	Affordable Housing Partnerships	Other	Total
September 30, 2015						
Assets:						
Bonds available for sale	\$ -	\$ 10,915	\$ -	\$ -	\$ 24	\$ 10,939
Other bond securities	-	6,310	451	-	37	6,798
Mortgage and other loans receivable	1	2,104	-	-	139	2,244
Other invested assets	546	583	-	2,644	23	3,796
Other ^(a)	54	814	73	247	91	1,279
Total assets ^{(b)(e)}	\$ 601	\$ 20,726	\$ 524	\$ 2,891	\$ 314	\$ 25,056
Liabilities:						
Long-term debt	\$ 23	\$ 1,145	\$ 54	\$ 1,538	\$ 6	\$ 2,766
Other ^(c)	51	249	-	186	71	557
Total liabilities	\$ 74	\$ 1,394	\$ 54	\$ 1,724	\$ 77	\$ 3,323
December 31, 2014						
Assets:						
Bonds available for sale	\$ -	\$ 11,459	\$ -	\$ -	\$ 35	\$ 11,494
Other bond securities	-	7,251	615	-	40	7,906
Mortgage and other loans receivable	-	2,398	-	-	162	2,560
Other invested assets	577	651	-	1,684	29	2,941
Other ^(a)	40	1,447	140	49	76	1,752
Total assets ^(b)	\$ 617	\$ 23,206	\$ 755	\$ 1,733	\$ 342	\$ 26,653
Liabilities:						
Long-term debt	\$ 69	\$ 1,370	\$ 52	\$ 199	\$ 7	\$ 1,697
Other ^(c)	32	276	-	101	37	446
Total liabilities	\$ 101	\$ 1,646	\$ 52	\$ 300	\$ 44	\$ 2,143

(a) Comprised primarily of Short-term investments, Premiums and other receivables and Other assets at both September 30, 2015 and December 31, 2014.

(b) The assets of each VIE can be used only to settle specific obligations of that VIE.

(c) Comprised primarily of Other liabilities and Derivative liabilities, at fair value, at both September 30, 2015 and December 31, 2014.

(d) At September 30, 2015 and December 31, 2014, off-balance sheet exposure, primarily consisting of commitments to real estate and investment entities, was \$127.2 million and \$56.4 million, respectively.

(e) Includes the effect of consolidating previously unconsolidated partnerships.

We calculate our maximum exposure to loss to be (i) the amount invested in the debt or equity of the VIE, (ii) the notional amount of VIE assets or liabilities where we have also provided credit protection to the VIE with the VIE as the referenced obligation, and (iii) other commitments and guarantees to the VIE. Interest holders in VIEs sponsored by us generally have recourse only to the assets and cash flows of the VIEs and do not have recourse to us, except in limited circumstances when we have provided a guarantee to the VIE's interest holders.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The following table presents total assets of unconsolidated VIEs in which we hold a variable interest, as well as our maximum exposure to loss associated with these VIEs:

(in millions)	Maximum Exposure to Loss				
	Total VIE Assets	On-Balance Sheet ^(a)	Off-Balance Sheet	Total	
September 30, 2015					
Real estate and investment entities	\$ 21,844	\$ 3,179	\$ 393 ^{\$}		3,572
Affordable housing partnerships	5,262	1,004	-		1,004
Other	1,110	242	992 ^(b)		1,234
Total	\$ 28,216	\$ 4,425	\$ 1,385^{\$}		5,810
December 31, 2014					
Real estate and investment entities	\$ 19,949	\$ 2,785	\$ 454 ^{\$}		3,239
Affordable housing partnerships	7,911	425	-		425
Other ^(c)	1,959	304	992 ^(b)		1,296
Total	\$ 29,819	\$ 3,514	\$ 1,446^{\$}		4,960

(a) At September 30, 2015 and December 31, 2014, \$4.1 billion and \$3.2 billion, respectively, of our total unconsolidated VIE assets were recorded as Other invested assets.

(b) These amounts represent our estimate of the maximum exposure to loss under certain insurance policies issued to VIEs if a hypothetical loss occurred to the extent of the full amount of the insured value. Our insurance policies cover defined risks and our estimate of liability is included in our insurance reserves on the balance sheet.

(c) The On-Balance and Off-Balance sheet amounts have been revised from \$32 million and \$0 to \$304 million and \$992 million, respectively, to correct the Maximum Exposure to Loss as of December 31, 2014, which are not considered material to previously issued financial statements.

See Note 10 to the Consolidated Financial Statements in the 2014 Annual Report for additional information on VIEs.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

8. DERIVATIVES AND HEDGE ACCOUNTING

We use derivatives and other financial instruments as part of our financial risk management programs and as part of our investment operations. See Note 11 to the Consolidated Financial Statements in the 2014 Annual Report for a discussion of our accounting policies and procedures regarding derivatives and hedge accounting. Effective July 1, 2015, we reclassified derivatives, with the exception of embedded derivatives, in the Condensed Consolidated Balance Sheets from Derivative assets, at fair value and Derivative liabilities, at fair value to Other assets and Other liabilities, respectively. This change had no effect on the measurement of these derivatives, which continue to be measured at fair value. Embedded derivatives continue to be generally presented with the host contract in the Condensed Consolidated Balance Sheets.

Our businesses use derivatives and other instruments as part of their financial risk management. Interest rate derivatives (such as interest rate swaps) are used to manage interest rate risk associated with embedded derivatives contained in insurance contract liabilities, fixed maturity securities, outstanding medium- and long-term notes as well as other interest rate sensitive assets and liabilities. Foreign exchange derivatives (principally foreign exchange forwards and options) are used to economically mitigate risk associated with non-U.S. dollar denominated debt, net capital exposures, and foreign currency transactions. Equity derivatives are used to mitigate financial risk embedded in certain insurance liabilities. The derivatives are effective economic hedges of the exposures that they are meant to offset.

In addition to hedging activities, we also enter into derivative instruments with respect to investment operations, which may include, among other things, CDSs and purchases of investments with embedded derivatives, such as equity-linked notes and convertible bonds.

The following table presents the notional amounts of our derivative instruments, and the fair values of derivative assets and liabilities in the Condensed Consolidated Balance Sheets:

	September 30, 2015				December 31, 2014			
	Gross Derivative Assets		Gross Derivative Liabilities		Gross Derivative Assets		Gross Derivative Liabilities	
	Notional Amount	Fair Value	Notional Amount	Fair Value	Notional Amount	Fair Value	Notional Amount	Fair Value
<i>(in millions)</i>								
Derivatives designated as hedging instruments:^(a)								
Interest rate contracts	\$ 915	\$ 5	\$ 25	\$ 2	\$ 155	\$ -	\$ 25	\$ 2
Foreign exchange contracts	2,380	196	1,401	68	611	25	1,794	239
Equity contracts	15	2	113	5	7	1	104	13
Derivatives not designated as hedging instruments:^(a)								
Interest rate contracts	60,521	4,078	51,865	2,893	65,070	3,743	45,251	3,183
Foreign exchange contracts	11,904	640	9,111	1,147	13,667	815	8,516	1,251
Equity contracts ^(b)	6,598	173	48,033	2,341	7,565	206	42,387	1,615
Commodity contracts	-	-	-	-	15	-	11	6
Credit contracts ^(c)	4	3	1,323	531	5	4	5,288	982
Other contracts ^(d)	35,974	27	250	79	36,155	31	538	90
Total derivatives, gross	\$ 118,311	\$ 5,124	\$ 112,121	\$ 7,066	\$ 123,250	\$ 4,825	\$ 103,914	\$ 7,381
Counterparty netting ^(e)		(1,691)		(1,691)		(2,102)		(2,102)
Cash collateral ^(f)		(2,129)		(910)		(1,119)		(1,429)
Total derivatives, net		1,304		4,465		1,604		3,850
Less: Bifurcated embedded derivatives		-		2,300		-		1,577
Total derivatives on condensed consolidated balance sheets ^(g)		\$ 1,304		\$ 2,165		\$ 1,604		\$ 2,273

(a) Fair value amounts are shown before the effects of counterparty netting adjustments and offsetting cash collateral.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

(b) Notional amount of derivative assets and fair value of derivative assets, related to bifurcated embedded derivatives, were zero at both September 30, 2015 and December 31, 2014. Notional amount of derivative liabilities and fair value of derivative liabilities, related to bifurcated embedded derivatives, was \$42.7 billion and \$2.3 billion, respectively, at September 30, 2015, and \$39.3 billion and \$1.5 billion, respectively, at December 31, 2014. A bifurcated embedded derivative is generally presented with the host contract in the Condensed Consolidated Balance Sheets.

(c) As of September 30, 2015 and December 31, 2014, includes super senior multi-sector CDOs with a net notional amount of \$1.1 billion and \$2.6 billion (fair value liability of \$504 million and \$947 million), respectively. The expected weighted average maturity as of September 30, 2015 is six years. Because of long-term maturities of the credit default swaps (CDSs) in the portfolio, we are unable to make reasonable estimates of the periods during which any payments would be made. However, the net notional amount represents the maximum exposure to loss on the portfolio. As of September 30, 2015, there were no super senior corporate debt/CLOs remaining. As of December 31, 2014, includes super senior corporate debt/CLOs with a net notional amount of \$2.5 billion (fair value liability of \$7 million).

(d) Consists primarily of contracts with multiple underlying exposures.

(e) Represents netting of derivative exposures covered by a qualifying master netting agreement.

(f) Represents cash collateral posted and received that is eligible for netting.

(g) Derivative assets and liabilities are recorded in Other Assets and Liabilities, respectively.

Collateral

We engage in derivative transactions that are not subject to a clearing requirement directly with unaffiliated third parties, in most cases, under International Swaps and Derivatives Association, Inc. (ISDA) Master Agreements. Many of the ISDA Master Agreements also include Credit Support Annex (CSA) provisions, which provide for collateral postings that may vary at various ratings and threshold levels. We attempt to reduce our risk with certain counterparties by entering into agreements that enable collateral to be obtained from a counterparty on an upfront or contingent basis. We minimize the risk that counterparties might be unable to fulfill their contractual obligations by monitoring counterparty credit exposure and collateral value and generally requiring additional collateral to be posted upon the occurrence of certain events or circumstances. In addition, certain derivative transactions have provisions that require collateral to be posted upon a downgrade of our long-term debt ratings or give the counterparty the right to terminate the transaction. In the case of some of the derivative transactions, upon a downgrade of our long-term debt ratings, as an alternative to posting collateral and subject to certain conditions, we may assign the transaction to an obligor with higher debt ratings or arrange for a substitute guarantee of our obligations by an obligor with higher debt ratings or take other similar action. The actual amount of collateral required to be posted to counterparties in the event of such downgrades, or the aggregate amount of payments that we could be required to make, depends on market conditions, the fair value of outstanding affected transactions and other factors prevailing at and after the time of the downgrade.

Collateral posted by us to third parties for derivative transactions was \$3.1 billion and \$3.3 billion at September 30, 2015 and December 31, 2014, respectively. In the case of collateral posted under derivative transactions that are not subject to clearing, this collateral can generally be repledged or resold by the counterparties. Collateral provided to us from third parties for derivative transactions was \$2.2 billion and \$1.3 billion at September 30, 2015 and December 31, 2014, respectively. We generally can repledge or resell this collateral.

Offsetting

We have elected to present all derivative receivables and derivative payables, and the related cash collateral received and paid, on a net basis on the Condensed Consolidated Balance Sheets when a legally enforceable ISDA Master Agreement exists between us and our derivative counterparty. An ISDA Master Agreement is an agreement governing multiple derivative transactions between two counterparties. The ISDA Master Agreement generally provides for the net settlement of all, or a specified group, of these derivative transactions, as well as transferred collateral, through a single payment, and in a single currency, as applicable. The net settlement provisions apply in the event of a default on, or affecting any, one derivative transaction or a termination event affecting all, or a specified group of, derivative transactions governed by the ISDA Master Agreement.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Hedge Accounting

We designated certain derivatives entered into with third parties as fair value hedges of available for sale investment securities held by our insurance subsidiaries. The fair value hedges include foreign currency forwards and cross currency swaps designated as hedges of the change in fair value of foreign currency denominated available for sale securities attributable to changes in foreign exchange rates. We also designated certain interest rate swaps entered into with third parties as fair value hedges of fixed rate GICs attributable to changes in benchmark interest rates.

We use foreign currency denominated debt and cross-currency swaps as hedging instruments in net investment hedge relationships to mitigate the foreign exchange risk associated with our non-U.S. dollar functional currency foreign subsidiaries. For net investment hedge relationships where issued debt is used as a hedging instrument, we assess the hedge effectiveness and measure the amount of ineffectiveness based on changes in spot rates. For net investment hedge relationships that use derivatives as hedging instruments, we assess hedge effectiveness and measure hedge ineffectiveness using changes in forward rates. For the three- and nine-month periods ended September 30, 2015, we recognized gains of \$14 million and \$87 million, respectively, and for the three- and nine-month periods ended September 30, 2014, we recognized gains of \$104 and \$107 million, respectively, included in Change in foreign currency translation adjustment in Other comprehensive income related to the net investment hedge relationships.

A qualitative methodology is utilized to assess hedge effectiveness for net investment hedges, while regression analysis is employed for all other hedges.

The following table presents the gain (loss) recognized in earnings on our derivative instruments in fair value hedging relationships in the Condensed Consolidated Statements of Income (Loss):

(in millions)	Gains/(Losses) Recognized in Earnings for:		Including Gains/(Losses) Attributable to:		
	Hedging Derivatives ^(a)	Hedged Items	Hedge Ineffectiveness	Excluded Components	Other ^(b)
Three Months Ended September 30, 2015					
Interest rate contracts:					
Realized capital gains/(losses)	\$ 1	\$ (1)	\$ -	\$ -	\$ -
Interest credited to policyholder account balances	-	-	-	-	-
Other income	-	2	-	-	2
Gain/(Loss) on extinguishment of debt	-	1	-	-	1
Foreign exchange contracts:					
Realized capital gains/(losses)	81	(67)	-	14	-
Interest credited to policyholder account balances	-	-	-	-	-
Other income	-	4	-	-	4
Gain/(Loss) on extinguishment of debt	-	-	-	-	-
Equity contracts:					
Realized capital gains/(losses)	(4)	3	-	(1)	-
Three Months Ended September 30, 2014					
Interest rate contracts:					
Realized capital gains/(losses)	\$ -	\$ -	\$ -	\$ -	\$ -
Interest credited to policyholder account balances	-	-	-	-	-
Other income	-	10	-	-	10
Gain/(Loss) on extinguishment of debt	-	-	-	-	-

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Foreign exchange contracts:					
Realized capital gains/(losses)	(76)	91	-	9	6
Interest credited to policyholder					
account balances	-	(1)	-	-	(1)
Other income	-	7	-	-	7
Gain/(Loss) on extinguishment of debt	-	-	-	-	-
Equity contracts					
Realized capital gains/(losses)	4	(6)	-	(2)	-

Nine Months Ended September 30, 2015

Interest rate contracts:					
Realized capital gains/(losses)	\$ 1	\$ (1)	\$ -	\$ -	-
Interest credited to policyholder					
account balances	-	-	-	-	-
Other income	-	7	-	-	7
Gain/(Loss) on extinguishment of debt	-	14	-	-	14
Foreign exchange contracts:					
Realized capital gains/(losses)	152	(123)	-	27	2
Interest credited to policyholder					
account balances	-	(1)	-	-	(1)
Other income	-	14	-	-	14
Gain/(Loss) on extinguishment of debt	-	17	-	-	17
Equity contracts:					
Realized capital gains/(losses)	(23)	21	-	(2)	-

Nine Months Ended September 30, 2014

Interest rate contracts:					
Realized capital gains/(losses)	\$ 1	\$ (2)	\$ -	\$ -	(1)
Interest credited to policyholder					
account balances	1	(1)	-	-	-
Other income	-	38	-	-	38
Gain/(Loss) on extinguishment of debt	-	50	-	-	50
Foreign exchange contracts:					
Realized capital gains/(losses)	(20)	32	-	(3)	15
Interest credited to policyholder					
account balances	-	(2)	-	-	(2)
Other income	-	7	-	-	7
Gain/(Loss) on extinguishment of debt	-	-	-	-	-
Equity contracts					
Realized capital gains/(losses)	(10)	8	-	(2)	-

(a) The amounts presented do not include the periodic net coupon settlements of the derivative contract or the coupon income (expense) related to the hedged item.

(b) Represents accretion/amortization of opening fair value of the hedged item at inception of hedge relationship, amortization of basis adjustment on hedged item following the discontinuation of hedge accounting, and the release of debt basis adjustment following the repurchase of issued debt that was part of previously-discontinued fair value hedge relationship.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Derivatives Not Designated as Hedging Instruments

The following table presents the effect of derivative instruments not designated as hedging instruments in the Condensed Consolidated Statements of Income (Loss):

(in millions)	Gains (Losses) Recognized in Earnings			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
By Derivative Type:				
Interest rate contracts	\$ 469	\$ 222	\$ 402	\$ 409
Foreign exchange contracts	51	253	321	276
Equity contracts*	(586)	(159)	(39)	(584)
Commodity contracts	-	(2)	(1)	(1)
Credit contracts	11	75	171	229
Other contracts	71	44	60	83
Total	\$ 16	\$ 433	\$ 914	\$ 412
By Classification:				
Policy fees	\$ 20	\$ 19	\$ 59	\$ 49
Net investment income	6	24	20	20
Net realized capital gains (losses)	20	79	496	(114)
Other income (losses)	(36)	309	334	447
Policyholder benefits and claims incurred	6	2	5	10
Total	\$ 16	\$ 433	\$ 914	\$ 412

* Includes embedded derivative losses of \$(816) million and \$(147) million for the three- and nine-month periods ended September 30, 2015, respectively, and embedded derivative losses of \$(86) million and \$(428) million for the three- and nine-month periods ended September 30, 2014, respectively.

Credit Risk-Related Contingent Features

The aggregate fair value of our derivative instruments that contain credit risk-related contingent features that were in a net liability position at September 30, 2015 and December 31, 2014, was approximately \$2.2 billion and \$2.5 billion, respectively. The aggregate fair value of assets posted as collateral under these contracts at September 30, 2015 and December 31, 2014, was \$2.3 billion and \$2.7 billion, respectively.

We estimate that at September 30, 2015, based on our outstanding financial derivative transactions, a one-notch downgrade of our long-term senior debt ratings to BBB+ by Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. (S&P), would permit counterparties to make additional collateral calls and permit certain counterparties to elect early termination of contracts, resulting in approximately \$12 million in additional collateral postings and termination payments; a one-notch downgrade to Baa2 by Moody's Investors' Service, Inc. (Moody's) and an additional one-notch downgrade to BBB by S&P would result in approximately \$46 million in additional collateral postings and termination payments; and a further one-notch downgrade to Baa3 by Moody's and BBB- by S&P would result in approximately \$118 million in additional collateral postings and termination payments.

Additional collateral postings upon downgrade are estimated based on the factors in the individual collateral posting provisions of the CSA with each counterparty and current exposure as of September 30, 2015. Factors considered in estimating the termination payments upon downgrade include current market conditions, the complexity of the derivative transactions, historical termination experience and other observable market events such as bankruptcy and downgrade events that have occurred at other companies. Our estimates are also based on the assumption that counterparties will terminate based on their net exposure to us. The actual termination payments could significantly differ from our estimates given market conditions at the

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

time of downgrade and the level of uncertainty in estimating both the number of counterparties who may elect to exercise their right to terminate and the payment that may be triggered in connection with any such exercise.

Hybrid Securities with Embedded Credit Derivatives

We invest in hybrid securities (such as credit-linked notes) with the intent of generating income, and not specifically to acquire exposure to embedded derivative risk. As is the case with our other investments in RMBS, CMBS, CDOs and ABS, our investments in these hybrid securities are exposed to losses only up to the amount of our initial investment in the hybrid security. Other than our initial investment in the hybrid securities, we have no further obligation to make payments on the embedded credit derivatives in the related hybrid securities.

We elect to account for our investments in these hybrid securities with embedded written credit derivatives at fair value, with changes in fair value recognized in Net investment income and Other income. Our investments in these hybrid securities are reported as Other bond securities in the Condensed Consolidated Balance Sheets. The fair values of these hybrid securities were \$5.7 billion and \$6.1 billion at September 30, 2015 and December 31, 2014, respectively. These securities have par amounts of \$11.5 billion and \$12.3 billion at September 30, 2015 and December 31, 2014, respectively, and have remaining stated maturity dates that extend to 2055.

9. CONTINGENCIES, COMMITMENTS AND GUARANTEES

In the normal course of business, various contingent liabilities and commitments are entered into by AIG and our subsidiaries. In addition, AIG Parent guarantees various obligations of certain subsidiaries.

Although AIG cannot currently quantify its ultimate liability for unresolved litigation and investigation matters, including those referred to below, it is possible that such liability could have a material adverse effect on AIG's consolidated financial condition or its consolidated results of operations or consolidated cash flows for an individual reporting period.

Legal Contingencies

Overview. In the normal course of business, AIG and our subsidiaries are, like others in the insurance and financial services industries in general, subject to litigation, including claims for punitive damages. In our insurance and mortgage guaranty operations, litigation arising from claims settlement activities is generally considered in the establishment of our liability for unpaid losses and loss adjustment expenses. However, the potential for increasing jury awards and settlements makes it difficult to assess the ultimate outcome of such litigation. AIG is also subject to derivative, class action and other claims asserted by its shareholders and others alleging, among other things, breach of fiduciary duties by its directors and officers and violations of insurance laws and regulations, as well as federal and state securities laws. In the case of any derivative action brought on behalf of AIG, any recovery would accrue to the benefit of AIG.

Various regulatory and governmental agencies have been reviewing certain transactions and practices of AIG and our subsidiaries in connection with industry-wide and other inquiries into, among other matters, certain business practices of current and former operating insurance subsidiaries. We have cooperated, and will continue to cooperate, in producing documents and other information in response to subpoenas and other requests.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

[AIG's Subprime Exposure, AIGFP Credit Default Swap Portfolio and Related Matters](#)

AIG, AIG Financial Products Corp. and related subsidiaries (collectively AIGFP), and certain directors and officers of AIG, AIGFP and other AIG subsidiaries have been named in various actions relating to our exposure to the U.S. residential subprime mortgage market, unrealized market valuation losses on AIGFP's super senior credit default swap portfolio, losses and liquidity constraints relating to our securities lending program and related disclosure and other matters (Subprime Exposure Issues).

Consolidated 2008 Securities Litigation. On May 19, 2009, a consolidated class action complaint, resulting from the consolidation of eight purported securities class actions filed between May 2008 and January 2009, was filed against AIG and certain directors and officers of AIG and AIGFP, AIG's outside auditors, and the underwriters of various securities offerings in the United States District Court for the Southern District of New York (the Southern District of New York) in *In re American International Group, Inc. 2008 Securities Litigation* (the Consolidated 2008 Securities Litigation), asserting claims under the Securities Exchange Act of 1934, as amended (the Exchange Act) and claims under the Securities Act of 1933, as amended (the Securities Act) for allegedly materially false and misleading statements in AIG's public disclosures from March 16, 2006 to September 16, 2008 relating to, among other things, the Subprime Exposure Issues.

On July 15, 2014 and August 1, 2014, lead plaintiff, AIG and AIG's outside auditor accepted mediators' proposals to settle the Consolidated 2008 Securities Litigation against all defendants. On October 22, 2014, AIG made a cash payment of \$960 million, which is being held in escrow until all funds are distributed. On March 20, 2015, the Court issued an Order and Final Judgment approving the class settlement and dismissing the action with prejudice, and the AIG settlement became final on June 29, 2015.

Individual Securities Litigations. Between November 18, 2011 and February 9, 2015, eleven separate, though similar, securities actions (Individual Securities Litigations) were filed asserting claims substantially similar to those in the Consolidated 2008 Securities Litigation against AIG and certain directors and officers of AIG and AIGFP (one such action also names as a defendant AIG's outside auditor and two such actions also name as defendants the underwriters of various securities offerings). Two of the actions were voluntarily dismissed. On September 10, 2015, the Southern District of New York granted AIG's motion to dismiss some of the claims in the Individual Securities Litigations in whole or in part. AIG has settled seven of the nine remaining actions.

On March 27, 2015, an additional securities action was filed in state court in Orange County, California asserting a claim against AIG pursuant to Section 11 of the Securities Act (the California Action) that is substantially similar to those in the Consolidated 2008 Securities Litigation and the two remaining Individual Securities Litigations pending in the Southern District of New York. On July 10, 2015, AIG filed a motion to stay the California Action. On September 18, 2015, the court denied AIG's motion to stay the California Action. On September 23, 2015, AIG filed an appeal of the court's denial.

On April 29, 2015, AIG filed a complaint for declaratory relief in the Southern District of New York seeking a declaration that the Section 11 claims filed in the California Action are time-barred (the SDNY Action). On July 10, 2015, AIG filed a motion for summary judgment and the plaintiff in the California Action cross moved to dismiss the SDNY Action.

We have accrued our current estimate of probable loss with respect to these litigations.

ERISA Actions – Southern District of New York. On December 19, 2014, a third consolidated amended complaint, resulting from the consolidation of purported class actions filed between June 25, 2008 and November 25, 2008, was filed against AIG, certain directors and officers of AIG, and members of AIG's Retirement Board and Investment Committee in *In re American International Group, Inc. ERISA Litigation II* (the Consolidated 2008 ERISA Litigation), asserting claims under the Employee Retirement Income Security Act of 1974, as amended (ERISA), purportedly on behalf of a class of all participants in or beneficiaries of certain benefit plans of AIG and its subsidiaries that offered shares of AIG Common Stock. The complaint alleged, among other things, that the defendants breached their fiduciary responsibilities to plan participants and their beneficiaries under ERISA, by continuing to offer the AIG Stock Fund as an investment option in the plans after it allegedly

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

became imprudent to do so. The alleged ERISA violations relate to, among other things, the defendants' purported failure to monitor and/or disclose certain matters, including the Subprime Exposure Issues.

On January 6, 2015, the parties informed the Court that they had accepted a mediator's proposal to settle the action for \$40 million. On September 18, 2015, the Court issued an Order and Final Judgment approving the class settlement and dismissed the action with prejudice. The entirety of the \$40 million settlement will be paid by AIG's fiduciary liability insurance carriers.

Canadian Securities Class Action – Ontario Superior Court of Justice. On November 12, 2008, an application was filed in the Ontario Superior Court of Justice for leave to bring a purported class action against AIG, AIGFP, certain directors and officers of AIG and Joseph Cassano, the former Chief Executive Officer of AIGFP, pursuant to the Ontario Securities Act. The proposed statement of claim would assert a class period of March 16, 2006 through September 16, 2008 and would allege that during this period defendants made false and misleading statements and omissions in quarterly and annual reports and during oral presentations in violation of the Ontario Securities Act. The proposed statement of claim further alleges general and special damages of \$500 million and punitive damages of \$50 million plus prejudgment interest or such other sums as the Court finds appropriate.

On April 17, 2009, defendants filed a motion record in support of their motion to stay or dismiss for lack of jurisdiction and forum non conveniens. Thereafter, the Court stayed the action pending further developments in the Consolidated 2008 Securities Litigation. On June 29, 2015, counsel for AIG and AIGFP provided notice to counsel for plaintiff in the action that a final order approving the settlement in the Consolidated 2008 Securities Litigation was entered and can no longer be appealed. Plaintiff did not move to lift the stay in the time allotted by the Ontario Superior Court's stay order and, as a result, the action is now permanently stayed.

[Starr International Litigation](#)

On November 21, 2011, Starr International Company, Inc. (SICO) filed a complaint against the United States in the United States Court of Federal Claims (the Court of Federal Claims), bringing claims, both individually and on behalf of the classes defined below and derivatively on behalf of AIG (the SICO Treasury Action). The complaint challenges the government's assistance of AIG, pursuant to which AIG entered into a credit facility with the Federal Reserve Bank of New York (the FRBNY, and such credit facility, the FRBNY Credit Facility) and the United States received an approximately 80 percent ownership in AIG. The complaint alleges that the interest rate imposed on AIG and the appropriation of approximately 80 percent of AIG's equity was discriminatory, unprecedented, and inconsistent with liquidity assistance offered by the government to other comparable firms at the time and violated the Equal Protection, Due Process, and Takings Clauses of the U.S. Constitution.

In the SICO Treasury Action, the only claims naming AIG as a party (as a nominal defendant) are derivative claims on behalf of AIG. On September 21, 2012, SICO made a pre-litigation demand on our Board demanding that we pursue the derivative claims or allow SICO to pursue the claims on our behalf. On January 9, 2013, our Board unanimously refused SICO's demand in its entirety and on January 23, 2013, counsel for the Board sent a letter to counsel for SICO describing the process by which our Board considered and refused SICO's demand and stating the reasons for our Board's determination.

On March 11, 2013, SICO filed a second amended complaint in the SICO Treasury Action alleging that its demand was wrongfully refused. On June 26, 2013, the Court of Federal Claims granted AIG's and the United States' motions to dismiss SICO's derivative claims in the SICO Treasury Action due to our Board's refusal of SICO's demand and denied the United States' motion to dismiss SICO's direct, non-derivative claims.

On March 11, 2013, the Court of Federal Claims in the SICO Treasury Action granted SICO's motion for class certification of two classes with respect to SICO's non-derivative claims: (1) persons and entities who held shares of AIG Common Stock on or before September 16, 2008 and who owned those shares on September 22, 2008 (the Credit Agreement Shareholder Class); and (2) persons and entities who owned shares of AIG Common Stock on June 30, 2009 and were eligible to vote those shares at AIG's June 30, 2009 annual meeting of shareholders (the Reverse Stock Split Shareholder Class). SICO has

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

provided notice of class certification to potential members of the classes, who, pursuant to a court order issued on April 25, 2013, had to return opt-in consent forms by September 16, 2013 to participate in either class. 286,908 holders of AIG Common Stock during the two class periods have opted into the classes.

On June 15, 2015, the Court of Federal Claims issued its opinion and order in the SICO Treasury Action. The Court found that the United States exceeded its statutory authority by exacting approximately 80 percent of AIG's equity in exchange for the FRBNY Credit Facility, but that AIG shareholders suffered no damages as a result. SICO argued during trial that the two classes are entitled to a total of approximately \$40 billion in damages, plus interest. The Court also found that the United States was not liable to the Reverse Stock Split Class in connection with the reverse stock split vote at the June 30, 2009 annual meeting of shareholders.

On June 17, 2015, the Court of Federal Claims entered judgment stating that "the Credit Agreement Shareholder Class shall prevail on liability due to the Government's illegal exaction, but shall recover zero damages, and that the Reverse Stock Split Shareholder Class shall not prevail on liability or damages." SICO filed a notice of appeal of the July 2, 2012 dismissal of SICO's unconstitutional conditions claim, the June 26, 2013 dismissal of SICO's derivative claims, the Court's June 15, 2015 opinion and order, and the Court's June 17, 2015 judgment to the United States Court of Appeals for the Federal Circuit. The United States filed a notice of cross appeal of the Court's July 2, 2012 opinion and order denying in part its motion to dismiss, the Court's June 26, 2013 opinion and order denying its motion to dismiss SICO's direct claims, the Court's June 15, 2015 opinion and order, and the Court's June 17, 2015 judgment to the United States Court of Appeals for the Federal Circuit.

On August 25, 2015, SICO filed its appellate brief, in which it stated SICO does not appeal the dismissal of the derivative claims it asserted on behalf of AIG.

In the Court of Federal Claims, the United States has alleged, as an affirmative defense in its answer, that AIG is obligated to indemnify the FRBNY and its representatives, including the Federal Reserve Board of Governors and the United States (as the FRBNY's principal), for any recovery in the SICO Treasury Action.

AIG believes that any indemnification obligation would arise only if: (a) SICO prevails on its appeal and ultimately receives an award of damages; (b) the United States then commences an action against AIG seeking indemnification; and (c) the United States is successful in such an action through any appellate process. If SICO prevails on its claims and the United States seeks indemnification from AIG, AIG intends to assert defenses thereto. A reversal of the Court of Federal Claim's June 17, 2015 decision and judgment and a final determination that the United States is liable for damages, together with a final determination that AIG is obligated to indemnify the United States for any such damages, could have a material adverse effect on our business, consolidated financial condition and results of operations.

[False Claims Act Complaint](#)

On February 25, 2010, a complaint was filed in the United States District Court for the Southern District of California by two individuals (Relators) seeking to assert claims on behalf of the United States against AIG and certain other defendants, including Goldman Sachs and Deutsche Bank, under the False Claims Act. Relators filed a first amended complaint on September 30, 2010, adding certain additional defendants, including Bank of America and Société Générale. The first amended complaint alleged that defendants engaged in fraudulent business practices in respect of their activities in the over-the-counter market for collateralized debt obligations, and submitted false claims to the United States in connection with the FRBNY Credit Facility and Maiden Lane II LLC and Maiden Lane III LLC entities (the Maiden Lane Interests) through, among other things, misrepresenting AIG's ability and intent to repay amounts drawn on the FRBNY Credit Facility, and misrepresenting the value of the securities that the Maiden Lane Interests acquired from AIG and certain of its counterparties. The first amended complaint sought unspecified damages pursuant to the False Claims Act in the amount of three times the damages allegedly sustained by the United States as well as interest, attorneys' fees, costs and expenses. The complaint and the first amended complaint were initially filed and maintained under seal while the United States considered whether to intervene in the action. On or about April 28, 2011, after the United States declined to intervene, the District Court lifted the seal, and Relators served the first amended complaint on AIG on July 11, 2011. On April 19, 2013, the Court granted AIG's

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

motion to dismiss, dismissing the first amended complaint in its entirety, without prejudice, giving the Relators the opportunity to file a second amended complaint. On May 24, 2013, the Relators filed a second amended complaint, which attempted to plead the same claims as the prior complaints and did not specify an amount of alleged damages. AIG and its co-defendants filed motions to dismiss the second amended complaint on August 9, 2013. On March 29, 2014, the Court dismissed the second amended complaint with prejudice. On April 30, 2014, the Relators filed a Notice of Appeal to the Ninth Circuit. We are unable to reasonably estimate the possible loss or range of losses, if any, arising from the litigation.

[Litigation Matters Relating to AIG's Insurance Operations](#)

Caremark. AIG and certain of its subsidiaries have been named defendants in two putative class actions in state court in Alabama that arise out of the 1999 settlement of class and derivative litigation involving Caremark Rx, Inc. (Caremark). The plaintiffs in the second-filed action intervened in the first-filed action, and the second-filed action was dismissed. An excess policy issued by a subsidiary of AIG with respect to the 1999 litigation was expressly stated to be without limit of liability. In the current actions, plaintiffs allege that the judge approving the 1999 settlement was misled as to the extent of available insurance coverage and would not have approved the settlement had he known of the existence and/or unlimited nature of the excess policy. They further allege that AIG, its subsidiaries, and Caremark are liable for fraud and suppression for misrepresenting and/or concealing the nature and extent of coverage.

The complaints filed by the plaintiffs and the intervenors request compensatory damages for the 1999 class in the amount of \$3.2 billion, plus punitive damages. AIG and its subsidiaries deny the allegations of fraud and suppression, assert that information concerning the excess policy was publicly disclosed months prior to the approval of the settlement, that the claims are barred by the statute of limitations, and that the statute cannot be tolled in light of the public disclosure of the excess coverage. The plaintiffs and intervenors, in turn, have asserted that the disclosure was insufficient to inform them of the nature of the coverage and did not start the running of the statute of limitations.

On August 15, 2012, the trial court entered an order granting plaintiffs' motion for class certification, and on September 12, 2014, the Alabama Supreme Court affirmed that order. AIG and the other defendants' petition for rehearing of that decision was denied on February 27, 2015. The matter has been remanded to the trial court for general discovery and adjudication of the merits. Trial is expected to commence on February 22, 2016. We have accrued our current estimate of loss with respect to this litigation.

[Regulatory and Related Matters](#)

In April 2007, the National Association of Insurance Commissioners (NAIC) formed a Settlement Review Working Group, directed by the State of Indiana, to review the Workers' Compensation Residual Market Assessment portion of the settlement between AIG, the Office of the New York Attorney General, and the New York State Department of Insurance. In late 2007, the Settlement Review Working Group, under the direction of Indiana, Minnesota and Rhode Island, recommended that a multi-state targeted market conduct examination focusing on workers' compensation insurance be commenced under the direction of the NAIC's Market Analysis Working Group. AIG was informed of the multi-state targeted market conduct examination in January 2008. The lead states in the multi-state examination were Delaware, Florida, Indiana, Massachusetts, Minnesota, New York, Pennsylvania and Rhode Island. All other states (and the District of Columbia) agreed to participate in the multi-state examination. The examination focused on legacy issues related to certain AIG entities' writing and reporting of workers compensation insurance between 1985 and 1996.

On December 17, 2010, AIG and the lead states reached an agreement to settle all regulatory liabilities arising out of the subjects of the multistate examination. This regulatory settlement agreement, which was agreed to by all 50 states and the District of Columbia, included, among other terms, (i) AIG's payment of \$100 million in regulatory fines and penalties; (ii) AIG's payment of \$46.5 million in outstanding premium taxes and assessments; (iii) AIG's agreement to enter into a compliance plan describing agreed-upon specific steps and standards for evaluating AIG's ongoing compliance with state regulations governing the setting of workers' compensation insurance premium rates and the reporting of workers' compensation premiums; and (iv)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

AIG's agreement to pay up to \$150 million in contingent fines in the event that AIG fails to comply substantially with the compliance plan requirements. In furtherance of the compliance plan, the agreement provided for a monitoring period from May 29, 2012 to May 29, 2014 leading up to a compliance plan examination. After the close of the monitoring period, as part of preparation for the actual conduct of the compliance plan examination, on or about October 1, 2014, AIG and the lead states agreed upon corrective action plans to address particular issues identified during the monitoring period. The compliance plan examination is ongoing. There can be no assurance that the result of the compliance plan examination will not result in a fine, have a material adverse effect on AIG's ongoing operations or lead to civil litigation.

In connection with a multi-state examination of certain accident and health products, including travel products, issued by National Union Fire Insurance Company of Pittsburgh, Pa. (National Union), AIG Property Casualty Inc. (formerly Chartis Inc.), on behalf of itself, National Union, and certain of AIG Property Casualty Inc.'s insurance and non-insurance companies (collectively, the AIG PC parties) entered into a Regulatory Settlement Agreement with regulators from 50 U.S. jurisdictions effective November 29, 2012. Under the agreement, and without admitting any liability for the issues raised in the examination, the AIG PC parties (i) paid a civil penalty of \$50 million, (ii) entered into a corrective action plan describing agreed-upon specific steps and standards for evaluating the AIG PC parties' ongoing compliance with laws and regulations governing the issues identified in the examination, and (iii) agreed to pay a contingent fine in the event that the AIG PC parties fail to satisfy certain terms of the corrective action plan. National Union and other AIG companies are also currently subject to civil litigation relating to the conduct of their accident and health business, and may be subject to additional litigation relating to the conduct of such business from time to time in the ordinary course. There can be no assurance that any regulatory action resulting from the issues identified will not have a material adverse effect on our ongoing operations of the business subject to the agreement, or on similar business written by other AIG carriers.

Other Commitments

In the normal course of business, we enter into commitments to invest in limited partnerships, private equity funds and hedge funds and to purchase and develop real estate in the U.S. and abroad. These commitments totaled \$2.6 billion at September 30, 2015.

Guarantees

Subsidiaries

We have issued unconditional guarantees with respect to the prompt payment, when due, of all present and future payment obligations and liabilities of AIGFP and of AIG Markets arising from transactions entered into by AIG Markets.

In connection with AIGFP's business activities, AIGFP has issued, in a limited number of transactions, standby letters of credit or similar facilities to equity investors of structured leasing transactions in an amount equal to the termination value owing to the equity investor by the lessee in the event of a lessee default (the equity termination value). The total amount outstanding at September 30, 2015 was \$214 million. In those transactions, AIGFP has agreed to pay such amount if the lessee fails to pay. The amount payable by AIGFP is, in certain cases, partially offset by amounts payable under other instruments typically equal to the present value of scheduled payments to be made by AIGFP. In the event that AIGFP is required to make a payment to the equity investor, the lessee is unconditionally obligated to reimburse AIGFP. To the extent that the equity investor is paid the equity termination value from the standby letter of credit and/or other sources, including payments by the lessee, AIGFP takes an assignment of the equity investor's rights under the lease of the underlying property. Because the obligations of the lessee under the lease transactions are generally economically defeased, lessee bankruptcy is the most likely circumstance in which AIGFP would be required to pay without reimbursement.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Asset Dispositions

General

We are subject to financial guarantees and indemnity arrangements in connection with the completed sales of businesses pursuant to our asset disposition plan. The various arrangements may be triggered by, among other things, declines in asset values, the occurrence of specified business contingencies, the realization of contingent liabilities, developments in litigation or breaches of representations, warranties or covenants provided by us. These arrangements are typically subject to various time limitations, defined by the contract or by operation of law, such as statutes of limitation. In some cases, the maximum potential obligation is subject to contractual limitations, while in other cases such limitations are not specified or are not applicable.

We are unable to develop a reasonable estimate of the maximum potential payout under certain of these arrangements. Overall, we believe that it is unlikely we will have to make any material payments related to completed sales under these arrangements, and no material liabilities related to these arrangements have been recorded in the Condensed Consolidated Balance Sheets.

Other

- See Note 7 to the Condensed Consolidated Financial Statements for additional discussion on commitments and guarantees associated with VIEs.
- See Note 8 to the Condensed Consolidated Financial Statements for additional disclosures about derivatives.
- See Note 14 to the Condensed Consolidated Financial Statements for additional disclosures about guarantees of outstanding debt.

10. EQUITY

Shares Outstanding

The following table presents a rollforward of outstanding shares:

	Common Stock Issued	Treasury Stock	Common Stock Outstanding
Nine Months Ended September 30, 2015			
Shares, beginning of year	1,906,671,492	(530,744,521)	1,375,926,971
Shares issued	-	355,767	355,767
Shares repurchased	-	(129,488,123)	(129,488,123)
Shares, end of period	1,906,671,492	(659,876,877)	1,246,794,615

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Dividends

Payment of future dividends to our shareholders and repurchases of AIG Common Stock depends in part on the regulatory framework that we are currently subject to and that will ultimately be applicable to us, including as a nonbank systemically important financial institution under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) and a global systemically important insurer. In addition, dividends are payable on AIG Common Stock only when, as and if declared by our Board of Directors in its discretion, from funds legally available for this purpose. In considering whether to pay a dividend or purchase shares of AIG Common Stock, our Board of Directors considers a number of factors, including, but not limited to: the capital resources available to support our insurance operations and business strategies, AIG's funding capacity and capital resources in comparison to internal benchmarks, expectations for capital generation, rating agency expectations for capital, regulatory standards for capital and capital distributions, and such other factors as our Board of Directors may deem relevant.

On March 26, 2015, AIG paid a dividend of \$0.125 per share on AIG Common Stock to shareholders of record on March 12, 2015. On June 25, 2015, AIG paid a dividend of \$0.125 per share on AIG Common Stock to shareholders of record on June 11, 2015. On September 28, 2015, AIG paid a dividend of \$0.28 per share on AIG Common Stock to shareholders of record on September 14, 2015.

See Note 20 to the Consolidated Financial Statements in the 2014 Annual Report for a discussion of restrictions on payments of dividends to AIG Parent by its subsidiaries.

Repurchase of AIG Common Stock

Our Board of Directors has authorized the repurchase of shares of AIG Common Stock through a series of actions. On August 3, 2015, our Board of Directors authorized an additional increase of \$5.0 billion to its previous share repurchase authorization. As of September 30, 2015, approximately \$3.5 billion remained under our share repurchase authorization. Shares may be repurchased from time to time in the open market, private purchases, through forward, derivative, accelerated repurchase or automatic repurchase transactions or otherwise. Certain of our share repurchases have been and may from time to time be effected through Exchange Act Rule 10b5-1 repurchase plans.

We repurchased approximately 129 million shares of AIG Common Stock during the nine-month period ended September 30, 2015, for an aggregate purchase price of approximately \$7.5 billion.

The total number of shares of AIG Common Stock repurchased in the nine-month period ended September 30, 2015 includes (but the aggregate purchase price does not include) approximately 3.5 million shares of AIG Common Stock received in January 2015 upon the settlement of an accelerated share repurchase agreement executed in the fourth quarter of 2014.

The timing of any future repurchases will depend on market conditions, our financial condition, results of operations, liquidity and other factors.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Accumulated Other Comprehensive Income

The following table presents a rollforward of Accumulated other comprehensive income:

<i>(in millions)</i>		Unrealized Appreciation (Depreciation) of Fixed Maturity Investments on Which Other- Than- Temporary Credit Impairments Were Taken		Unrealized Appreciation (Depreciation) of All Other Investments		Foreign Currency Translation Adjustments		Retirement Plan Liabilities Adjustment		Total
Balance, December 31, 2014, net of tax	\$	1,043	\$	12,327	\$	(1,784)	\$	(969)	\$	10,617
Change in unrealized depreciation of investments		(315)		(6,372)		-		-		(6,687)
Change in deferred acquisition costs adjustment and other		-		763		-		-		763
Change in future policy benefits		92		807		-		-		899
Change in foreign currency translation adjustments		-		-		(901)		-		(901)
Net actuarial gain		-		-		-		417		417
Prior service cost		-		-		-		(210)		(210)
Change in deferred tax asset (liability)		54		1,493		167		(59)		1,655
Total other comprehensive income (loss)		(169)		(3,309)		(734)		148		(4,064)
Noncontrolling interests		-		-		(4)		-		(4)
Balance, September 30, 2015, net of tax	\$	874	\$	9,018	\$	(2,514)	\$	(821)	\$	6,557
Balance, December 31, 2013, net of tax	\$	936	\$	6,789	\$	(952)	\$	(413)	\$	6,360
Change in unrealized appreciation of investments		268		6,330		-		-		6,598
Change in deferred acquisition costs adjustment and other		61		(433)		-		-		(372)
Change in future policy benefits		(114)		(781)		-		-		(895)
Change in foreign currency translation adjustments		-		-		(149)		-		(149)
Net actuarial gain		-		-		-		40		40
Prior service cost		-		-		-		(36)		(36)
Change in deferred tax asset (liability)		(41)		(144)		(40)		9		(216)
Total other comprehensive income (loss)		174		4,972		(189)		13		4,970
Noncontrolling interests		-		(1)		-		-		(1)
Balance, September 30, 2014, net of tax	\$	1,110	\$	11,762	\$	(1,141)	\$	(400)	\$	11,331

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The following table presents the other comprehensive income reclassification adjustments for the three- and nine-month periods ended September 30, 2015 and 2014, respectively:

<i>(in millions)</i>	Unrealized Appreciation (Depreciation) of Fixed Maturity Investments on Which Other-Than- Temporary Credit Impairments Were Taken	Unrealized Appreciation (Depreciation) of All Other Investments	Foreign Currency Translation Adjustments	Retirement Plan Liabilities Adjustment	Total
Three Months Ended September 30, 2015					
Unrealized change arising during period	\$ (98)	\$ (1,275)	\$ (217)	\$ 303	\$ (1,287)
Less: Reclassification adjustments included in net income	13	(17)	-	164	160
Total other comprehensive income (loss), before income tax expense (benefit)	(111)	(1,258)	(217)	139	(1,447)
Less: Income tax expense (benefit)	(50)	(401)	21	47	(383)
Total other comprehensive income (loss), net of income tax expense (benefit)	\$ (61)	\$ (857)	\$ (238)	\$ 92	\$ (1,064)
Three Months Ended September 30, 2014					
Unrealized change arising during period	\$ 132	\$ (575)	\$ (120)	\$ (8)	\$ (571)
Less: Reclassification adjustments included in net income	9	12	-	1	22
Total other comprehensive income (loss), before income tax expense (benefit)	123	(587)	(120)	(9)	(593)
Less: Income tax expense (benefit)	64	(419)	(42)	(15)	(412)
Total other comprehensive income (loss), net of income tax expense (benefit)	\$ 59	\$ (168)	\$ (78)	\$ 6	\$ (181)
Nine Months Ended September 30, 2015					
Unrealized change arising during period	\$ (155)	\$ (4,243)	\$ (901)	\$ 324	\$ (4,975)
Less: Reclassification adjustments included in net income	68	559	-	117	744
Total other comprehensive income (loss), before income tax expense (benefit)	(223)	(4,802)	(901)	207	(5,719)
Less: Income tax expense (benefit)	(54)	(1,493)	(167)	59	(1,655)
Total other comprehensive income (loss), net of income tax expense (benefit)	\$ (169)	\$ (3,309)	\$ (734)	\$ 148	\$ (4,064)
Nine Months Ended September 30, 2014					
Unrealized change arising during period	\$ 242	\$ 5,522	\$ (149)	\$ 3	\$ 5,618
Less: Reclassification adjustments included in net income	27	406	-	(1)	432
Total other comprehensive income (loss), before income tax expense (benefit)	215	5,116	(149)	4	5,186
Less: Income tax expense (benefit)	41	144	40	(9)	216
Total other comprehensive income (loss), net of income tax expense (benefit)	\$ 174	\$ 4,972	\$ (189)	\$ 13	\$ 4,970

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The following table presents the effect of the reclassification of significant items out of Accumulated other comprehensive income on the respective line items in the Condensed Consolidated Statements of Income (Loss):

(in millions)	Amount Reclassified from Accumulated Other Comprehensive Income		Affected Line Item in the Condensed Consolidated Statements of Income (Loss)
	Three Months Ended September 30,		
	2015	2014	
Unrealized appreciation (depreciation) of fixed maturity investments on which other-than-temporary credit impairments were taken			
Investments	\$ 13	\$ 9	Other realized capital gains
Total	13	9	
Unrealized appreciation (depreciation) of all other investments			
Investments	(15)	117	Other realized capital gains
Deferred acquisition costs adjustment	(2)	(40)	Amortization of deferred policy acquisition costs
Future policy benefits	-	(65)	Policyholder benefits and losses incurred
Total	(17)	12	
Change in retirement plan liabilities adjustment			
Prior - service cost	187	11	*
Actuarial losses	(23)	(10)	*
Total	164	1	
Total reclassifications for the period	\$ 160	\$ 22	

(in millions)	Amount Reclassified from Accumulated Other Comprehensive Income		Affected Line Item in the Condensed Consolidated Statements of Income (Loss)
	Nine Months Ended September 30,		
	2015	2014	
Unrealized appreciation (depreciation) of fixed maturity investments on which other-than-temporary credit impairments were taken			
Investments	\$ 68	\$ 27	Other realized capital gains
Total	68	27	
Unrealized appreciation (depreciation) of all other investments			
Investments	609	528	Other realized capital gains
Deferred acquisition costs adjustment	(67)	(35)	Amortization of deferred policy acquisition costs
Future policy benefits	17	(87)	Policyholder benefits and losses incurred
Total	559	406	
Change in retirement plan liabilities adjustment			
Prior - service cost	210	35	*
Actuarial losses	(93)	(36)	*
Total	117	(1)	-
Total reclassifications for the period	\$ 744	\$ 432	-

* These Accumulated other comprehensive income components are included in the computation of net periodic pension cost. See Note 12 to the Condensed Consolidated Financial Statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

11. EARNINGS PER SHARE (EPS)

The basic EPS computation is based on the weighted average number of common shares outstanding, adjusted to reflect all stock dividends and stock splits. The diluted EPS computation is based on those shares used in the basic EPS computation plus shares that would have been outstanding assuming issuance of common shares for all dilutive potential common shares outstanding, and adjusted to reflect all stock dividends and stock splits.

The following table presents the computation of basic and diluted EPS:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
<i>(dollars in millions, except per share data)</i>	2015	2014	2015	2014
Numerator for EPS:				
Income (loss) from continuing operations	\$ (180)	\$ 2,199	\$ 4,071	\$ 6,864
Less: Net income (loss) from continuing operations attributable to noncontrolling interests	34	9	34	(25)
Income (loss) attributable to AIG common shareholders from continuing operations	(214)	2,190	4,037	6,889
Income (loss) from discontinued operations, net of income tax expense	(17)	2	-	(15)
Net income (loss) attributable to AIG common shareholders	(231)	2,192	4,037	6,874
Denominator for EPS:				
Weighted average shares outstanding - basic	1,279,072,748	1,419,239,774	1,324,407,969	1,440,148,774
Dilutive shares ^(a)	-	22,828,068	32,700,815	19,334,459
Weighted average shares outstanding - diluted ^(b)	1,279,072,748	1,442,067,842	1,357,108,784	1,459,483,233
Income per common share attributable to AIG:				
Basic:				
Income (loss) from continuing operations	\$ (0.17)	\$ 1.54	\$ 3.05	\$ 4.78
Income (loss) from discontinued operations	\$ (0.01)	\$ -	\$ -	\$ (0.01)
Income (loss) attributable to AIG	\$ (0.18)	\$ 1.54	\$ 3.05	\$ 4.77
Diluted:				
Income (loss) from continuing operations	\$ (0.17)	\$ 1.52	\$ 2.97	\$ 4.72
Income (loss) from discontinued operations	\$ (0.01)	\$ -	\$ -	\$ (0.01)
Income (loss) attributable to AIG	\$ (0.18)	\$ 1.52	\$ 2.97	\$ 4.71

(a) Shares in the diluted EPS calculation represent basic shares for the three-month period ended September 30, 2015 due to the net loss in that period.

(b) Dilutive shares include our share-based employee compensation plans and a weighted average portion of the warrants issued to AIG shareholders as part of AIG's recapitalization in January 2011. The number of shares excluded from diluted shares outstanding was 0.1 million and 0.2 million for the three- and nine-month periods ended September 30, 2015, respectively, and 0.3 million for both the three- and nine-month periods ended September 30, 2014, because the effect of including those shares in the calculation would have been anti-dilutive.

12. EMPLOYEE BENEFITS

We sponsor various defined benefit pension plans, post-retirement medical and life insurance plans for eligible employees and retirees in the US and certain non-US countries. For the nine-month period ended September 30, 2015, we contributed \$600 million to our U.S. and non-U.S. pension plans (\$541 million was contributed to the U.S. AIG Retirement Plan), and we estimate that we will contribute an additional \$14 million for the remainder of 2015. These estimates are subject to change because contribution decisions are affected by various factors including our liquidity, market performance and management discretion.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

On August 27, 2015, we amended the AIG Retirement Plan, the Non-Qualified Retirement Income Plan and the Supplemental Executive Retirement Plan (the Plans), to freeze benefit accruals effective January 1, 2016. Consequently, the Plans will be closed to new participants and current participants will no longer earn additional benefits after December 31, 2015. However, interest credits will continue to accrue on the existing cash balance accounts and participants will also continue to earn service credits for purposes of vesting and early retirement eligibility and subsidies as they continue to work for AIG.

As a result of this decision to freeze the Plans, AIG re-measured the plan assets and obligations as of September 1, 2015 and recognized a pre-tax curtailment gain of \$179 million and a net increase of \$324 million in accumulated other comprehensive income in the third quarter of 2015.

The following table presents the components of net periodic benefit cost with respect to pensions and other postretirement benefits:

(in millions)	Pension			Postretirement		
	U.S. Plans	Non-U.S. Plans	Total	U.S. Plans	Non-U.S. Plans	Total
Three Months Ended September 30, 2015						
Components of net periodic benefit cost:						
Service cost	\$ 41	\$ 10	\$ 51	\$ 1	\$ -	\$ 1
Interest cost	54	6	60	2	1	3
Expected return on assets	(74)	(5)	(79)	-	-	-
Amortization of prior service credit	(6)	(1)	(7)	(3)	-	(3)
Amortization of net loss	21	2	23	-	-	-
Curtailment gain	(179)	-	(179)	-	-	-
Net periodic benefit (income) cost	\$ (143)	\$ 12	\$ (131)	\$ -	\$ 1	\$ 1
Three Months Ended September 30, 2014						
Components of net periodic benefit cost:						
Service cost	\$ 42	\$ 11	\$ 53	\$ 1	\$ -	\$ 1
Interest cost	57	7	64	2	1	3
Expected return on assets	(73)	(6)	(79)	-	-	-
Amortization of prior service credit	(8)	(1)	(9)	(3)	-	(3)
Amortization of net loss	9	2	11	-	-	-
Net periodic benefit cost	\$ 27	\$ 13	\$ 40	\$ -	\$ 1	\$ 1
Nine Months Ended September 30, 2015						
Components of net periodic benefit cost:						
Service cost	\$ 144	\$ 31	\$ 175	\$ 4	\$ 2	\$ 6
Interest cost	164	18	182	6	2	8
Expected return on assets	(218)	(17)	(235)	-	-	-
Amortization of prior service credit	(22)	(2)	(24)	(8)	-	(8)
Amortization of net loss	86	7	93	-	-	-
Curtailment gain	(179)	(1)	(180)	-	-	-
Net periodic benefit (income) cost	\$ (25)	\$ 36	\$ 11	\$ 2	\$ 4	\$ 6
Nine Months Ended September 30, 2014						
Components of net periodic benefit cost:						
Service cost	\$ 130	\$ 32	\$ 162	\$ 3	\$ 1	\$ 4
Interest cost	171	22	193	7	2	9
Expected return on assets	(215)	(17)	(232)	-	-	-
Amortization of prior service credit	(25)	(2)	(27)	(8)	-	(8)
Amortization of net loss	31	6	37	-	-	-
Net periodic benefit cost	\$ 92	\$ 41	\$ 133	\$ 2	\$ 3	\$ 5

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

13. INCOME TAXES

Interim Tax Calculation Method

We use the estimated annual effective tax rate method in computing our interim tax provision. Certain items, including those deemed to be unusual, infrequent or that cannot be reliably estimated, are excluded from the estimated annual effective tax rate. In these cases, the actual tax expense or benefit is reported in the same period as the related item. Certain tax effects are also not reflected in the estimated annual effective tax rate, primarily certain changes in the realizability of deferred tax assets and uncertain tax positions.

Interim Tax Expense (Benefit)

For the three-month period ended September 30, 2015, the effective tax rate on loss from continuing operations was not meaningful, due to a tax charge on a pre-tax loss. The tax charge was primarily due to increases in uncertain tax positions related to cross-border financing transactions, partially offset by tax benefits associated with tax-exempt interest income and the partial completion of the Internal Revenue Service examination covering tax year 2006.

For the nine-month period ended September 30, 2015, the effective tax rate on income from continuing operations was 34.5 percent. The effective tax rate on income from continuing operations for the nine-month period ended September 30, 2015 differs from the statutory tax rate of 35 percent primarily due to tax benefits associated with tax-exempt interest income, reclassifications from accumulated other comprehensive income to income from continuing operations related to the deferred tax asset valuation allowance previously released to accumulated other comprehensive income, and the partial completion of the Internal Revenue Service examination covering tax year 2006, partially offset by tax charges associated with increases in uncertain tax positions related to cross-border financing transactions and increases in the deferred tax asset valuation allowances associated with certain foreign jurisdictions. The nine-month period ended September 30, 2015 includes an increase in the deferred tax asset valuation allowance primarily attributable to the effects of changes in the Japanese tax law enacted on March 31, 2015, partially offset by changes in projections of future taxable income.

For the three- and nine-month periods ended September 30, 2014, the effective tax rate on income from continuing operations was 27.2 percent and 29.8 percent, respectively. The effective tax rate on income from continuing operations in both periods differs from the statutory tax rate of 35 percent primarily due to tax benefits associated with tax-exempt interest income and a decrease in the U.S. Life Insurance Companies' capital loss carryforward deferred tax asset valuation allowance.

Assessment of Deferred Tax Asset Valuation Allowance

The evaluation of the recoverability of our deferred tax asset and the need for a valuation allowance requires us to weigh all positive and negative evidence to reach a conclusion that it is more likely than not that all or some portion of the deferred tax asset will not be realized. The weight given to the evidence is commensurate with the extent to which it can be objectively verified. The more negative evidence that exists, the more positive evidence is necessary and the more difficult it is to support a conclusion that a valuation allowance is not needed.

Our framework for assessing the recoverability of the deferred tax asset requires us to consider all available evidence, including:

- the nature, frequency, and amount of cumulative financial reporting income and losses in recent years;

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

- the sustainability of recent operating profitability of our subsidiaries;
- the predictability of future operating profitability of the character necessary to realize the net deferred tax asset;
- the carryforward period for the net operating loss, capital loss and foreign tax credit carryforwards, including the effect of reversing taxable temporary differences; and
- prudent and feasible actions and tax planning strategies that would be implemented, if necessary, to protect against the loss of the deferred tax asset.

In performing our assessment of the recoverability of the deferred tax asset under this framework, we consider tax laws governing the utilization of the net operating loss, capital loss and foreign tax credit carryforwards in each applicable jurisdiction. Under U.S. tax law, a company generally must use its net operating loss carryforwards before it can use its foreign tax credit carryforwards, even though the carryforward period for the foreign tax credit is shorter than for the net operating loss. Our U.S. federal consolidated income tax group includes both life companies and non-life companies. While the U.S. taxable income of our non-life companies can be offset by the net operating loss carryforwards, only a portion (no more than 35 percent) of the U.S. taxable income of our life companies can be offset by those net operating loss carryforwards. The remaining tax liability of our life companies can be offset by the foreign tax credit carryforwards. Accordingly, we utilize both the net operating loss and foreign tax credit carryforwards concurrently which enables us to realize our tax attributes prior to expiration. As of September 30, 2015, based on all available evidence, it is more likely than not that the U.S. net operating loss and foreign tax credit carryforwards will be utilized prior to expiration and, thus, no valuation allowance has been established.

Estimates of future taxable income, including income generated from prudent and feasible actions and tax planning strategies could change in the near term, perhaps materially, which may require us to consider any potential impact to our assessment of the recoverability of the deferred tax asset. Such potential impact could be material to our consolidated financial condition or results of operations for an individual reporting period.

Changes in market conditions, including rising interest rates, may impact unrealized tax losses in the U.S. Life Insurance Companies' available for sale portfolio and could affect our assessment of the recoverability of the related deferred tax assets. The deferred tax asset relates to the unrealized losses for which the carryforward period has not yet begun, as such when assessing its recoverability we consider our ability and intent to hold the underlying securities to recovery.

During the three-month period ended September 30, 2015, we recognized an increase of \$8 million in our deferred tax asset valuation allowance associated with certain foreign jurisdictions.

During the nine-month period ended September 30, 2015, we recognized an increase of \$61 million in our deferred tax asset valuation allowance associated with certain foreign jurisdictions, primarily attributable to changes in the Japanese tax law enacted on March 31, 2015 partially offset by changes in projections of future taxable income.

Tax Examinations and Litigation

On March 29, 2013, the U.S. District Court for the Southern District of New York denied our motion for partial summary judgment related to the disallowance of foreign tax credits associated with cross border financing transactions. On March 17, 2014, the U.S. Court of Appeals for the Second Circuit (the Second Circuit) granted our petition for an immediate appeal of the partial summary judgment decision. On September 9, 2015, the Second Circuit affirmed the decision of the U.S. District Court for the Southern District of New York. On October 13, 2015, we filed a petition for a writ of certiorari to the U.S. Supreme Court.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

We will vigorously defend our position and believe we maintain adequate reserves for liabilities that could result upon the conclusion of the litigation and from Internal Revenue Service actions. We continue to monitor legal and other developments in this area, including recent decisions affecting other taxpayers, and evaluate the effect, if any, on our position.

Accounting for Uncertainty in Income Taxes

At both September 30, 2015 and December 31, 2014, our unrecognized tax benefits, excluding interest and penalties, were \$4.4 billion. The nine-month activity includes increases for amounts associated with cross border financing transactions partially offset by certain benefits realized due to the partial completion of the Internal Revenue Service examination covering tax year 2006. At September 30, 2015 and December 31, 2014, our unrecognized tax benefits related to tax positions that, if recognized, would not affect the effective tax rate because they relate to such factors as the timing, rather the permissibility, of the deduction were \$0.2 billion and \$0.3 billion, respectively. Accordingly, at September 30, 2015 and December 31, 2014, the amounts of unrecognized tax benefits that, if recognized, would favorably affect the effective tax rate were \$4.2 billion and \$4.1 billion, respectively.

Interest and penalties related to unrecognized tax benefits are recognized in income tax expense. At September 30, 2015 and December 31, 2014, we had accrued liabilities of \$1.2 billion and \$1.1 billion, respectively, for the payment of interest (net of the federal benefit) and penalties. For the nine-month periods ended September 30, 2015 and 2014, we accrued expense (benefit) of \$133 million and \$(64) million, respectively, for the payment of interest and penalties. The interest increase from December 31, 2014 was primarily due to increases in amounts associated with cross border financing transactions.

We regularly evaluate adjustments proposed by taxing authorities. At September 30, 2015, such proposed adjustments would not have resulted in a material change to our consolidated financial condition, although it is possible that the effect could be material to our consolidated results of operations for an individual reporting period. Although it is reasonably possible that a change in the balance of unrecognized tax benefits may occur within the next 12 months, based on the information currently available, we do not expect any change to be material to our consolidated financial condition.

14. INFORMATION PROVIDED IN CONNECTION WITH OUTSTANDING DEBT

The following Condensed Consolidating Financial Statements reflect the results of AIGLH, a holding company and a wholly owned subsidiary of AIG. AIG provides a full and unconditional guarantee of all outstanding debt of AIGLH.

Condensed Consolidating Balance Sheets

<i>(in millions)</i>	American International Group, Inc. (As Guarantor)	AIGLH	Other Subsidiaries	Reclassifications and Eliminations	Consolidated AIG
September 30, 2015					
Assets:					
Short-term investments	\$ 5,531	\$ -	\$ 7,234	\$ (357)	\$ 12,408
Other investments ^(a)	9,028	-	324,965	-	333,993
Total investments	14,559	-	332,199	(357)	346,401
Cash	20	3	1,546	-	1,569
Loans to subsidiaries ^(b)	31,354	-	543	(31,897)	-
Investment in consolidated subsidiaries ^(b)	59,411	32,486	-	(91,897)	-
Other assets, including deferred income taxes	25,428	260	130,952	(2,625)	154,015
Total assets	\$ 130,772	\$ 32,749	\$ 465,240	\$ (126,776)	\$ 501,985

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Liabilities:										
Insurance liabilities	\$	-	\$	-	\$	267,946	\$	-	\$	267,946
Long-term debt		20,794		707		9,218		-		30,719
Other liabilities, including intercompany balances ^(a)		10,439		185		96,104		(3,027)		103,701
Loans from subsidiaries ^(b)		540		-		31,357		(31,897)		-
Total liabilities		31,773		892		404,625		(34,924)		402,366
Total AIG shareholders' equity		98,999		31,857		59,995		(91,852)		98,999
Non-redeemable noncontrolling interests		-		-		620		-		620
Total equity		98,999		31,857		60,615		(91,852)		99,619
Total liabilities and equity	\$	130,772	\$	32,749	\$	465,240	\$	(126,776)	\$	501,985

December 31, 2014

Assets:										
Short-term investments	\$	6,078	\$	-	\$	6,231	\$	(1,066)	\$	11,243
Other investments ^(a)		11,415		-		333,108		-		344,523
Total investments		17,493		-		339,339		(1,066)		355,766
Cash		26		91		1,641		-		1,758
Loans to subsidiaries ^(b)		31,070		-		779		(31,849)		-
Investment in consolidated subsidiaries ^(b)		62,811		35,850		-		(98,661)		-
Other assets, including deferred income taxes		23,835		2,305		141,826		(9,909)		158,057
Total assets	\$	135,235	\$	38,246	\$	483,585	\$	(141,485)	\$	515,581
Liabilities:										
Insurance liabilities	\$	-	\$	-	\$	270,615	\$	-	\$	270,615
Long-term debt		21,190		820		9,207		-		31,217
Other liabilities, including intercompany balances ^(a)		6,196		2,314		108,189		(10,222)		106,477
Loans from subsidiaries ^(b)		951		-		30,898		(31,849)		-
Total liabilities		28,337		3,134		418,909		(42,071)		408,309
Total AIG shareholders' equity		106,898		35,112		64,302		(99,414)		106,898
Non-redeemable noncontrolling interests		-		-		374		-		374
Total equity		106,898		35,112		64,676		(99,414)		107,272
Total liabilities and equity	\$	135,235	\$	38,246	\$	483,585	\$	(141,485)	\$	515,581

(a) Includes intercompany derivative positions, which are reported at fair value before credit valuation adjustment.

(b) Eliminated in consolidation.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Condensed Consolidating Statements of Income

<i>(In millions)</i>	American International Group, Inc. (As Guarantor)	AIGLH	Other Subsidiaries	Reclassifications and Eliminations	Consolidated AIG
Three Months Ended September 30, 2015					
Revenues:					
Equity in earnings of consolidated subsidiaries*	\$ 717	\$ 222	\$ -	\$ (939)	\$ -
Other income	(221)	-	13,220	(177)	12,822
Total revenues	496	222	13,220	(1,116)	12,822
Expenses:					
Interest expense	254	14	83	(30)	321
Loss on extinguishment of debt	345	-	1	-	346
Other expenses	352	-	12,064	(146)	12,270
Total expenses	951	14	12,148	(176)	12,937
Income (loss) from continuing operations before income tax expense (benefit)	(455)	208	1,072	(940)	(115)
Income tax expense (benefit)	(224)	(6)	295	-	65
Income (loss) from continuing operations	(231)	214	777	(940)	(180)
Loss from discontinued operations, net of income taxes	-	-	(17)	-	(17)
Net income (loss)	(231)	214	760	(940)	(197)
Less:					
Net income from continuing operations attributable to noncontrolling interests	-	-	34	-	34
Net income (loss) attributable to AIG	\$ (231)	\$ 214	\$ 726	\$ (940)	\$ (231)
Three Months Ended September 30, 2014					
Revenues:					
Equity in earnings of consolidated subsidiaries*	\$ 2,661	\$ 1,315	\$ -	\$ (3,976)	\$ -
Other income	615	-	16,161	(79)	16,697
Total revenues	3,276	1,315	16,161	(4,055)	16,697
Expenses:					
Interest expense	378	22	62	(32)	430
Loss on extinguishment of debt	682	-	60	-	742
Other expenses	284	61	12,196	(35)	12,506
Total expenses	1,344	83	12,318	(67)	13,678
Income (loss) from continuing operations before income tax expense (benefit)	1,932	1,232	3,843	(3,988)	3,019
Income tax expense (benefit)	(261)	(33)	1,117	(3)	820
Income (loss) from continuing operations	2,193	1,265	2,726	(3,985)	2,199
Income (loss) from discontinued operations, net of income taxes	(1)	-	3	-	2
Net income (loss)	2,192	1,265	2,729	(3,985)	2,201
Less:					
Net income from continuing operations attributable to noncontrolling interests	-	-	9	-	9
Net income (loss) attributable to AIG	\$ 2,192	\$ 1,265	\$ 2,720	\$ (3,985)	\$ 2,192

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

<i>(in millions)</i>	American International Group, Inc. (As Guarantor)	AIGLH	Other Subsidiaries	Reclassifications and Eliminations	Consolidated AIG
Nine Months Ended September 30, 2015					
Revenues:					
Equity in earnings of consolidated subsidiaries*	\$ 5,793	\$ 1,744	\$ -	\$ (7,537)	\$ -
Other income	(57)	-	45,050	(497)	44,496
Total revenues	5,736	1,744	45,050	(8,034)	44,496
Expenses:					
Interest expense	810	44	213	(90)	977
Loss on extinguishment of debt	703	-	46	7	756
Other expenses	899	42	36,016	(407)	36,550
Total expenses	2,412	86	36,275	(490)	38,283
Income (loss) from continuing operations before income tax expense (benefit)	3,324	1,658	8,775	(7,544)	6,213
Income tax expense (benefit)	(714)	(69)	2,925	-	2,142
Income (loss) from continuing operations	4,038	1,727	5,850	(7,544)	4,071
Income (loss) from discontinued operations, net of income taxes	(1)	-	1	-	-
Net income (loss)	4,037	1,727	5,851	(7,544)	4,071
Less:					
Net income from continuing operations attributable to noncontrolling interests	-	-	34	-	34
Net income (loss) attributable to AIG	\$ 4,037	\$ 1,727	\$ 5,817	\$ (7,544)	\$ 4,037
Nine Months Ended September 30, 2014					
Revenues:					
Equity in earnings of consolidated subsidiaries*	\$ 8,149	\$ 2,789	\$ -	\$ (10,938)	\$ -
Other income	1,094	-	48,165	(263)	48,996
Total revenues	9,243	2,789	48,165	(11,201)	48,996
Expenses:					
Interest expense	1,210	80	180	(98)	1,372
Loss on extinguishment of debt	987	-	77	(50)	1,014
Other expenses	1,310	79	35,564	(115)	36,838
Total expenses	3,507	159	35,821	(263)	39,224
Income (loss) from continuing operations before income tax expense (benefit)	5,736	2,630	12,344	(10,938)	9,772
Income tax expense (benefit)	(1,137)	(54)	4,121	(22)	2,908
Income (loss) from continuing operations	6,873	2,684	8,223	(10,916)	6,864
Income (loss) from discontinued operations, net of income taxes	1	-	(16)	-	(15)
Net income (loss)	6,874	2,684	8,207	(10,916)	6,849
Less:					
Net loss from continuing operations attributable to noncontrolling interests	-	-	(25)	-	(25)
Net income (loss) attributable to AIG	\$ 6,874	\$ 2,684	\$ 8,232	\$ (10,916)	\$ 6,874

* Eliminated in consolidation.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Condensed Consolidating Statements of Comprehensive Income

<i>(in millions)</i>	American International Group, Inc. (As Guarantor)	AIGLH	Other Subsidiaries	Reclassifications and Eliminations	Consolidated AIG
Three Months Ended September 30, 2015					
Net income (loss)	\$ (231)	\$ 214	\$ 760	\$ (940)	\$ (197)
Other comprehensive income (loss)	(1,063)	(548)	187	360	(1,064)
Comprehensive income (loss)	(1,294)	(334)	947	(580)	(1,261)
Total comprehensive income attributable to noncontrolling interests	-	-	33	-	33
Comprehensive income (loss) attributable to AIG	\$ (1,294)	\$ (334)	\$ 914	\$ (580)	\$ (1,294)
Three Months Ended September 30, 2014					
Net income (loss)	\$ 2,192	\$ 1,265	\$ 2,729	\$ (3,985)	\$ 2,201
Other comprehensive income (loss)	(180)	(259)	(1,885)	2,143	(181)
Comprehensive income (loss)	2,012	1,006	844	(1,842)	2,020
Total comprehensive income attributable to noncontrolling interests	-	-	8	-	8
Comprehensive income (loss) attributable to AIG	\$ 2,012	\$ 1,006	\$ 836	\$ (1,842)	\$ 2,012
Nine Months Ended September 30, 2015					
Net income (loss)	\$ 4,037	\$ 1,727	\$ 5,851	\$ (7,544)	\$ 4,071
Other comprehensive income (loss)	(4,060)	3,942	52,820	(56,766)	(4,064)
Comprehensive income (loss)	(23)	5,669	58,671	(64,310)	7
Total comprehensive income attributable to noncontrolling interests	-	-	30	-	30
Comprehensive income (loss) attributable to AIG	\$ (23)	\$ 5,669	\$ 58,641	\$ (64,310)	\$ (23)
Nine Months Ended September 30, 2014					
Net income (loss)	\$ 6,874	\$ 2,684	\$ 8,207	\$ (10,916)	\$ 6,849
Other comprehensive income (loss)	4,971	2,522	1,848	(4,371)	4,970
Comprehensive income (loss)	11,845	5,206	10,055	(15,287)	11,819
Total comprehensive loss attributable to noncontrolling interests	-	-	(26)	-	(26)
Comprehensive income (loss) attributable to AIG	\$ 11,845	\$ 5,206	\$ 10,081	\$ (15,287)	\$ 11,845

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Condensed Consolidating Statements of Cash Flows

<i>(in millions)</i>	American International Group, Inc. (As Guarantor)	AIGLH	Other Subsidiaries*	Reclassifications and Eliminations*	Consolidated AIG
Nine Months Ended September 30, 2015					
Net cash provided by operating activities	3,675	1,386	508	(3,335)	2,234
Cash flows from investing activities:					
Sales of investments	5,610	-	52,234	(3,363)	54,481
Purchase of investments	(1,373)	-	(49,465)	3,363	(47,475)
Loans to subsidiaries - net	(1,227)	-	2,690	(1,463)	-
Contributions to subsidiaries - net	-	-	-	-	-
Net change in restricted cash	-	-	1,476	-	1,476
Net change in short-term investments	1,940	-	(2,968)	-	(1,028)
Other, net	(4)	-	(770)	-	(774)
Net cash provided by investing activities	4,946	-	3,197	(1,463)	6,680
Cash flows from financing activities:					
Issuance of long-term debt	5,540	-	909	-	6,449
Repayments of long-term debt	(5,728)	(115)	(2,500)	-	(8,343)
Purchase of Common Stock	(7,473)	-	-	-	(7,473)
Intercompany loans - net	(236)	-	(1,227)	1,463	-
Cash dividends paid	(687)	(1,359)	(1,976)	3,335	(687)
Other, net	(43)	-	1,033	-	990
Net cash (used in) financing activities	(8,627)	(1,474)	(3,761)	4,798	(9,064)
Effect of exchange rate changes on cash	-	-	(39)	-	(39)
Change in cash	(6)	(88)	(95)	-	(189)
Cash at beginning of year	26	91	1,641	-	1,758
Reclassification to assets held for sale	-	-	-	-	-
Cash at end of period	\$ 20	\$ 3	\$ 1,546	\$ -	\$ 1,569

Nine Months Ended September 30, 2014

Net cash provided by operating activities	7,228	4,333	3,979	(11,183)	4,357
Cash flows from investing activities:					
Sales of investments	2,032	-	45,254	(725)	46,561
Purchase of investments	(1,257)	-	(42,549)	725	(43,081)
Loans to subsidiaries - net	(1,687)	-	327	1,360	-
Contributions from (to) subsidiaries - net	77	-	-	(77)	-
Net change in restricted cash	(5)	-	(655)	-	(660)
Net change in short-term investments	2,947	-	(605)	-	2,342
Other, net	(61)	-	(234)	-	(295)
Net cash provided by investing activities	2,046	-	1,538	1,283	4,867

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Cash flows from financing activities:					
Issuance of long-term debt	2,489	-	3,338	-	5,827
Repayments of long-term debt	(7,368)	(165)	(4,028)	-	(11,561)
Intercompany loans - net	(47)	(279)	1,686	(1,360)	-
Purchase of common stock	(3,403)	-	-	-	(3,403)
Cash dividends paid to shareholders	(539)	(3,931)	(7,252)	11,183	(539)
Other, net	(324)	-	322	77	75
Net cash (used in) financing activities	(9,192)	(4,375)	(5,934)	9,900	(9,601)
Effect of exchange rate changes on cash	-	-	(19)	-	(19)
Change in cash	82	(42)	(436)	-	(396)
Cash at beginning of year	30	51	2,160	-	2,241
Change in cash of businesses held for sale	-	-	88	-	88
Cash at end of period	\$ 112	\$ 9	\$ 1,812	\$ -	\$ 1,933

Supplementary Disclosure of Condensed Consolidating Cash Flow Information

<i>(in millions)</i>	American International Group, Inc. (As Guarantor)	AIGLH	Other Subsidiaries*	Reclassifications and Eliminations*	Consolidated AIG
Cash (paid) received during the 2015 period for:					
Interest:					
Third party	\$ (846)	\$ (57)	\$ (209)	\$ -	\$ (1,112)
Intercompany	-	-	-	-	-
Taxes:					
Income tax authorities	\$ (17)	\$ -	\$ (389)	\$ -	\$ (406)
Intercompany	1,769	-	(1,769)	-	-
Cash (paid) received during the 2014 period for:					
Interest:					
Third party	\$ (1,238)	\$ (87)	\$ (1,171)	\$ -	\$ (2,496)
Intercompany	(1)	(7)	8	-	-
Taxes:					
Income tax authorities	\$ (18)	\$ -	\$ (596)	\$ -	\$ (614)
Intercompany	1,348	-	(1,348)	-	-

American International Group, Inc. (As Guarantor) supplementary disclosure of non-cash activities:

<i>(in millions)</i>	2015	2014
Nine Months Ended September 30,		
Intercompany non-cash financing and investing activities:		
Capital contributions	\$ 111	\$ 993
Dividends received in the form of securities	1,997	1,538
Return of capital*	-	4,836
Consideration received from sale of shares of AerCap	500	-

* Includes \$4.8 billion return of capital from AIG Capital Corporation related to the sale of ILFC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

15. SUBSEQUENT EVENTS

Dividends Declared

On November 2, 2015, our Board of Directors declared a cash dividend on AIG Common Stock of \$0.28 per share, payable on December 21, 2015 to shareholders of record on December 7, 2015. This dividend will result in an adjustment to the exercise price of the outstanding warrants (the Warrants) to purchase shares of AIG Common Stock and an adjustment to the number of shares of AIG Common Stock receivable upon Warrant exercise. The exact adjustments, determined by a formula set forth in the Warrant Agreement, will become calculable on December 2, 2015, the day prior to the ex-dividend date. The payment of any future dividends will be at the discretion of our Board of Directors and will depend on various factors, including the regulatory framework applicable to us.

See Note 10 to the Condensed Consolidated Financial Statements.

ITEM 2 / MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GLOSSARY AND ACRONYMS OF SELECTED INSURANCE TERMS AND REFERENCES

Throughout this Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A), we use certain terms and abbreviations, which are summarized in the Glossary and Acronyms.

American International Group, Inc. (AIG) has incorporated into this discussion a number of cross-references to additional information included throughout this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2014 (2014 Annual Report) to assist readers seeking additional information related to a particular subject.

In this Quarterly Report on Form 10-Q, unless otherwise mentioned or unless the context indicates otherwise, we use the terms "AIG," the "Company," "we," "us" and "our" to refer to American International Group, Inc., a Delaware corporation, and its consolidated subsidiaries. We use the term "AIG Parent" to refer solely to American International Group, Inc., and not to any of its consolidated subsidiaries.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Quarterly Report on Form 10-Q and other publicly available documents may include, and officers and representatives of AIG may from time to time make, projections, goals, assumptions and statements that may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These projections, goals, assumptions and statements are not historical facts but instead represent only our belief regarding future events, many of which, by their nature, are inherently uncertain and outside our control. These projections, goals, assumptions and statements include statements preceded by, followed by or including words such as "believe," "anticipate," "expect," "intend," "plan," "view," "target" or "estimate." These projections, goals, assumptions and statements may address, among other things, our:

- exposures to subprime mortgages, monoline insurers, the residential and commercial real estate markets, state and municipal bond issuers, sovereign bond issuers, the energy sector and currency exchange rates;
- exposure to European governments and European financial institutions;
- strategy for risk management;
- generation of deployable capital;
- strategies to increase return on equity and earnings per share;
- strategies to grow net investment income, efficiently manage capital, grow book value per share, and reduce expenses;
- anticipated restructuring charges and annual cost savings;
- strategies for customer retention, growth, product development, market position, financial results and reserves; and
- subsidiaries' revenues and combined ratios.

It is possible that our actual results and financial condition will differ, possibly materially, from the results and financial condition indicated in these projections, goals, assumptions and statements. Factors that could cause our actual results to differ, possibly materially, from those in the specific projections, goals, assumptions and statements include:

- changes in market conditions;
- the occurrence of catastrophic events, both natural and man-made;
- significant legal proceedings;
- the timing and applicable requirements of any new regulatory framework to which we are subject as a nonbank systemically important financial institution (SIFI) and as a global systemically important insurer (G-SII);
- concentrations in our investment portfolios;
- actions by credit rating agencies;
- judgments concerning casualty insurance underwriting and insurance liabilities;
- judgments concerning the recognition of deferred tax assets;
- judgments concerning estimated restructuring charges and estimated cost savings;
- such other factors discussed in:
 - Part I, Item 2. MD&A and Part II, Item 1A. Risk Factors of this Quarterly Report on Form 10-Q;
 - Part I, Item 2. MD&A of the Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2015 and June 30, 2015; and
 - Part I, Item 1A. Risk Factors and Part II, Item 7. MD&A of the 2014 Annual Report.

We are not under any obligation (and expressly disclaim any obligation) to update or alter any projections, goals, assumptions or other statements, whether written or oral, that may be made from time to time, whether as a result of new information, future events or otherwise.

The MD&A is organized as follows:

INDEX TO ITEM 2

	Page
USE OF NON-GAAP MEASURES	75
EXECUTIVE OVERVIEW	78
Executive Summary	79
Strategic Outlook	84
RESULTS OF OPERATIONS	91
Segment Results	93
Commercial Insurance	95
Consumer Insurance	110
Corporate and Other	128
INVESTMENTS	130
Overview	130
Investment Highlights	130
Investment Strategies	130
Investments	131
Credit Ratings	134
Available for Sale Investments	136
Impairments	144
INSURANCE RESERVES	149
Non-Life Insurance Companies	149
Life Insurance Companies DAC and Reserves	157
LIQUIDITY AND CAPITAL RESOURCES	162
Overview	162
Analysis of Sources and Uses of Cash	164
Liquidity and Capital Resources of AIG Parent and Subsidiaries	166
Credit Facilities	169
Contingent Liquidity Facilities	169
Contractual Obligations	170
Off-Balance Sheet Arrangements and Commercial Commitments	171
Debt	173
Credit Ratings	175
Regulation and Supervision	176
Dividends and Repurchases of AIG Common Stock	176
Dividend Restrictions	177
ENTERPRISE RISK MANAGEMENT	177
Overview	177
Credit Risk Management	177
Market Risk Management	178
Liquidity Risk Management	181
CRITICAL ACCOUNTING ESTIMATES	182
REGULATORY ENVIRONMENT	183
Glossary	184
Acronyms	187

USE OF NON-GAAP MEASURES

Throughout this MD&A, we present our financial condition and results of operations in the way we believe will be most meaningful and representative of our business results. Some of the measurements we use are “non-GAAP financial measures” under SEC rules and regulations. GAAP is the acronym for “accounting principles generally accepted in the United States.” The non-GAAP financial measures we present may not be comparable to similarly-named measures reported by other companies.

Book Value Per Share Excluding Accumulated Other Comprehensive Income (AOCI) and Book Value Per Share Excluding AOCI and Deferred Tax Assets (DTA) are used to show the amount of our net worth on a per-share basis. We believe these measures are useful to investors because they eliminate the effect of non-cash items that can fluctuate significantly from period to period, including changes in fair value of our available for sale securities portfolio, foreign currency translation adjustments and U.S. tax attribute deferred tax assets. Deferred tax assets represent U.S. tax attributes related to net operating loss carryforwards and foreign tax credits. Amounts are estimates based on projections of full-year attribute utilization. Book Value Per Share Excluding AOCI is derived by dividing Total AIG shareholders’ equity, excluding AOCI, by Total common shares outstanding. Book Value Per Share Excluding AOCI and DTA is derived by dividing Total AIG shareholders’ equity, excluding AOCI and DTA, by Total common shares outstanding. The reconciliation to book value per common share, the most comparable GAAP measure, is presented in the Executive Overview section of this MD&A.

Return on Equity – After-tax Operating Income Excluding AOCI and Return on Equity – After-tax Operating Income Excluding AOCI and DTA are used to show the rate of return on shareholders’ equity. We believe these measures are useful to investors because they eliminate the effect of non-cash items that can fluctuate significantly from period to period, including changes in fair value of our available for sale securities portfolio, foreign currency translation adjustments and U.S. tax attribute deferred tax assets. Deferred tax assets represent U.S. tax attributes related to net operating loss carryforwards and foreign tax credits. Amounts are estimates based on projections of full-year attribute utilization. Return on Equity – After-tax Operating Income Excluding AOCI is derived by dividing actual or annualized after-tax operating income attributable to AIG by average AIG shareholders’ equity, excluding average AOCI. Return on Equity – After-tax Operating Income Excluding AOCI and DTA is derived by dividing actual or annualized after-tax operating income attributable to AIG by average AIG shareholders’ equity, excluding average AOCI and DTA. The reconciliation to return on equity, the most comparable GAAP measure, is presented in the Executive Overview section of this MD&A.

We use the following operating performance measures because we believe they enhance the understanding of the underlying profitability of continuing operations and trends of our business segments. We believe they also allow for more meaningful comparisons with our insurance competitors. When we use these measures, reconciliations to the most comparable GAAP measure are provided in the Results of Operations section of this MD&A on a consolidated basis.

After-tax operating income attributable to AIG is derived by excluding the following items from net income attributable to AIG:

- deferred income tax valuation allowance releases and charges;
- changes in fair value of fixed maturity securities designated to hedge living benefit liabilities (net of interest expense);
- changes in benefit reserves and deferred policy acquisition costs (DAC), value of business acquired (VOBA), and sales inducement assets (SIA) related to net realized capital gains and losses;
- other income and expense — net, related to Corporate and Other run-off insurance lines;
- loss on extinguishment of debt;
- net realized capital gains and losses;
- non-qualifying derivative hedging activities, excluding net realized capital gains and losses;
- income or loss from discontinued operations;
- income and loss from divested businesses, including:
 - gain on the sale of International Lease Finance Corporation (ILFC); and
 - certain post-acquisition transaction expenses incurred by AerCap Holdings N.V. (AerCap) in connection with its acquisition of ILFC and the difference between expensing AerCap's maintenance rights assets over the remaining lease term as compared to the remaining economic life of the related aircraft and related tax effects;
- legacy tax adjustments primarily related to certain changes in uncertain tax positions and other tax adjustments;
- non-operating litigation reserves and settlements;
- reserve development related to non-operating run-off insurance business; and
- restructuring and other costs related to initiatives designed to reduce operating expenses, improve efficiency and simplify our organization.

We use the following operating performance measures within our Commercial Insurance and Consumer Insurance reportable segments as well as Corporate and Other.

Commercial Insurance: Property Casualty and Mortgage Guaranty; Consumer Insurance: Personal Insurance

- **Pre-tax operating income:** includes both underwriting income and loss and net investment income, but excludes net realized capital gains and losses, other income and expense — net, and non-operating litigation reserves and settlements. Underwriting income and loss is derived by reducing net premiums earned by losses and loss adjustment expenses incurred, acquisition expenses and general operating expenses.
- **Ratios:** We, along with most property and casualty insurance companies, use the loss ratio, the expense ratio and the combined ratio as measures of underwriting performance. These ratios are relative measurements that describe, for every \$100 of net premiums earned, the amount of losses and loss adjustment expenses, and the amount of other underwriting expenses that would be incurred. A combined ratio of less than 100 indicates underwriting income and a combined ratio of over 100 indicates an underwriting loss. The underwriting environment varies across countries and products, as does the degree of litigation activity, all of which affect such ratios. In addition, investment returns, local taxes, cost of capital, regulation, product type and competition can have an effect on pricing and consequently on profitability as reflected in underwriting income and associated ratios.
- **Accident year loss and combined ratios, as adjusted:** both the accident year loss and combined ratios, as adjusted, exclude catastrophe losses and related reinstatement premiums, prior year development, net of premium adjustments, and the impact of reserve discounting. Catastrophe losses are generally weather or seismic events having a net impact in excess of \$10 million each.

Commercial Insurance: Institutional Markets; Consumer Insurance: Retirement and Life

• **Pre-tax operating income** is derived by excluding the following items from pre-tax income:

- changes in fair values of fixed maturity securities designated to hedge living benefit liabilities (net of interest expense);
- net realized capital gains and losses;
- changes in benefit reserves and DAC, VOBA and SIA related to net realized capital gains and losses; and
- non-operating litigation reserves and settlements.

• **Premiums and deposits:** includes direct and assumed amounts received and earned on traditional life insurance policies, group benefit policies and life-contingent payout annuities, as well as deposits received on universal life, investment-type annuity contracts and mutual funds.

• **Corporate and Other — Pre-tax operating income and loss** is derived by excluding the following items from pre-tax income and loss:

- loss on extinguishment of debt;
- net realized capital gains and losses;
- changes in benefit reserves and DAC, VOBA and SIA related to net realized capital gains and losses;
- income and loss from divested businesses, including Aircraft Leasing;
- net gain or loss on sale of divested businesses, including:
 - gain on the sale of ILFC; and
 - certain post-acquisition transaction expenses incurred by AerCap in connection with its acquisition of ILFC and the difference between expensing AerCap's maintenance rights assets over the remaining lease term as compared to the remaining economic life of the related aircraft and our share of AerCap's income taxes;
- non-operating litigation reserves and settlements;
- reserve development related to non-operating run-off insurance business; and
- restructuring and other costs related to initiatives designed to reduce operating expenses, improve efficiency and simplify our organization.

Results from discontinued operations are excluded from all of these measures.

EXECUTIVE OVERVIEW

This overview of the MD&A highlights selected information and may not contain all of the information that is important to current or potential investors in AIG's securities. You should read this Quarterly Report on Form 10-Q, together with the 2014 Annual Report, in its entirety for a complete description of events, trends, uncertainties, risks and critical accounting estimates affecting us.

We report our results of operations as follows:

- **Commercial Insurance** – Commercial Insurance offers insurance products and services to commercial and institutional customers worldwide. Commercial Insurance product lines include Casualty, Property, Specialty, Financial, Mortgage Insurance and Institutional Markets. Commercial Insurance products are distributed through a diversified multichannel distribution network that includes independent insurance brokers, banks, mortgage lenders, specialized marketing and consulting firms.
- **Consumer Insurance** – Consumer Insurance offers a broad portfolio of retirement, life insurance and property casualty products and services to individuals and groups. Consumer Insurance products include term life, whole life, universal life, accident & health (A&H), variable and index annuities, fixed annuities, group retirement plans, mutual funds, financial planning, automobile and homeowners insurance, travel insurance, and warranty and service programs. Consumer Insurance offers its products and services through a diverse, multi-channel distribution network that includes broker-dealers, agencies and independent marketing organizations, banks, brokers, partnerships, travel agents, affiliated agents and financial advisors, and direct-to-consumer platforms.
- **Corporate and Other** – Corporate and Other consists of income from assets held by AIG Parent and other corporate subsidiaries, general operating expenses not attributable to specific reportable segments and interest expense. It also includes run-off lines of insurance business, including excess workers' compensation, asbestos and legacy environmental (1986 and prior), certain environmental liability businesses, certain healthcare coverage, and certain long-duration business, primarily in Japan and the U.S.

As a result of the progress of the wind down and de-risking activities of the Direct Investment book (DIB) and the derivative portfolio of AIG Financial Products Corp. and related subsidiaries (collectively, AIGFP) included within Global Capital Markets (GCM), AIG has discontinued separate reporting of the DIB and GCM. Their results are reported within Income from other assets, net, beginning with the first quarter of 2015. This reporting aligns with the manner in which AIG manages its financial resources. Prior periods are presented in the historical format for informational purposes. AIG borrowings supported by assets continue to be managed as such with assets allocated to support the timely repayment of those liabilities. Assets previously held in the DIB and GCM that are otherwise not required to meet the obligations and capital requirements of the DIB and GCM have been made available to AIG Parent.

As part of our broad and on-going efforts to transform AIG for long-term competitiveness, during the quarter we finalized a series of initiatives that will focus on organizational simplification, operational efficiency, and business rationalization which are expected to generate pre-tax annualized savings of approximately \$0.4 billion to \$0.5 billion when fully implemented. These initiatives are expected to result in pre-tax restructuring and other costs of approximately \$0.5 billion including approximately \$0.3 billion of employee severance and one-time termination benefits, concentrated initially among management's senior levels. Further staff reductions are anticipated in 2016. Approximately half of the remaining \$0.2 billion relates to costs associated with modernization of information technology platforms, with the balance relating to costs associated with consolidation of legal entities and exiting lower return lines of business. Results for the third quarter of 2015 include approximately \$274 million of pre-tax restructuring and other costs, with the remainder expected to be recognized through 2017. We expect approximately \$0.3 billion of the aggregate pre-tax costs to result in cash expenditures.

We will continue to evaluate lines of business, market segments and geographies within our Commercial and Consumer Insurance businesses. As decisions are made to exit lines of business, we expect to report their operating results within "Run-

off insurance lines” as a component of Corporate and Other, and prior periods’ presentation may be revised to conform to the new structure.

Executive Summary

Financial Performance

Commercial Insurance pre-tax operating income decreased in the three- and nine-month periods ended September 30, 2015, compared to the same periods in the prior year primarily due to lower net investment income in Property Casualty and Institutional Markets, which was primarily due to lower alternative investment income performance.

Consumer Insurance pre-tax operating income decreased in the three-month period ended September 30, 2015, compared to the same period in the prior year, reflecting lower net investment income, primarily due to alternative investment income performance, and less favorable adjustments to reflect an update of actuarial assumptions compared to the same period in the prior year. These decreases were partially offset by higher policy and advisory fees in the three-month period ended September 30, 2015 compared to the same period in the prior year, driven by growth in separate account assets under management in Retirement. Pre-tax operating income decreased in the nine-month period ended September 30, 2015, compared to the same period in the prior year primarily due to the same factors as the three-month period, as well as lower base net investment income and less favorable mortality experience in Life.

Our investment portfolio performance declined in the three- and nine-month periods ended September 30, 2015, compared to the same periods in the prior year due to lower income on alternative investments, primarily related to hedge fund performance, lower income on investments for which the fair value option was elected, and lower reinvestment yields.

Net realized capital gains decreased, with net losses in the three-month period ended September 30, 2015, compared to net gains in the same period in the prior year, due to lower realized capital gains from sales of investments, an increase in other-than-temporary impairment charges, and foreign exchange transaction losses compared to foreign exchange transaction gains in the prior year. Net realized capital gains increased in the nine-month period ended September 30, 2015, compared to the same period in the prior year, due to higher realized capital gains from sales of equity securities and fair value gains on embedded derivatives related to variable annuity guarantee features, net of hedges, compared to fair value losses in the same period in the prior year, partially offset by an increase in other-than-temporary impairment charges.

Our Performance – Selected Indicators

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
<i>(in millions, except per share data and ratios)</i>				
Results of operations data:				
Total revenues	\$ 12,822	\$ 16,697	\$ 44,496	\$ 48,996
Income (loss) from continuing operations	(180)	2,199	4,071	6,864
Net income (loss) attributable to AIG	(231)	2,192	4,037	6,874
Net Income (loss) per common share attributable to AIG (diluted)	(0.18)	1.52	2.97	4.71
After-tax operating income attributable to AIG	\$ 691	\$ 1,722	\$ 4,275	\$ 5,259
After-tax operating income per common share attributable to AIG (diluted)	0.52	1.19	3.15	3.60
Key metrics:				
Commercial Insurance				
Pre-tax operating income	\$ 815	\$ 1,240	\$ 3,777	\$ 4,286
Property Casualty combined ratio	102.7	102.1	99.6	99.2
Property Casualty accident year combined ratio, as adjusted	96.6	92.7	94.9	94.2
Property Casualty net premiums written	\$ 5,202	\$ 5,509	\$ 15,832	\$ 16,328
Mortgage Guaranty domestic first-lien new insurance written	14,483	12,643	40,215	31,305
Institutional Markets premiums and deposits	159	2,840	985	3,182
Consumer Insurance				
Pre-tax operating income	\$ 657	\$ 1,264	\$ 2,625	\$ 3,551
Personal Insurance combined ratio	99.6	99.4	100.9	100.4
Personal Insurance accident year combined ratio, as adjusted	99.2	99.1	100.0	99.5
Personal Insurance net premiums written	\$ 3,016	\$ 3,241	\$ 8,861	\$ 9,546
Retirement premiums and deposits	6,625	5,863	18,204	18,033
Life premiums and deposits	1,223	1,163	3,695	3,557
Life Insurance Companies assets under management	332,886	333,978	332,886	333,978
			September 30,	December 31,
			2015	2014
<i>(in millions, except per share data)</i>				
Balance sheet data:				
Total assets			\$ 501,985	\$ 515,581
Long-term debt			30,719	31,217
Total AIG shareholders' equity			98,999	106,898
Book value per common share			79.40	77.69
Book value per common share, excluding AOCI			74.14	69.98
Book value per common share, excluding AOCI and DTA			61.91	58.23

	Three Months Ended September 30,		Nine Months Ended September 30,		Year Ended December 31,
	2015	2014	2015	2014	2014
Return on equity	(0.9) %	8.1 %	5.1 %	8.7 %	7.1 %
Return on equity - after-tax operating income, excluding AOCI	2.9	7.1	6.0	7.3	6.9
Return on equity - after-tax operating income, excluding AOCI and DTA	3.5	8.5	7.1	8.9	8.4

The following table presents a reconciliation of Book value per common share to Book value per common share, excluding AOCI, and Book value per common share, excluding AOCI and DTA, which are non-GAAP measures. See Use of Non-GAAP Measures for additional information.

	September 30, 2015	December 31, 2014
<i>(in millions, except per share data)</i>		
Total AIG shareholders' equity	\$ 98,999	\$ 106,898
Accumulated other comprehensive income	6,557	10,617
Total AIG shareholders' equity, excluding AOCI	92,442	96,281
Deferred tax assets	15,252	16,158
Total AIG shareholders' equity, excluding AOCI and DTA	\$ 77,190	\$ 80,123
Total common shares outstanding	1,246,794,615	1,375,926,971
Book value per common share	\$ 79.40	\$ 77.69
Book value per common share, excluding AOCI	74.14	69.98
Book value per common share, excluding AOCI and DTA	\$ 61.91	\$ 58.23

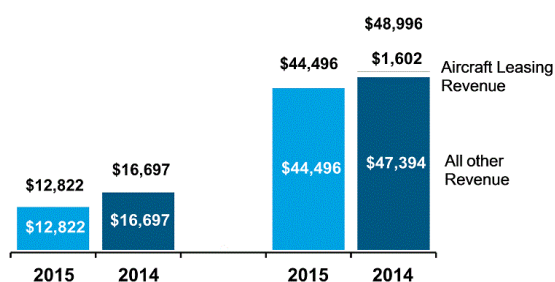
The following table presents a reconciliation of Return on equity to Return on equity, after-tax operating income, excluding AOCI, and Return on equity, after-tax operating income, excluding AOCI and DTA, which are non-GAAP measures. See Use of Non-GAAP Measures for additional information.

	Three Months Ended September 30,		Nine Months Ended September 30,		Year Ended December 31,
	2015	2014	2015	2014	2014
<i>(dollars in millions)</i>					
Actual or annualized net income (loss) attributable to AIG	\$ (924)	\$ 8,768	\$ 5,383	\$ 9,165	\$ 7,529
Actual or annualized after-tax operating income attributable to AIG	2,764	6,888	5,700	7,012	6,630
Average AIG Shareholders' equity	101,629	108,371	104,534	105,261	105,589
Average AOCI	7,089	11,421	8,863	9,571	9,781
Average AIG Shareholders' equity, excluding average AOCI	94,540	96,950	95,671	95,690	95,808
Average DTA	15,271	15,790	15,567	16,724	16,611
Average AIG Shareholders' equity, excluding average AOCI and DTA	\$ 79,269	\$ 81,160	\$ 80,104	\$ 78,966	\$ 79,197
ROE	(0.9) %	8.1 %	5.1 %	8.7 %	7.1 %
ROE - after-tax operating income, excluding AOCI	2.9	7.1	6.0	7.3	6.9
ROE - after-tax operating income, excluding AOCI and DTA	3.5	8.5	7.1	8.9	8.4

TOTAL REVENUES

(in millions)

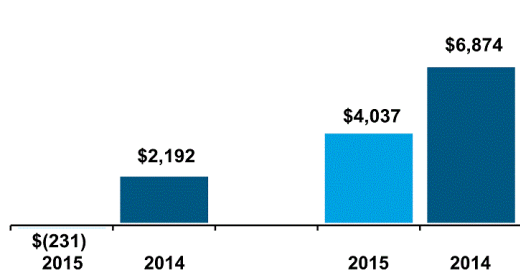
Three Months Ended September 30, Nine Months Ended September 30,



NET INCOME (LOSS) ATTRIBUTABLE TO AIG

(in millions)

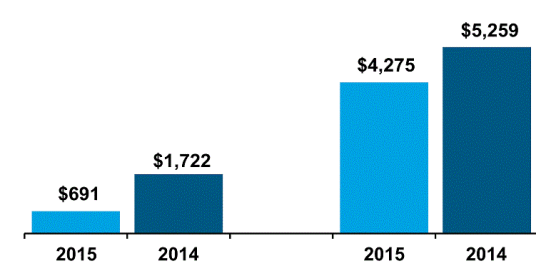
Three Months Ended September 30, Nine Months Ended September 30,



AFTER-TAX OPERATING INCOME ATTRIBUTABLE TO AIG (excludes net realized capital gains and certain other items)

(in millions)

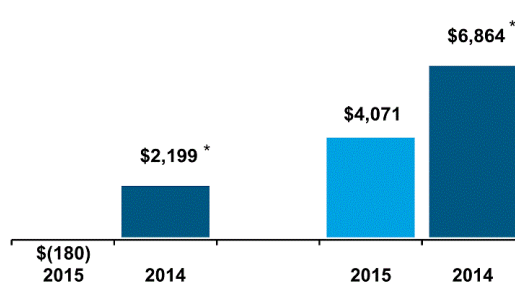
Three Months Ended September 30, Nine Months Ended September 30,



INCOME (LOSS) FROM CONTINUING OPERATIONS

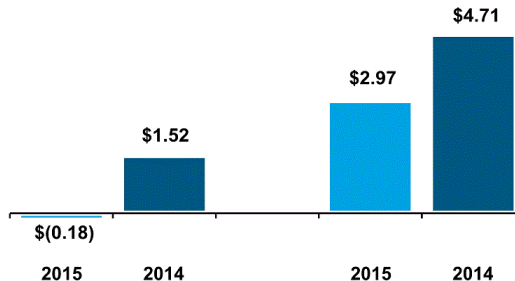
(in millions)

Three Months Ended September 30, Nine Months Ended September 30,



NET INCOME (LOSS) PER COMMON SHARE ATTRIBUTABLE TO AIG (DILUTED)

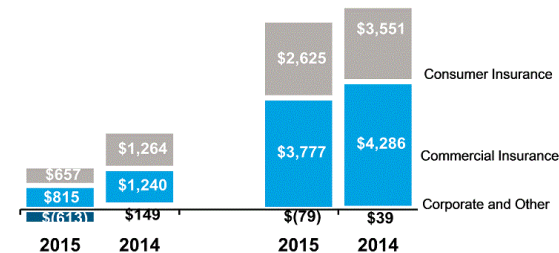
Three Months Ended September 30, Nine Months Ended September 30,



PRE-TAX OPERATING INCOME (LOSS) BY SEGMENT

(in millions)

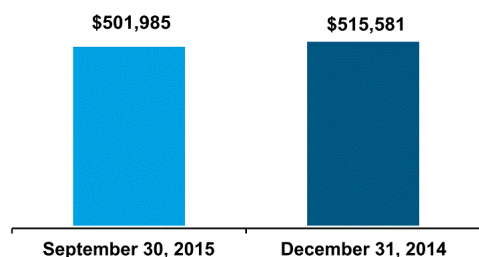
Three Months Ended September 30, Nine Months Ended September 30,



* Includes a gain of \$1.4 billion associated with the completion of the sale of ILFC.

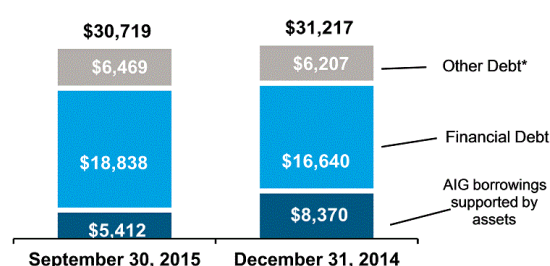
TOTAL ASSETS

(in millions)



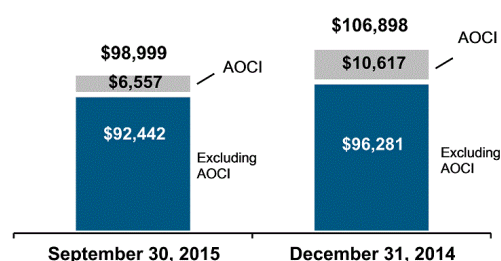
LONG-TERM DEBT

(in millions)

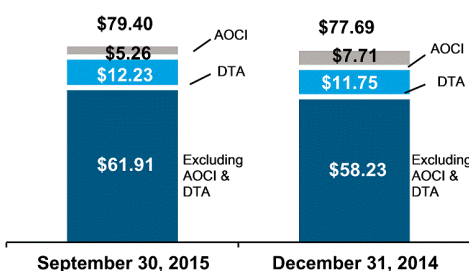


TOTAL AIG SHAREHOLDERS' EQUITY

(in millions)



BOOK VALUE PER COMMON SHARE, BOOK VALUE PER COMMON SHARE EXCLUDING AOCI AND BOOK VALUE PER COMMON SHARE EXCLUDING AOCI AND DTA



* Includes operating borrowings of other subsidiaries and consolidated investments and hybrid debt securities.

Investment Highlights

Net investment income decreased to \$3.2 billion and \$10.9 billion in the three- and nine-month periods ended September 30, 2015, respectively, compared to \$4.0 billion and \$12.1 billion, respectively, in the same periods in the prior year due to lower income on alternative investments, primarily related to hedge fund performance, lower income on assets for which the fair value option was elected, and lower reinvestment yields. While corporate debt securities represented the core of new investment allocations, we continued to make investments in structured securities, mortgage loans and other fixed income investments with favorable risk versus return characteristics to improve yields and increase net investment income.

Net unrealized gains in our available for sale portfolio decreased to approximately \$13.0 billion as of September 30, 2015, from approximately \$19.0 billion as of December 31, 2014, primarily due to a widening of credit spreads.

The overall credit rating of our fixed maturity securities portfolio remains largely unchanged from December 31, 2014.

Liquidity and Capital Resources Highlights

We reduced our debt by \$498 million in the nine-month period ended September 30, 2015, primarily as a result of maturities, repayments and repurchases of \$8.5 billion, offset in part by new debt issuances of \$6.5 billion.

We maintained financial flexibility at AIG Parent in the nine-month period ended September 30, 2015 through \$2.7 billion in dividends in the form of cash and fixed maturity securities from our Non-Life Insurance Companies and \$4.6 billion in dividends and loan repayments in the form of cash and fixed maturity securities from our Life Insurance Companies. The dividends that AIG Parent received in the nine-month period ended September 30, 2015 included \$2.8 billion of dividends that were declared during the fourth quarter of 2014.

Our Board of Directors increased our share repurchase authorization of AIG Common Stock, par value \$2.50 per share (AIG Common Stock), by an additional \$5.0 billion on August 3, 2015. As of October 31, 2015, approximately \$2.9 billion remained under our repurchase authorization. During the nine-month period ended September 30, 2015, we repurchased approximately 129 million shares of AIG Common Stock for an aggregate purchase price of approximately \$7.5 billion. The total number of shares of AIG Common Stock repurchased in the nine-month period ended September 30, 2015 includes (but the aggregate purchase price does not include) approximately 3.5 million shares of AIG Common Stock received in January 2015 upon the settlement of an ASR agreement executed in the fourth quarter of 2014. Pursuant to an Exchange Act Rule 10b5-1 plan, from October 1 to October 31, 2015, we have repurchased approximately \$602 million of additional shares of AIG Common Stock.

We paid a cash dividend on AIG Common Stock of \$0.125 per share on each of March 26, 2015 and June 25, 2015, and \$0.28 per share on September 28, 2015.

Our Board of Directors declared a cash dividend on AIG Common Stock on November 2, 2015 of \$0.28 per share, payable on December 21, 2015 to shareholders of record on December 7, 2015.

We received net cash proceeds of approximately \$4.2 billion in the aggregate from the sale of approximately 97.6 million ordinary shares of AerCap in June and September 2015.

Strategic Outlook

Industry Trends

Our business is affected by industry and economic factors such as interest rates, currency exchange rates, credit and equity market conditions, catastrophic claims events, regulation, tax policy, competition, and general economic, market and political conditions. We continue to operate under difficult market conditions in 2015, characterized by factors such as historically low interest rates, instability in the global equity markets and slowing growth in emerging markets, China and Euro-Zone economies.

Interest rates remain low relative to historical levels, which has affected our industry by reducing investment returns and unfavorably affecting loss reserve discounting, primarily related to our workers' compensation reserves. In addition, current market conditions may not necessarily permit insurance companies to increase pricing across all our product lines.

Currency volatility in the three- and nine-month periods ended September 30, 2015 was particularly acute compared to the same periods in the prior year, as the three major foreign currencies that we transact in weakened considerably against the U.S. dollar. Such volatility affected line item components of income for those businesses with substantial international operations. In particular, growth trends in net premiums written reported in U.S. dollars can differ significantly from those measured in original currencies. The net effect on underwriting results, however, is significantly mitigated, as both revenues and expenses are similarly affected.

These currencies may continue to fluctuate throughout the year, in either direction, and such fluctuations will affect net premiums written growth trends reported in U.S. dollars, as well as financial statement line item comparability.

See Results of Operations – Foreign Currency Impact; Results of Operations – Segment Results – Quarterly and Year-to-date Pre-Tax Income Comparison for 2015 and 2014; Results of Operations – Commercial Insurance – Property Casualty Net

Premiums Written by Region; and Results of Operations – Consumer Insurance – Personal Insurance Net Premiums Written by Region.

AIG Priorities for 2015 and Beyond

AIG is focused on the following priorities for 2015 and beyond:

- Improve our focus on our customers to understand their challenges and to help solve their problems;
- Simplify our operations, which will lead to quicker, better decisions; bring us closer to our customers; and reduce costs;
- Improve our technology infrastructure to better serve customers and distribution partners, increase productivity, reduce expenses, and better position ourselves against our competitors; and
- Concentrate on activities that increase our intrinsic value and sustainable profitability.

Outlook for Our Operating Businesses

The outlook for each of our businesses and management initiatives to improve growth and performance in 2015 and over the longer term is summarized below. See our 2014 Annual Report for additional information concerning strategic initiatives and opportunities for each of our businesses.

COMMERCIAL INSURANCE STRATEGIC INITIATIVES AND OUTLOOK

Executive Overview

Customer — Aspire to be our customers' most valued insurer by offering innovative products, excellent service and access to an extensive global network.

Strategic Growth — Grow our higher-value businesses while investing in transformative opportunities.

Underwriting Excellence — Improve our business portfolio through better pricing and risk selection by using enhanced data, analytics and the application of science to deliver superior risk adjusted returns.

Claims Excellence — Improve claims processes, analytics and tools to deliver superior customer service and decrease our loss ratio.

Operational Effectiveness — Continue initiatives to modernize our technology and infrastructure; implement best practices to improve speed and quality of service.

Capital Efficiency — Increase capital fungibility and diversification, streamline our legal entity structure, optimize reinsurance and improve tax efficiency.

Investment Strategy — Increase asset diversification and take advantage of yield enhancement opportunities to meet our capital, liquidity, risk and return objectives.

[Market Conditions and Industry Trends](#)

Commercial Insurance expects the current low interest rate environment relative to historical levels, currency volatility, and ongoing uncertainty in global economic conditions will continue to challenge growth of net investment income and limit growth and profitability in some markets. Due to these conditions and overcapacity in the property casualty insurance industry, Commercial Insurance has continued to diversify its business focusing on growing profitable segments and geographies, exiting unprofitable lines and developing advanced data and analytics to improve profitability.

[Property Casualty](#)

Property Casualty has observed improving trends in certain key indicators that may offset the effect of current economic challenges. In the first half of 2015, the property casualty insurance industry experienced modest growth and an increase in overall exposures in certain markets, although this growth may be leveling off. Property Casualty also expects that expansion in certain growth economies will occur at a faster pace than in developed countries, but at levels lower than those previously expected due to revised economic assumptions. As a result of its ongoing strategy to optimize its portfolio and maintain underwriting discipline, Property Casualty expects that net premiums written for the U.S. Casualty line will continue to decline through 2016.

Overall, Property Casualty experienced a modest increase in rate pressure in the third quarter of 2015 compared to the second quarter of 2015. Property Casualty expects that trend to continue in the near term, particularly in certain lines including in the U.S. Property Excess and Surplus market. Property Casualty continues to differentiate its underwriting capacity from its peers by leveraging its global footprint, diverse product offering, risk engineering expertise and significant underwriting experience.

In the U.S., Property Casualty's exposure to terrorism risk is mitigated by the Terrorism Risk Insurance Act (TRIA) in addition to limited private reinsurance protections. For additional information on TRIA, see Item 1A. Risk Factors — Reserves and Exposures and Item 7. MD&A — Enterprise Risk Management — Insurance Operations Risks — Non-Life Insurance Companies Key Insurance Risks — Terrorism Risk in our 2014 Annual Report.

[Mortgage Guaranty](#)

During the nine-month period ended September 30, 2015, the U.S. market experienced an increase in mortgage loan originations driven by a decrease in residential mortgage interest rates in the latter part of 2014, and increased purchase volume favorably impacted by a drop in unemployment, improving housing prices, and lower down payment requirements. If the current economic environment persists, Mortgage Guaranty expects to benefit through increased volume driven by purchase volume and for policies originated in the higher interest rate environment prior to 2012, refinancing activity. Mortgage Guaranty also expects current interest rates to have a favorable impact on the persistency of business written during 2012 and the first half of 2013, since refinancing would be unattractive to homeowners who originated mortgages at the lower residential mortgage interest rates prevalent in that time period.

Mortgage Guaranty also expects that newly reported delinquencies will continue to decline during the remainder of 2015 and into 2016. Mortgage Guaranty believes the combination of the factors described above will result in favorable operating results for the remainder of 2015 and into 2016.

On July 10, 2014, the Federal Housing Finance Agency, the conservator of Fannie Mae and Freddie Mac (collectively, the GSEs) issued in draft form for public comment new eligibility requirements for private mortgage insurers that provide insurance on loans owned or guaranteed by them. The initial Private Mortgage Insurer Eligibility Requirements (PMIERS) were issued by the GSEs on April 17, 2015 and revised on June 30, 2015. The new requirements, which will be effective on December 31, 2015, will mandate mortgage insurers to hold specified levels and types of assets in order to be able to pay a prescribed level of claims in certain stress scenarios. The most significant change in the revision on June 30, 2015 was a surcharge to the asset

requirement for lender-paid mortgage insurance for mortgages originated after December 31, 2015. Mortgage Guaranty will meet these requirements on the effective date. These new requirements are not expected to have a material effect on AIG's financial flexibility. Subject to interpretation and prospective amendment of the new requirements by the GSEs, Mortgage Guaranty estimates its minimum required assets under PMIERS would have been \$3.1 billion as of September 30, 2015, had the rules been in effect at that time, and its estimated available assets would have exceeded the estimated required assets. Mortgage Guaranty's estimates may change depending on future interpretations or prospective amendments by the GSEs.

[Institutional Markets](#)

Institutional Markets is expected to continue growing its assets under management from the stable value wrap business, as well as from disciplined growth through the pursuit of select opportunities related to pension buyouts. Volatility in the earnings from our alternative investment portfolio will continue to affect Institutional Markets' results.

[Strategic Initiatives](#)

[Customer](#)

Our vision is to be our customers' most valued insurer. We expect that investments in underwriting, claims services, client risk services, science and data will continue to differentiate AIG from its peers and drive a superior client experience. An example of this approach can be found with the growth in our large limit property business where investments in client risk services and engineering are opening new opportunities with clients in this segment.

[Strategic Growth](#)

Property Casualty continues to improve decision-making, risk acceptance and pricing based on its ongoing efforts to refine segmentation by customer, industry and geography. For example, after enhancing the segmentation of workers' compensation, Property Casualty has observed different experience and trends, which helps inform its risk appetite, pricing and loss mitigation decisions.

As part of our strategic goal of diversifying product offerings and providing customers with greater access to unique insurance programs, on March 31, 2015, we paid approximately \$239 million to acquire a controlling stake in NSM Insurance Group (NSM), a leading U.S. managing general agent and insurance program administrator. NSM is known for its unique development and implementation of programs for a broad range of niche customer segments. We expect the acquisition of NSM to facilitate closer strategic coordination and provide us with access to new, attractive markets including programs, specialty small commercial insurance solutions, and complementary distribution networks.

Mortgage Guaranty expects to continue as a leading provider of mortgage insurance and seeks to differentiate itself from its competitors by utilizing its proprietary risk-based pricing strategy. This pricing strategy provides Mortgage Guaranty's customers with mortgage insurance products that are priced commensurate with the underwriting risk, which we believe will result in an appropriately priced, high-quality book of business.

Institutional Markets is expected to continue contributing to growth in assets under management with stable value wraps and utilizing a disciplined approach to growth and diversification of our business by pursuing select opportunities in areas such as the pension buyout business.

Capital Efficiency

Commercial Insurance continues to execute capital management initiatives by enhancing broad-based risk tolerance guidelines for its operating units, implementing underwriting strategies to increase return on equity by line of business and reducing exposure to businesses with inadequate pricing and increased loss trends. In addition, Commercial Insurance remains focused on enhancing its global reinsurance strategy to improve overall capital efficiency, although this strategy may lead to periodic income statement volatility.

We also continue to streamline our legal entity structure to enhance transparency for regulators and optimize capital and tax efficiency, particularly with respect to the Non-Life Insurance Companies in the Property Casualty and Personal Insurance operating segments. Our legal entity restructuring initiatives have enhanced dividend capacity and reduced required capital. Additionally, the restructuring allows us to simplify our reinsurance arrangements, which further facilitate increased capital optimization. We expect our overall legal entity restructuring to be substantially completed in mid-2017, subject to regulatory approvals in the relevant jurisdictions.

CONSUMER INSURANCE STRATEGIC INITIATIVES AND OUTLOOK

Strategic Initiatives

Customer — Aspire to be our customers' most valued insurer. Through our unique franchise, which brings together a broad portfolio of retirement, life insurance and personal insurance products offered through multiple distribution networks, Consumer Insurance aims to provide customers with the products they need, delivered through the channels they prefer.

Information-driven Strategy — Utilize customer insight, analytics and the application of science to optimize customer acquisition, product profitability, product mix, channel performance and risk management capabilities.

Focused Growth — Invest in areas where Consumer Insurance can grow profitably and sustainably. Target growth in select markets according to market size, growth potential, market maturity and customer demographics.

Operational Effectiveness — Simplify processes, enhance operating environments, and leverage the best platforms and tools for multiple operating segments to increase competitiveness, improve service and product capabilities and facilitate delivery of our target customer experience.

Investment Strategy — Maintain a diversified, high quality portfolio of fixed maturity securities that largely matches the duration characteristics of the related insurance liabilities, and pursue yield-enhancement opportunities that meet liquidity, risk and return objectives.

Profitability and Capital Management — Deliver solid earnings through disciplined pricing and expense management, sustainable underwriting improvements and diversification of risk, and increase capital efficiency within insurance entities to enhance return on equity.

Market Conditions and Industry Trends

Retirement

Increasing life expectancy and reduced expectations for traditional retirement income from defined benefit programs and fixed income securities are leading Americans to seek additional financial security as they approach retirement, which continues to drive demand for individual variable and fixed index annuities with guaranteed income features. In addition, higher tax rates

and a desire for better investment returns have prompted less risk-averse investors to seek products without guaranteed living benefits, providing the opportunity to further diversify our product portfolio by offering investment-focused variable annuities.

The sustained low interest rate environment has a significant impact on the annuity industry. Low long-term interest rates put pressure on investment returns, which may negatively affect sales of interest rate sensitive products and reduce future profits on certain existing fixed rate products. In addition, more highly leveraged competitors have entered the market offering higher crediting rates. As long as the low interest rate environment continues, conditions will be challenging for the fixed annuity market. Rapidly rising interest rates could create the potential for increased surrenders. Customers are, however, currently buying fixed annuities with longer surrender periods in pursuit of higher returns, which may help mitigate the rate of increase in surrenders in a rapidly rising rate environment.

In April 2015, the U.S. Department of Labor (DOL) issued a proposed regulation that substantially expands the range of activities that would be considered to be fiduciary investment advice under the Employee Retirement Income Security Act of 1974 (ERISA) and the Internal Revenue Code. This proposed regulation has generated substantial attention in our industry. The DOL has held public hearings on the proposal, with the final public comment period for the proposed regulation having concluded in late September 2015. The proposal is subject to additional regulatory review and potential modification before the final regulation, if any, is adopted. It is unknown at this time whether or how any final regulation may be different from that proposed. If finalized as originally proposed, the investment-related information and support that our advisors and employees could provide to ERISA-covered plan sponsors, participants and IRA holders on a non-fiduciary basis could be substantially limited from what is allowed under current law. These changes could have a material impact on the types, levels and compensation structures of the investment products and services we provide.

[Life](#)

Populations are living longer and have increased needs for financial protection for beneficiaries, estate planning and wealth creation. The Life operating segment addresses these needs with a broad spectrum of products, ranging from the pure protection focus of term life to indexed universal life and investment-oriented products such as variable universal life. Market factors, primarily low interest rates and regulatory changes, have caused the universal life market to shift its focus from guaranteed universal life to indexed universal life products that offer cash accumulation and living benefit options.

[Personal Insurance](#)

The overall rate level has improved in the Japanese and certain U.S. markets for auto, personal property, and accident and health products compared to prior years. In Japan, car and home sales increased in the first quarter of 2014 prior to a consumption tax increase, but subsequently new car sales have been trending down, while new housing starts have begun to strengthen in recent months. In the U.S., rate level changes for auto and personal property products are expected to be positive but slow, with sales increasing as the economy continues to improve. Our Personal Insurance operating segment continues to invest selectively in markets where we believe higher potential for personal insurance products exists.

[Strategic Initiatives](#)

[Customer](#)

We are working to expand relationships with key distribution partners to fully realize the benefits of our diverse product offerings across our multiple distribution channels. Our focus on ease of doing business for consumers and producers includes enhancements to our platforms and services, as well as initiatives to improve the recruitment, training and productivity of our affiliated and non-affiliated distribution partners.

Information-driven Strategy

We believe that strengthening our marketing capabilities through the use of analytics, stronger platforms and tools, an enhanced product portfolio and expanded relationships can allow us to bring more product solutions to our target markets.

We intend to achieve rate adequacy through implementation of global underwriting practices and enhanced tools and analytics, and to optimize the value of our business lines through product and portfolio management and refined technical pricing. We strive to enhance the customer experience and efficiency through claims best practices, and to deploy enhanced operating structures and standardized processes and systems, while managing claims-handling efficiency.

Focused Growth

Retirement Income Solutions intends to continue capitalizing on the opportunity to meet consumer demand for guaranteed income by maintaining competitive variable annuity product offerings while managing risk through innovative product design and well-developed economic hedging capabilities. Risk mitigation features of its variable annuity product design include guaranteed minimum withdrawal benefit rider fees that are indexed to an equity market volatility index, required minimum allocations to fixed accounts, and the utilization of volatility control funds. Retirement Income Solutions continues to invest in hedging and market risk management capabilities. Retirement Income Solutions is also focused on diversifying its product portfolio by growing sales of fixed index annuities with guarantee features, which provide additional income solutions for consumers approaching retirement, and introducing new investment-focused variable annuities, which offer various investment options, including alternative asset classes, to investors seeking higher returns.

Fixed Annuities sales will continue to be challenged by the low interest rate environment. Sales of fixed annuities could improve if interest rates rise and the yield curve steepens, as these market conditions make fixed annuity products more attractive compared to alternatives such as bank deposits. The growing market for immediate and deferred income products, driven by customers seeking guaranteed income products, provides an opportunity for Fixed Annuities to increase the diversification of its product portfolio.

Life will continue to invest to position itself for growth, serve its customers more effectively, and maintain pricing discipline in its overall strategy. Life recently announced changes to simplify its structure, improve ease of doing business and better serve the unique needs of the customers in each region. Life's organization has been aligned to serve its customers in the Americas, Asia Pacific and EMEA regions with a focus on the demographic, governmental and socioeconomic trends unique to each region. As part of this initiative, our Group Benefits business will merge with our U.S. Life, Health and Disability business to focus on strong existing relationships with multi-line and specialty producers. Life intends to expand its business through a focused strategy in selected markets and products, combining global expertise with local market intelligence to meet the needs of consumers in target markets.

On March 31, 2015, we acquired Laya Healthcare, Ireland's second largest primary health insurance provider. Laya Healthcare covers approximately 500,000 lives for primary healthcare, and also offers other adjacent coverage including life, dental and travel insurance.

Personal Insurance aims to provide customers with the products they need, delivered with excellent customer service through the channels they prefer. Personal Insurance is focused on profitable growth in its selected market segments, with targeted investments in both scale businesses and emerging markets. Personal Insurance will continue to leverage its strong risk management and market expertise to foster growth by providing innovative and competitive solutions to its customers and distributors.

Operational Effectiveness

We are continuing to invest in initiatives that we believe will make our operating platforms simpler and more agile, enabling us to provide superior service and accommodate significant future growth. In Japan, we continue to invest in technology to improve operating efficiency and ease of doing business for our distribution partners and customers, with the goal of increasing

our market share and facilitating our expansion in market segments where we expect growth, given current demographic trends. In the U.S. Life business, we are focused on leveraging our most efficient systems and increasing automation of our underwriting process. We believe that simplifying our operating models and implementing common functionality across our Consumer Insurance product lines and borders will enhance productivity and support further profitable growth.

Profitability and Capital Management

We are focused on enhancing profitability and capital efficiency within our insurance entities through disciplined pricing, in-force profitability management and effective management of risk. For product lines where we have significant equity market risk and exposure to changes in interest rates, we use risk management tools, such as the risk mitigation product features and hedging program in our Retirement Income Solutions variable annuity business. Additionally, our scale and the breadth of our product offerings provide diversification of risk. Within our Non-Life Insurance Companies, we continue to streamline our legal entity structure to enhance transparency with regulators and optimize capital efficiency.

See Results of Operations — Consumer Insurance and Insurance Reserves for additional information.

RESULTS OF OPERATIONS

The following section provides a comparative discussion of our Results of Operations on a reported basis for the three- and nine-month periods ended September 30, 2015 and 2014. Factors that relate primarily to a specific business segment are discussed in more detail within that business segment discussion. For a discussion of the Critical Accounting Estimates that affect the Results of Operations, see the Critical Accounting Estimates section of this MD&A and in Part II, Item 7. MD&A — Critical Accounting Estimates in the 2014 Annual Report.

The following table presents our consolidated results of operations:

<i>(in millions)</i>	Three Months Ended			Nine Months Ended		
	September 30,		Percentage Change	September 30,		Percentage Change
	2015	2014		2015	2014	
Revenues:						
Premiums	\$ 8,862	\$ 9,486	(7)%	\$ 27,229	\$ 28,046	(3)%
Policy fees	701	677	4	2,066	1,948	6
Net investment income	3,206	4,028	(20)	10,870	12,108	(10)
Net realized capital gains (losses)	(342)	536	NM	1,125	546	106
Aircraft leasing revenue	-	-	NM	-	1,602	NM
Other income	395	1,970	(80)	3,206	4,746	(32)
Total revenues	12,822	16,697	(23)	44,496	48,996	(9)
Benefits, losses and expenses:						
Policyholder benefits and losses incurred	6,936	7,203	(4)	20,587	20,771	(1)
Interest credited to policyholder account balances	881	882	-	2,758	2,800	(2)
Amortization of deferred policy acquisition costs	1,275	1,288	(1)	3,981	3,989	-
General operating and other expenses	3,175	3,151	1	9,214	9,889	(7)
Interest expense	321	430	(25)	977	1,372	(29)
Loss on extinguishment of debt	346	742	(53)	756	1,014	(25)
Aircraft leasing expenses	-	-	NM	-	1,585	NM
Net (gain) loss on sale of divested businesses	3	(18)	NM	10	(2,196)	NM
Total benefits, losses and expenses	12,937	13,678	(5)	38,283	39,224	(2)
Income (loss) from continuing operations before						
income tax expense	(115)	3,019	NM	6,213	9,772	(36)
Income tax expense	65	820	(92)	2,142	2,908	(26)
Income (loss) from continuing operations	(180)	2,199	NM	4,071	6,864	(41)
Income (loss) from discontinued operations,						
net of income tax expense	(17)	2	NM	-	(15)	NM
Net income (loss)	(197)	2,201	NM	4,071	6,849	(41)

Less: Net income (loss) attributable to noncontrolling interests	34	9	278	34	(25)	NM
Net income (loss) attributable to AIG	\$ (231)	\$ 2,192	NM%	\$ 4,037	\$ 6,874	(41)%

For the three-month period ended September 30, 2015, the effective tax rate on loss from continuing operations was not meaningful, due to a tax charge on a pre-tax loss. The tax charge was primarily due to increases in uncertain tax positions related to cross-border financing transactions, partially offset by tax benefits associated with tax-exempt interest income and the partial completion of the Internal Revenue Service examination covering tax year 2006.

For the nine-month period ended September 30, 2015, the effective tax rate on income from continuing operations was 34.5 percent. The effective tax rate on income from continuing operations for the nine-month period ended September 30, 2015 differs from the statutory tax rate of 35 percent primarily due to tax benefits associated with tax-exempt interest income, reclassifications from accumulated other comprehensive income to income from continuing operations related to the deferred tax asset valuation allowance previously released to accumulated other comprehensive income, and the partial completion of the Internal Revenue Service examination covering tax year 2006, partially offset by tax charges associated with increases in uncertain tax positions related to cross-border financing transactions and increases in the deferred tax asset valuation allowances associated with certain foreign jurisdictions. The nine-month period ended September 30, 2015 includes an increase in the deferred tax asset valuation allowance primarily attributable to the effects of changes in the Japanese tax law enacted on March 31, 2015, partially offset by changes in projections of future taxable income.

For the three- and nine-month periods ended September 30, 2014, the effective tax rate on income from continuing operations was 27.2 percent and 29.8 percent, respectively. The effective tax rate on income from continuing operations in both periods differs from the statutory tax rate of 35 percent primarily due to tax benefits associated with tax-exempt interest income and a decrease in the U.S. Life Insurance Companies' capital loss carryforward deferred tax asset valuation allowance.

The following table presents a reconciliation of net income (loss) attributable to AIG to after-tax operating income attributable to AIG:

(in millions)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Net income (loss) attributable to AIG	\$ (231)	\$ 2,192	\$ 4,037	\$ 6,874
Uncertain tax positions and other tax adjustments	233	(25)	142	(14)
Deferred income tax valuation allowance (releases) charges	8	(21)	61	(161)
Changes in fair value of fixed maturity securities designated to hedge living benefit liabilities, net of interest expense	(3)	(21)	25	(105)
Changes in benefit reserves and DAC, VOBA and SIA related to net realized capital gains (losses)	2	29	55	59
Loss on extinguishment of debt	225	482	491	659
Net realized capital (gains) losses	262	(301)	(691)	(365)
(Income) loss from discontinued operations	17	(2)	-	15
(Income) loss from divested businesses	1	(42)	14	(1,453)
Non-operating litigation reserves and settlements	(20)	(569)	(56)	(250)
Reserve development related to non-operating run-off insurance business	20	-	20	-
Restructuring and other costs	177	-	177	-
After-tax operating income attributable to AIG	\$ 691	\$ 1,722	\$ 4,275	\$ 5,259
Weighted average diluted shares outstanding	1,279,072,748	1,442,067,842	1,357,108,784	1,459,483,233
Income (loss) per common share attributable to AIG (diluted)	\$ (0.18)	\$ 1.52	\$ 2.97	\$ 4.71
After-tax operating income per common share attributable to AIG (diluted)*	\$ 0.52	\$ 1.19	\$ 3.15	\$ 3.60

* For the quarter ended September 30, 2015, because we reported a net loss, all common stock equivalents are anti-dilutive and are therefore excluded from the calculation of diluted shares and diluted per share amounts. However, because we reported after-tax operating income, the calculation of after-tax operating income per diluted share includes dilutive shares of 40,356,170.

After-tax operating income attributable to AIG decreased in both the three- and nine-month periods ended September 30, 2015, compared to the same periods in the prior year primarily due to a decrease in income from insurance operations, reflecting decreased net investment income, and lower income on assets marked to fair value through earnings, including part of our holdings in People's Insurance Company (Group) of China Limited (PICC Group) and PICC Property & Casualty Company Limited (PICC P&C) shares and assets in Corporate and Other.

For the three-month periods ended September 30, 2015 and 2014, the effective tax rate on pre-tax operating income was 19.3 percent and 33.6 percent, respectively. The significant factors that contributed to the difference from the statutory rate included tax benefits resulting from tax-exempt interest income and other permanent tax items, certain tax benefits associated with the partial completion of the Internal Revenue Service examination covering tax year 2006 and the impact of other discrete tax benefits. For the nine-month periods ended September 30, 2015 and 2014, the effective tax rate on pre-tax operating income was 31.6 percent and 33.1 percent, respectively. The significant factors that contributed to the difference from the statutory rate included tax benefits resulting from tax-exempt interest income and other permanent tax items, certain tax benefits associated with the partial completion of the Internal Revenue Service examination covering tax year 2006 and the impact of other discrete tax benefits.

SEGMENT RESULTS

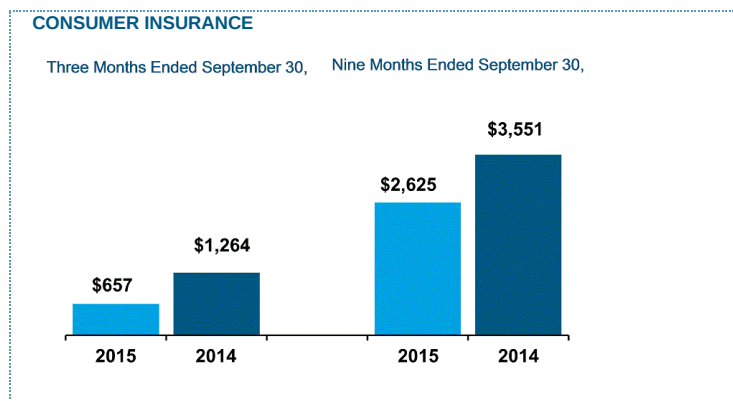
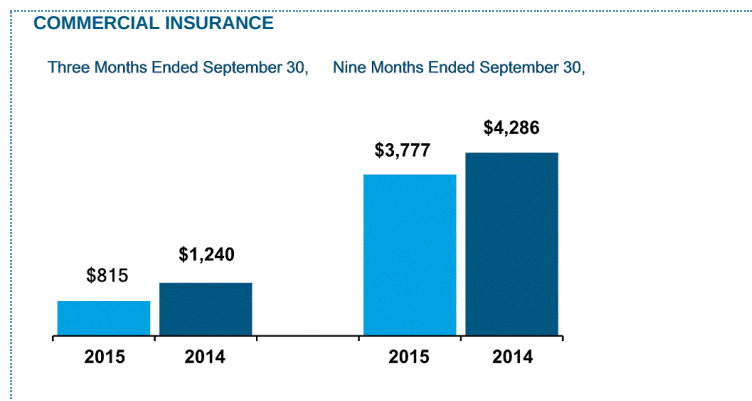
We report the results of our operations through two reportable segments: Commercial Insurance and Consumer Insurance as well as a Corporate and Other category. The Corporate and Other category consists of businesses and items not allocated to our reportable segments.

The following table summarizes the operations of each reportable segment and Corporate and Other. See also Note 3 to the Condensed Consolidated Financial Statements.

<i>(in millions)</i>	Three Months Ended			Percentage Change	Nine Months Ended		
	September 30,		2014		September 30,		2014
	2015				2015		
Commercial Insurance	\$ 815	\$ 1,240		(34) %	\$ 3,777	\$ 4,286	(12) %
Consumer Insurance	657	1,264		(48)	2,625	3,551	(26)
Corporate and Other	(613)	149		NM	(79)	39	NM
Consolidations, eliminations and other adjustments	(11)	(68)		84	(80)	(42)	(90)
Pre-tax operating income	\$ 848	\$ 2,585		(67)	\$ 6,243	\$ 7,834	(20)
Changes in fair values of fixed maturity securities designated to hedge living benefit liabilities, net of interest expense	4	32		(88)	(39)	162	NM
Changes in benefit reserves and DAC, VOBA, and SIA related to net realized capital gains (losses)	(2)	(45)		96	(84)	(90)	7
Loss on extinguishment of debt	(346)	(742)		53	(756)	(1,014)	25
Net realized capital gains (losses)	(342)	536		NM	1,125	546	106
Income (loss) from divested businesses	(3)	17		NM	(58)	2,189	NM
Non-operating litigation reserves and settlements	30	636		(95)	86	145	(41)
Reserve development related to non-operating run-off insurance business	(30)	-		NM	(30)	-	NM
Restructuring and other costs	(274)	-		NM	(274)	-	NM
Pre-tax income (loss)	\$ (115)	\$ 3,019		NM %	\$ 6,213	\$ 9,772	(36) %

PRE-TAX OPERATING INCOME

(in millions)



QUARTERLY PRE-TAX INCOME COMPARISON FOR 2015 AND 2014

We recorded a pre-tax loss in the three-month period ended September 30, 2015, compared to pre-tax income in the same period in the prior year. The decrease was primarily due to lower Commercial Insurance pre-tax operating income, which reflected lower net investment income and lower underwriting income, and lower Consumer Insurance pre-tax operating income, which reflected lower net investment income and less favorable adjustments to reflect the update of actuarial assumptions, partially offset by higher policy and advisory fees. Lower net realized capital gains from sales of investments and higher other-than-temporary impairment charges, a decrease in non-operating litigation reserves and settlements, and restructuring and other costs also contributed to the decrease in pre-tax income for the three-month period ended September 31, 2015 compared to the same period in the prior year. These decreases were partially offset by lower loss on extinguishment of debt from ongoing liability management activities.

YEAR-TO-DATE PRE-TAX INCOME COMPARISON FOR 2015 AND 2014

Pre-tax income decreased in the nine-month period ended September 30, 2015, compared to the same period in the prior year, primarily due to a decrease in Commercial Insurance pre-tax operating income, reflecting lower net investment income and lower underwriting income, and a decrease in Consumer Insurance pre-tax operating income, reflecting lower net investment income, less favorable adjustments to reflect the update of actuarial assumptions and less favorable mortality experience in Life (partially offset by higher policy and advisory fees), as well as restructuring and other costs and lower income from divested businesses as a result of the sale of ILFC in the second quarter of 2014. These decreases were partially offset by a lower loss on extinguishment of debt from ongoing liability management activities and an increase from the change in the fair value of embedded policy derivatives related to variable annuity guaranteed living benefits net of economic hedges, as discussed below. Higher net realized capital gains from sales of investments, which included realized gains on the sales of Class B shares of Prudential Financial, Inc., a portion of our holdings in PICC P&C shares and common shares of Springleaf Holdings Inc. (Springleaf), were partially offset by a realized loss on the sale of ordinary shares of AerCap and an increase in other-than-temporary impairment charges.

The change in the fair value of embedded policy derivatives related to variable annuity GMWB and GMAV, net of the change in fair value of all related economic hedges, increased pre-tax income by \$468 million in the nine-month period ended September 30, 2015 compared to the same period in the prior year. The overall increase in market interest rates during the first half of 2015 drove a decrease in the liability for GMWB and GMAV, which was partially offset by a decrease in market interest rates and lower equity market performance in the three-month period ended September 30, 2015. The net decrease in the fair value of the GMWB and GMAV in the nine-month period ended September 30, 2015 and the impact of interest rate and equity hedges, including losses in the fair value of bonds used to hedge interest rate and credit spread risks, resulted in an increase

in pre-tax income compared to the same period in the prior year, in which the net impact was not significant. A small portion of the increase in the GMWB liability was due to annual review and update of actuarial assumptions. See Insurance Reserves – Life Insurance Companies DAC and Reserves – Update of Actuarial Assumptions for additional discussion.

Net Investment Income

Net investment income is attributed to the operating segments of Commercial Insurance and Consumer Insurance based on internal models consistent with the nature of the underlying businesses.

For Commercial Insurance — Property Casualty and Consumer Insurance — Personal Insurance, we estimate investable funds based primarily on loss reserves, unearned premiums and a capital allocation for each operating segment. The net investment income allocation is calculated based on the estimated investable funds and risk-free yields (plus a liquidity premium) consistent with the approximate duration of the liabilities, and excludes net investment income associated with the run-off insurance lines reported in Corporate and Other. The remaining excess is attributed to Commercial Insurance — Property Casualty and Consumer Insurance — Personal Insurance based on the relative net investment income previously allocated.

For Commercial Insurance — Institutional Markets, Consumer Insurance — Retirement and Consumer Insurance — Life, net investment income is attributed based on invested assets from segregated product line portfolios. Invested assets in excess of liabilities are allocated to product lines based on internal capital estimates.

Foreign Currency Impact

Property Casualty, International Life and Personal Insurance businesses are transacted in most major foreign currencies. The following table presents the average of the quarterly weighted average exchange rates of the currencies that have the most significant impact on our businesses:

Rate for 1 USD	Three Months Ended September 30,		Percentage Change	Nine Months Ended September 30,		Percentage Change
	2015	2014		2015	2014	
Currency:						
JPY	123.35	102.24	21 %	120.79	102.53	18 %
EUR	0.90	0.74	22 %	0.89	0.73	22 %
GBP	0.64	0.59	8 %	0.65	0.60	8 %

Unless otherwise noted, references to the effects of foreign exchange in the Commercial and Consumer discussion of results of operations are with respect to movements in the three currencies included in the preceding table (the Major Currencies).

COMMERCIAL INSURANCE

Commercial Insurance presents its financial information in three operating segments – Property Casualty, Mortgage Guaranty and Institutional Markets.

Property Casualty provides insurance solutions for large and small businesses. The products offered by the Property Casualty operating segment include general liability, commercial automobile liability, workers' compensation, excess casualty, crisis management, including customized structured programs for large corporate and multinational customers, commercial, industrial property and energy-related property insurance products and services that cover exposures to man-made and natural disasters, including business interruption, aerospace, environmental, political risk, trade credit, surety, marine, various small and medium sized enterprises insurance lines, director and officers' liability (D&O), errors and omissions (E&O), fidelity,

employment practices, fiduciary liability, cybersecurity risk, and kidnap and ransom. Property Casualty products are primarily distributed through a network of independent retail and wholesale brokers, and through an independent agency network.

Mortgage Guaranty provides mortgage insurance that protects residential mortgage investors against the increased risk of borrower default related to high loan-to-value mortgages. Mortgage Guaranty products and services are distributed to a comprehensive range of mortgage originators including national mortgage companies, community and money center banks, as well as through builder-owned mortgage companies, regional mortgage companies and internet-sourced lenders and credit unions.

Institutional Markets offers retirement and savings products that are marketed to groups or large institutions. The products offered by the Institutional Markets operating segment primarily include stable value wrap products, structured settlement and terminal funding annuities, high net worth products, corporate- and bank-owned life insurance and GICs. Institutional Markets products are primarily distributed through specialized marketing and consulting firms and structured settlement brokers.

See Part I, Item 1. Business in AIG's 2014 Annual Report for further discussion of our products and geographic regions where we distribute our products.

Commercial Insurance Results

The following table presents Commercial Insurance results:

<i>(in millions)</i>	Three Months Ended			Nine Months Ended		
	September 30,		Percentage Change	September 30,		Percentage Change
	2015	2014		2015	2014	
Revenues:						
Premiums	\$ 5,352	\$ 5,692	(6)%	\$ 16,580	\$ 16,712	(1)%
Policy fees	49	49	-	148	138	7
Net investment income	1,158	1,572	(26)	4,341	4,815	(10)
Benefits and expenses:						
Policyholder benefits and losses incurred	4,071	4,385	(7)	12,387	12,320	1
Interest credited to policyholder account balances	102	105	(3)	306	308	(1)
Amortization of deferred policy acquisition costs	580	648	(10)	1,769	1,900	(7)
General operating and other expenses*	991	935	6	2,830	2,851	(1)
Pre-tax operating income	\$ 815	\$ 1,240	(34)%	\$ 3,777	\$ 4,286	(12)%

* Includes general operating expenses, commissions and other acquisition expenses.

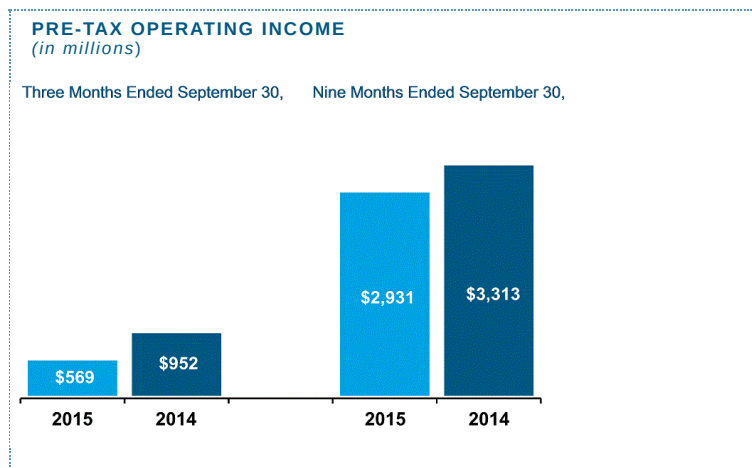
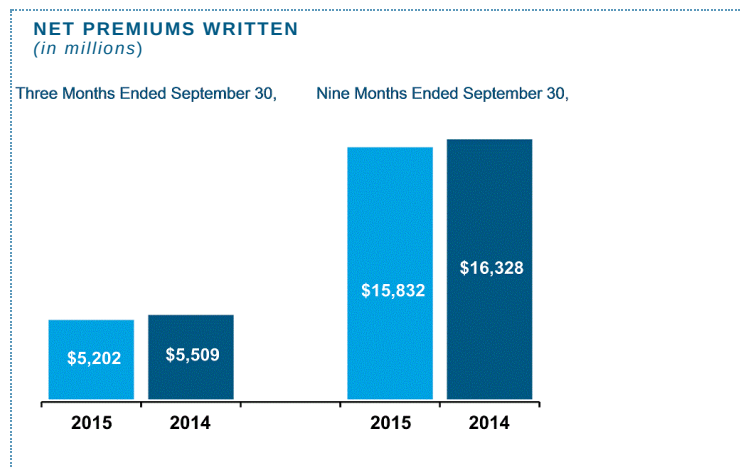
Commercial Insurance Results by Operating Segment

The following section provides a comparative discussion of Commercial Insurance Results of Operations for the three- and nine-month periods ended September 30, 2015 and 2014 by operating segment.

Property Casualty Results

The following table presents Property Casualty results:

(in millions)	Three Months Ended September 30,		Percentage Change	Nine Months Ended September 30,		Percentage Change
	2015	2014		2015	2014	
Underwriting results:						
Net premiums written	\$ 5,202	\$ 5,509	(6)%	\$ 15,832	\$ 16,328	(3)%
Increase in unearned premiums	(197)	(152)	(30)	(794)	(650)	(22)
Net premiums earned	5,005	5,357	(7)	15,038	15,678	(4)
Losses and loss adjustment expenses incurred	3,666	3,977	(8)	10,640	11,052	(4)
Acquisition expenses:						
Amortization of deferred policy acquisition costs	571	643	(11)	1,745	1,882	(7)
Other acquisition expenses	252	177	42	644	568	13
Total acquisition expenses	823	820	-	2,389	2,450	(2)
General operating expenses	657	676	(3)	1,944	2,053	(5)
Underwriting income (loss)	(141)	(116)	(22)	65	123	(47)
Net investment income	710	1,068	(34)	2,866	3,190	(10)
Pre-tax operating income	\$ 569	\$ 952	(40)%	\$ 2,931	\$ 3,313	(12)%



Property Casualty Quarterly Results

Pre-tax operating income decreased in the three-month period ended September 30, 2015, compared to the same period in the prior year primarily due to a decrease in net investment income and, to a lesser extent, an increase in underwriting loss. The increase in underwriting loss reflected a higher current accident year loss ratio, as adjusted, as well as a net loss reserve discount charge for workers' compensation reserves in the three-month period ended September 30, 2015, compared to a net loss reserve discount benefit in the same period in the prior year, which were partially offset by lower catastrophe losses and a decrease in net adverse prior year loss reserve development. The current accident year loss ratio, as adjusted, increased primarily due to higher current accident year losses in healthcare and in U.S. commercial automobile liability, as well as higher attritional and severe losses in Property, partially offset by lower accident year losses in Specialty in all regions. The current accident year losses for the three-month period ended September 30, 2015 included six severe losses totaling \$209 million compared to nine severe losses totaling \$188 million in the same period in the prior year. The net loss reserve discount charge was \$41 million in the three-month period ended September 30, 2015, compared to a benefit of \$16 million in the same period

in the prior year, primarily reflecting declines in Treasury rates, which were partially offset by an increase in credit spreads. See Insurance Reserves – Non-Life Insurance Companies – Discounting of Reserves for further discussion. Catastrophe losses were \$88 million in the three-month period ended September 30, 2015, compared to \$262 million in the same period in the prior year. Net adverse prior year loss reserve development, including return premiums of \$30 million, was \$186 million in the three-month period ended September 30, 2015, compared to \$226 million, which included additional premiums of \$93 million in the same period of the prior year. The net adverse prior year loss reserve development decreased primarily due to a decrease in net adverse prior year loss reserve development in Casualty, and an increase in net favorable prior year loss development in Property, partially offset by an increase in net adverse prior year loss reserve development in Specialty environmental. See Insurance Reserves – Non-Life Insurance Companies – Quarterly and Year-to-Date Net Loss Development for further discussion.

Acquisition expenses increased slightly in the three-month period ended September 30, 2015 compared to the same period in the prior year, primarily due to an increase in commission expenses in certain classes of business in Specialty mostly offset by the strengthening of the U.S. dollar against the Major Currencies, as discussed above.

General operating expenses decreased in the three-month period ended September 30, 2015 compared to the same period in the prior year, primarily due to the strengthening of the U.S. dollar against the Major Currencies, as discussed above. Excluding the effect of foreign exchange, general operating expenses increased primarily due to the acquisition of NSM, whose expenses were consolidated commencing in the second quarter of 2015. This increase was partially offset by lower pension expenses from a pension curtailment credit, and efficiencies from organizational realignment initiatives.

Net investment income decreased in the three-month period ended September 30, 2015 compared to the same period in the prior year, primarily due to losses on alternative investments reflecting negative performance in hedge funds as well as fair market value declines on assets accounted for under the fair value option, particularly in PICC P&C shares. In the same period in the prior year, Property Casualty recorded net investment income on both alternative investments and the PICC P&C shares.

See MD&A — Investments for additional information on the Non-Life Insurance Companies invested assets, investment strategy, and asset-liability management process.

Property Casualty Year-to-Date Results

Pre-tax operating income decreased in the nine-month period ended September 30, 2015 compared to the same period in the prior year primarily due to a decrease in net investment income and lower underwriting income. Underwriting income decreased primarily due to an increase in net adverse prior year loss reserve development and higher current accident year loss ratio, as adjusted, partially offset by decreases in catastrophe losses. Net adverse prior year loss reserve development, including related premium adjustments, was \$493 million in the nine-month period ended September 30, 2015, compared to \$323 million in the same period in the prior year. The increase in net adverse prior year loss reserve development was primarily due to higher prior year loss reserve development in Casualty, partially offset by an improvement in Financial lines and Specialty. Premium adjustments consisted of return premiums of \$53 million in the nine-month period ended September 30, 2015, compared to additional premiums of \$157 million in the same period in the prior year. See Insurance Reserves – Non-Life Insurance Companies – Quarterly and Year-to-Date Net Loss Development for further discussion. Current accident year loss ratio, as adjusted, increased primarily due to higher current accident year losses in U.S. Casualty. Net loss reserve discount benefit was \$136 million in the nine-month period ended September 30, 2015 compared to \$158 million in the same period in the prior year. See Insurance Reserves – Non-Life Insurance Companies – Discounting of Reserves for further discussion. Catastrophe losses were \$368 million in the nine-month period ended September 30, 2015 compared to \$567 million in the same period in the prior year.

Acquisition expenses decreased in the nine-month period ended September 30, 2015 compared to the same period in the prior year, primarily due to the strengthening of the U.S. dollar against the Major Currencies, as discussed above. Excluding the effect of foreign exchange, acquisition expenses increased primarily due to an increase in commission expenses in certain classes of business in Specialty.

General operating expenses decreased in the nine-month period ended September 30, 2015 compared to the same period in the prior year, primarily due to efficiencies from organizational realignment initiatives, partially offset by increased technology-related costs, and the acquisition of NSM, whose expenses were consolidated commencing in the second quarter of 2015.

Net investment income decreased in the nine-month period ended September 30, 2015 compared to the same period in the prior year, primarily due to lower income on alternative investments and a decrease in net investment income related to assets accounted for under the fair value option.

See MD&A — Investments for additional information on the Non-Life Insurance Companies invested assets, investment strategy, and asset-liability management process.

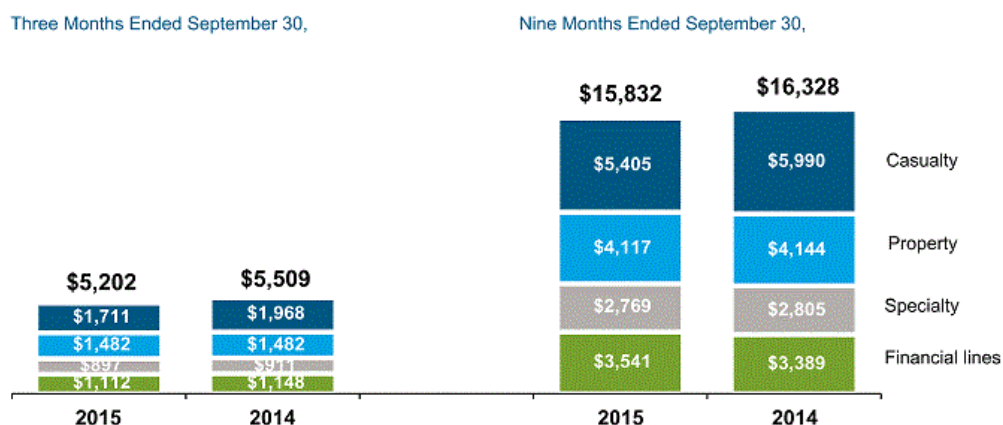
Property Casualty Net Premiums Written

The following table presents Property Casualty's net premiums written by major line of business:

(in millions)	Three Months Ended		Percentage Change in		Nine Months Ended		Percentage Change in	
	September 30,		U.S. Dollars	Original Currency	September 30,		U.S. Dollars	Original Currency
	2015	2014			2015	2014		
Casualty	\$ 1,711	\$ 1,968	(13)%	(10)%	\$ 5,405	\$ 5,990	(10)%	(6)%
Property	1,482	1,482	-	6	4,117	4,144	(1)	5
Specialty	897	911	(2)	3	2,769	2,805	(1)	4
Financial lines	1,112	1,148	(3)	2	3,541	3,389	4	10
Total Property Casualty net premiums written	\$ 5,202	\$ 5,509	(6)%	(1)%	\$ 15,832	\$ 16,328	(3)%	2 %

PROPERTY CASUALTY NET PREMIUMS WRITTEN BY LINE OF BUSINESS

(in millions)



Property Casualty Quarterly and Year-to-Date Net Premiums Written

Property Casualty net premiums written decreased in the three-month period ended September 30, 2015 compared to the same period in the prior year, primarily due to continued execution of our strategy to enhance risk selection and optimize our

product portfolio in the U.S. Casualty business, as well as strengthening of the U.S. dollar against the Major Currencies. The effect of foreign exchange was partially offset by an increase in new and renewal business in all other lines of business. Net premiums written decreased in the nine-month period ended September 30, 2015 compared to the same period in the prior year, primarily due to strengthening of the U.S. dollar against the Major Currencies. Excluding the effect of foreign exchange, net premiums written increased for the nine-month period ended September 30, 2015 from the same period in the prior year, primarily due to the first quarter renewal of a multi-year policy in U.S. Financial lines, and new business growth in Property and Financial lines across all regions, partially offset by a decrease in U.S. Casualty as a result of continued focus on the execution of its strategic objectives and the optimization of its product portfolio.

Casualty net premiums written decreased in the three- and nine-month periods ended September 30, 2015 compared to the same periods in the prior year reflecting rate pressure and continued execution of our strategy to enhance risk selection and optimize our product portfolio particularly in the U.S. Additionally, net premiums written included return premiums related to the loss sensitive businesses of \$30 million and \$53 million, for the three- and nine-month periods ended September 30, 2015, respectively, compared to additional premiums of \$93 million and \$157 million in the same periods in the prior year, respectively. An increase in new business in targeted growth products in the nine-month period ended September 30, 2015, particularly in EMEA, was more than offset by the declines in certain residual programs.

Property net premiums written were unchanged in the three -month period ended September 30, 2015, compared to the same period in the prior year and declined slightly in the nine-month period ended September 30, 2015, compared to the same period in the prior year, primarily due to the strengthening of the U.S. dollar against the Major Currencies. Excluding the effect of foreign exchange, net premiums written increased in the three- and nine-month periods ended September 30, 2015 from the same periods in the prior year, primarily due to higher retention and new business in the Americas and Asia Pacific regions.

Specialty net premiums written decreased in the three- and nine-month periods ended September 30, 2015 compared to the same periods in the prior year primarily due to the strengthening of the U.S. dollar against the Major Currencies. Excluding the effect of foreign exchange, net premiums written increased in the three-month period ended September 30, 2015, compared to the same period in the prior year, primarily due to new business increases in targeted growth products, particularly in the U.S., partially offset by a slight decline in U.S. and EMEA Aerospace. Excluding the effect of foreign exchange, net premiums written increased in the nine-month period ended September 30, 2015, compared to the same period in the prior year, primarily due to new business increases and higher retention related to targeted growth products, particularly in the Americas, and EMEA, partially offset by a decrease in certain classes of business, particularly in the U.S as a result of the effect of our strategy to enhance risk selection.

Financial lines net premiums written decreased in the three -month period ended September 30, 2015 compared to the same periods in the prior year primarily due to the strengthening of the U.S. dollar against the Major Currencies. Excluding the effect of foreign exchange, net premiums written increased in the three-month period ended September 30, 2015 compared to the same period in the prior year reflecting continued execution of our growth strategy, particularly in the Americas, partially offset by a decrease in certain classes of business as a result of increased competition and underwriting discipline. Net premiums written increased in the nine-month period ended September 30, 2015 compared to the same period in the prior year primarily due to strong growth in new business and higher retention related to targeted growth products across all regions, partially offset by the strengthening of the U.S. dollar against the major currencies. Additionally, the nine-month period ended September 30, 2015, reflected the first quarter renewal of a multi-year E&O policy in the U.S.

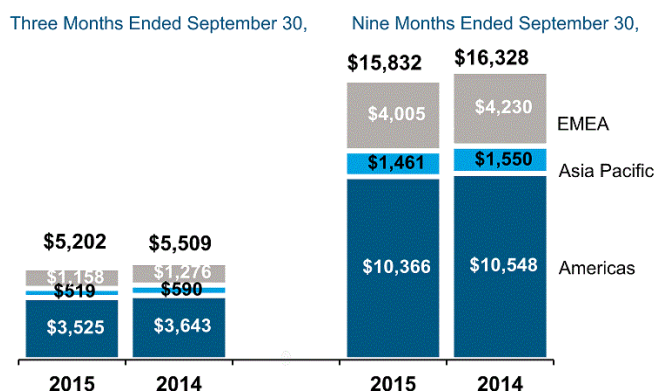
Property Casualty Net Premiums Written by Region

The following table presents Property Casualty’s net premiums written by region:

(in millions)	Three Months Ended September 30,		Percentage Change in U.S. dollars	Percentage Change in Original Currency	Nine Months Ended September 30,		Percentage Change in U.S. dollars	Percentage Change in Original Currency
	2015	2014			2015	2014		
Property Casualty:								
Americas	\$ 3,525	\$ 3,643	(3)%	(2)%	\$ 10,366	\$ 10,548	(2)%	(1)%
Asia Pacific	519	590	(12)	2	1,461	1,550	(6)	6
EMEA	1,158	1,276	(9)	1	4,005	4,230	(5)	6
Total net premiums written	\$ 5,202	\$ 5,509	(6)%	(1)%	\$ 15,832	\$ 16,328	(3)%	2 %

PROPERTY CASUALTY NET PREMIUMS WRITTEN BY REGION

(in millions)



The Americas net premiums written decreased in the three- and nine-month periods ended September 30, 2015 compared to the same periods in the prior year, primarily due to continued execution of our strategy to enhance risk selection and optimize our product portfolio in Casualty largely offset by strong growth in new business related to targeted growth products in Property, Specialty and Financial lines. Additionally, for the nine-month period ended September 30, 2015, net premiums written reflected the renewal of a multi-year E&O policy in the U.S.

Asia Pacific net premiums written decreased in the three- and nine-month periods ended September 30, 2015 compared to the same periods in the prior year due to the strengthening of the U.S. dollar against the Japanese yen. Excluding the effect of foreign exchange, net premiums written increased in the three- and nine-month periods ended September 30, 2015, compared to the same periods in the prior year, primarily due to higher retention and new business in all lines of business.

EMEA net premiums written decreased in the three- and nine-month periods ended September 30, 2015 compared to the same periods in the prior year primarily due to the strengthening of the U.S. dollar against the euro and British pound. Excluding the effect of foreign exchange, in the three-month period ended September 30, 2015 compared to the same period in the prior year, net premiums written increased primarily due to the increases in targeted growth products partially offset by a decline in certain classes of business, particularly in Casualty. Excluding the effect of foreign exchange, net premiums written

increased in the nine-month period ended September 30, 2015 compared to the same period in the prior year primarily due to new business growth in targeted growth products and higher retention across most lines of business.

Property Casualty Underwriting Ratios

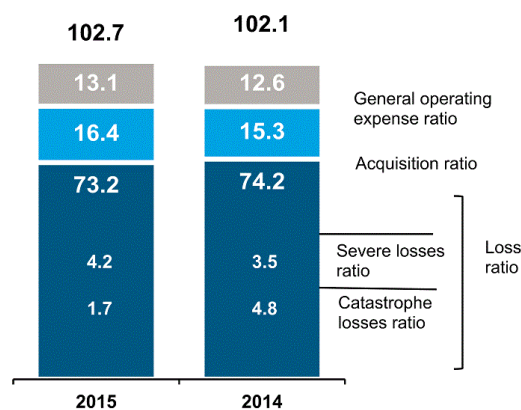
The following tables present the Property Casualty combined ratios based on GAAP data and reconciliation to the accident year combined ratio, as adjusted:

	Three Months Ended September 30,		Increase (Decrease)	Nine Months Ended September 30,		Increase (Decrease)
	2015	2014		2015	2014	
Loss ratio	73.2	74.2	(1.0)	70.8	70.5	0.3
Catastrophe losses and reinstatement premiums	(1.7)	(4.8)	3.1	(2.5)	(3.6)	1.1
Prior year development net of premium adjustments	(3.6)	(4.9)	1.3	(3.1)	(2.4)	(0.7)
Net reserve discount benefit	(0.8)	0.3	(1.1)	0.9	1.0	(0.1)
Accident year loss ratio, as adjusted	67.1	64.8	2.3	66.1	65.5	0.6
Acquisition ratio	16.4	15.3	1.1	15.9	15.6	0.3
General operating expense ratio	13.1	12.6	0.5	12.9	13.1	(0.2)
Expense ratio	29.5	27.9	1.6	28.8	28.7	0.1
Combined ratio	102.7	102.1	0.6	99.6	99.2	0.4
Catastrophe losses and reinstatement premiums	(1.7)	(4.8)	3.1	(2.5)	(3.6)	1.1
Prior year development net of premium adjustments	(3.6)	(4.9)	1.3	(3.1)	(2.4)	(0.7)
Net reserve discount benefit	(0.8)	0.3	(1.1)	0.9	1.0	(0.1)
Accident year combined ratio, as adjusted	96.6	92.7	3.9	94.9	94.2	0.7

PROPERTY CASUALTY RATIOS

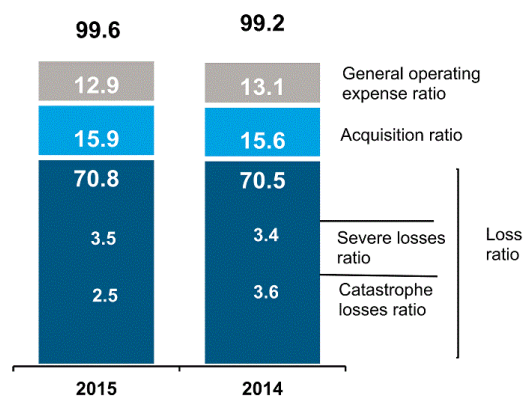
Three Months Ended September 30,

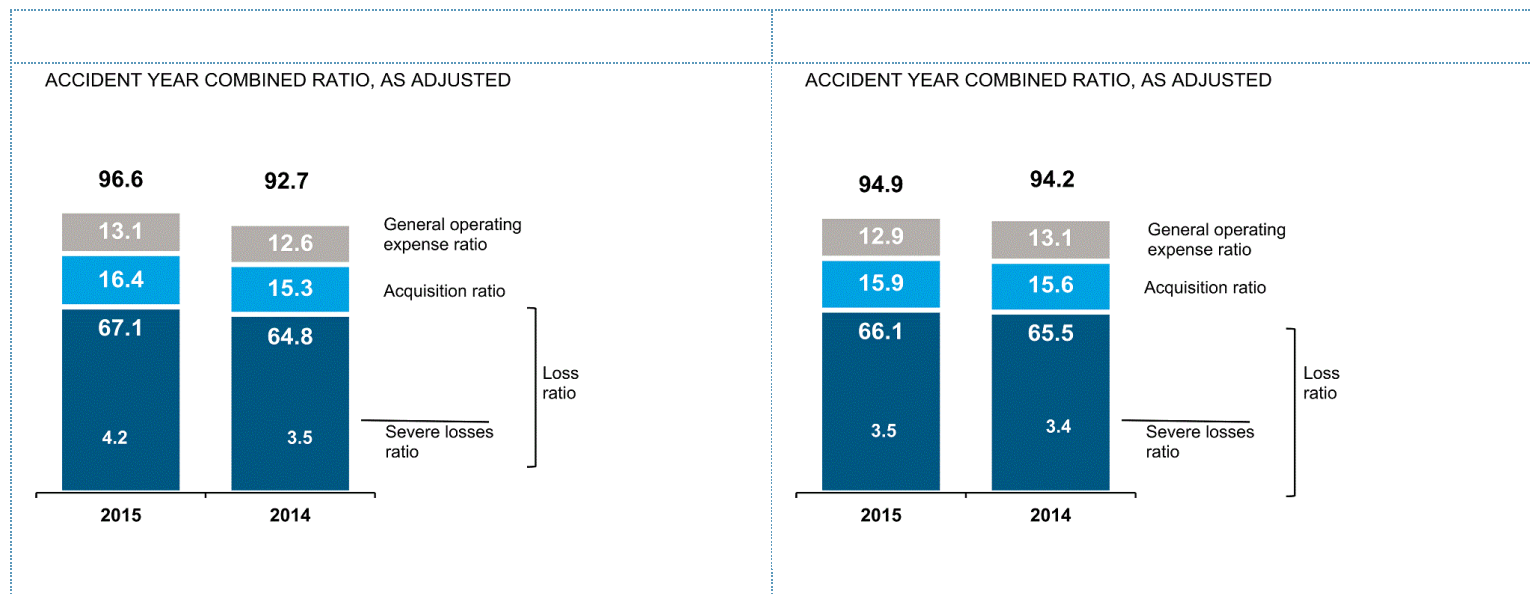
COMBINED RATIO



Nine Months Ended September 30,

COMBINED RATIO





See Insurance Reserves – Non-Life Insurance Companies for further discussion of discounting of reserves and prior year development.

The following tables present Property Casualty's accident year catastrophe and severe losses by region and number of events:

Catastrophes (a)

(in millions)	# of Events	Americas	Asia Pacific	EMEA	Total
Three Months Ended September 30, 2015					
Flooding	-	(1)	-	-	(1)
Windstorms and hailstorms	2	1	42	(2)	41
Wildfire	1	9	-	-	9
Tropical cyclone	1	-	14	-	14
Earthquakes	1	25	-	-	25
Total catastrophe-related charges	5	34	56	(2)	88
Three Months Ended September 30, 2014					
Flooding	2	35	-	-	35
Windstorms and hailstorms	5	143	21	12	176
Earthquakes	1	49	-	-	49
Reinstatement premiums		-	-	2	2
Total catastrophe-related charges	8	227	21	14	262
Nine Months Ended September 30, 2015					
Flooding	2	66	-	2	68
Windstorms and hailstorms	10	175	56	21	252
Wildfire	1	9	-	-	9
Tropical cyclone	1	-	14	-	14
Earthquakes	1	25	-	-	25
Total catastrophe-related charges	15	275	70	23	368

Nine Months Ended September 30, 2014

Flooding	2	\$	35	\$	-	\$	-	\$	35
Windstorms and hailstorms	14		382		66		33		481
Earthquakes	1		49		-		-		49
Reinstatement premiums			-		-		2		2
Total catastrophe-related charges	17	\$	466	\$	66	\$	35	\$	567

(a) Catastrophes are generally weather or seismic events having a net impact on AIG in excess of \$10 million each.

Severe Losses^(b)

<i>(in millions)</i>	# of Events	Americas	Asia Pacific	EMEA	Total
Three Months Ended September 30, 2015	6	\$ 53	\$ 2	\$ 154	\$ 209
2014	9	\$ 62	\$ 18	\$ 108	\$ 188
Nine Months Ended September 30, 2015	22	\$ 288	\$ 2	\$ 237	\$ 527
2014	25	\$ 170	\$ 73	\$ 283	\$ 526

(b) Severe losses are defined as non-catastrophe individual first party losses and surety losses greater than \$10 million, net of related reinsurance and salvage and subrogation.

Property Casualty Quarterly and Year-to-Date Insurance Ratios

The combined ratio increased by 0.6 points in the three-month period ended September 30, 2015, compared to the same period in the prior year, primarily due to an increase in the expense ratio partially offset by a decrease in the loss ratio. The loss ratio decreased by 1.0 point in the three-month period ended September 30, 2015 compared to the same period in the prior year, primarily due to lower catastrophe losses and a decrease in the net adverse prior year loss development partially offset by higher attritional losses and an increased net loss reserve discount charge. The combined ratio increased by 0.4 points in the nine-month period ended September 30, 2015, compared to the same period in the prior year, primarily due to higher accident year losses. The loss ratio increased by 0.3 points in the nine-month period ended September 30, 2015 compared to the same period in the prior year, primarily due to higher net adverse prior year loss development and an increase in attritional losses partially offset by lower catastrophe losses.

The accident year combined ratio, as adjusted, increased by 3.9 points and 0.7 points in the three- and nine-month periods ended September 30, 2015, respectively, compared to the same periods in the prior year, primarily due to a higher accident year loss ratio, as adjusted, and an increase in the acquisition ratio.

The accident year loss ratio, as adjusted, increased by 2.3 points in the three-month period ended September 30, 2015, compared to the same period in the prior year, reflecting higher current accident year losses in healthcare and in commercial automobile liability in U.S. Casualty, as well as higher attritional losses and severe losses in Property, partially offset by an improvement in Specialty and certain workers' compensation and primary business in U.S. Casualty as a result of our focus on portfolio optimization. The accident year loss ratio, as adjusted, increased by 0.6 points in the nine-month period ended September 30, 2015, compared to the same period in the prior year, reflecting an increase in healthcare and commercial automobile liability in U.S. Casualty, partially offset by lower attritional losses in U.S. Property, and Specialty, particularly in the U.S. and EMEA. Severe losses represented approximately 4.2 points and 3.5 points of the accident year loss ratio, as adjusted, in the three- and nine-month periods ended September 30, 2015, respectively, compared to 3.5 points and 3.4 points, respectively, in the same periods in the prior year.

The acquisition ratio increased by 1.1 points and 0.3 points in the three- and nine-month periods ended September 30, 2015, respectively, compared to the same periods in the prior year primarily due to higher commission expenses in certain classes of business in Specialty.

The general operating expense ratio increased by 0.5 points in the three-month period ended September 30, 2015, compared to the same period in the prior year, primarily due to a lower net premium earned base and the acquisition of NSM, whose expenses were consolidated commencing in the second quarter of 2015, partially offset by cost efficiency and lower pension

expenses. The general operating expense ratio decreased by 0.2 points in the nine-month period ended September 30, 2015, compared to the same period in the prior year, primarily due to efficiencies from organizational realignment initiatives partially offset by the NSM addition to expenses, higher technology-related expenses, as well as a lower net premium earned base.

Mortgage Guaranty Results

The following table presents Mortgage Guaranty results:

<i>(dollars in millions)</i>	Three Months Ended		Percentage Change	Nine Months Ended		Percentage Change
	September 30,			September 30,		
	2015	2014		2015	2014	
Underwriting results:						
Net premiums written	\$ 274	\$ 271	1 %	\$ 809	\$ 751	8 %
Increase in unearned premiums	(42)	(44)	5	(121)	(85)	(42)
Net premiums earned	232	227	2	688	666	3
Losses and loss adjustment expenses incurred	42	63	(33)	144	174	(17)
Acquisition expenses:						
Amortization of deferred policy acquisition costs	8	5	60	22	16	38
Other acquisition expenses	12	13	(8)	40	38	5
Total acquisition expenses	20	18	11	62	54	15
General operating expenses	42	46	(9)	121	120	1
Underwriting income	128	100	28	361	318	14
Net investment income	34	35	(3)	103	103	-
Pre-tax operating income	162	135	20	464	421	10
Key metrics:						
Prior year loss reserve development (favorable)/ unfavorable	\$ (18)	\$ (12)	50 %	\$ (35)	\$ (74)	(53)%
Domestic first-lien:						
New insurance written	\$ 14,483	\$ 12,643	15	\$ 40,215	\$ 31,305	28
Combined ratio	46.0	55.7		49.2	52.5	
Risk in force				\$ 46,559	\$ 40,782	14
60+ day delinquency ratio on primary loans ^(a)				3.5 %	4.6 %	
Domestic second-lien:						
Risk in force ^(b)				\$ 415	\$ 470	(12)

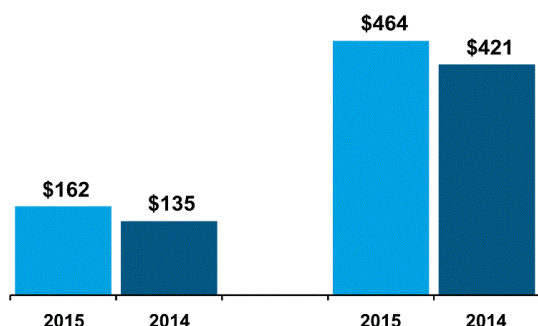
(a) Based on number of policies.

(b) Represents the full amount of second-lien loans insured reduced for contractual aggregate loss limits on certain pools of loans, which is usually 10 percent of the full amount of loans insured in each pool. Certain second-lien pools have reinstatement provisions, which will expire as the loan balances are repaid.

PRE-TAX OPERATING INCOME

(in millions)

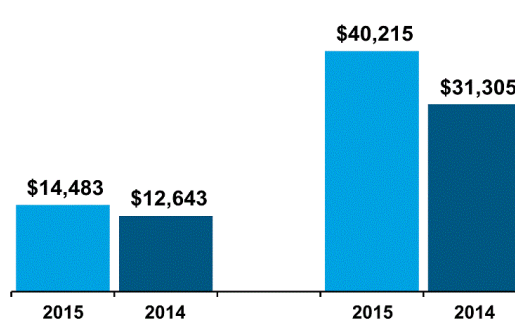
Three Months Ended September 30, Nine Months Ended September 30,



DOMESTIC FIRST-LIEN NEW INSURANCE WRITTEN ON MORTGAGE LOANS

(in millions)

Three Months Ended September 30, Nine Months Ended September 30,



The following table presents Mortgage Guaranty first-lien results:

(dollars in millions)	Three Months Ended			Percentage Change	Nine Months Ended			
	September 30,		2014		September 30,		2014	Percentage Change
	2015				2015			
Underwriting results:								
Net premiums written	\$ 257	\$	252	2 %	\$ 761	\$	693	10 %
Increase in unearned premiums	(40)		(42)	5	(119)		(83)	(43)
Net premiums earned	217		210	3	642		610	5
Losses and loss adjustment expenses incurred	45		61	(26)	148		172	(14)
Acquisition expenses:								
Amortization of deferred policy acquisition costs	8		5	60	22		14	57
Other acquisition expenses	12		13	(8)	40		39	3
Total acquisition expenses	20		18	11	62		53	17
General operating expenses	35		38	(8)	106		96	10
Underwriting income	117		93	26	326		289	13
Net investment income	31		32	(3)	94		93	1
Pre-tax operating income	148		125	18	420		382	10

Mortgage Guaranty Quarterly Results

Pre-tax operating income increased in the three-month period ended September 30, 2015 compared to the same period in the prior year primarily due to a decline in incurred losses from lower delinquency rates and higher cure rates and an increase in premiums earned as a result of growth in new insurance written.

First-Lien Results

First-lien pre-tax operating income increased in the three-month period ended September 30, 2015, compared to the same period in the prior year reflecting an increase in underwriting income. First-lien net premiums earned in the three-month period ended September 30, 2015, increased by \$7 million compared to the same period in the prior year largely from growth in the business. First-lien losses and loss adjustment expenses incurred in the three-month period ended September 30, 2015 decreased by \$16 million compared to the same period in the prior year. The combined ratio decreased by 9.7 points to 46.0 points in the three-month period ended September 30, 2015, compared to the same period in the prior year reflecting an improvement in overall underwriting results.

Acquisition expenses increased in the three-month period ended September 30, 2015, compared to the same period in the prior year, primarily as a result of sales support activities related to the increase in new insurance written.

General operating expenses decreased in the three-month period ended September 30, 2015, compared to the same period in the prior year, primarily due to \$4 million of asset write offs during the same period in the prior year.

Other Business Results

Other business results include second-lien insurance, student loan insurance and non-domestic mortgage insurance operations.

The Other business' pre-tax operating income for the three-month period ended September 30, 2015, was approximately \$14 million, compared to \$10 million in the same period in the prior year. The increase in pre-tax operating income was primarily due to a decline in losses and loss adjustment expenses and underwriting expenses, partially offset by a decrease in net premiums earned and a decline in net investment income.

Mortgage Guaranty Year-to-Date Results

Pre-tax operating income increased in the nine-month period ended September 30, 2015, compared to the same period in the prior year, due to an increase in first-lien net premiums earned as a result of higher new insurance written, an acceleration of earnings on the cancellations of single premium business for which a return premium is generally not required, a decline in incurred losses from lower delinquency rates and higher cure rates.

First-Lien Results

First-lien pre-tax operating income increased \$38 million in the nine-month period ended September 30, 2015, compared to the same period in the prior year, primarily due to improved underwriting income as a result of a \$32 million increase in first-lien net premiums earned in the nine-month period ended September 30, 2015 compared to the same period in the prior year, largely from growth in the book of business and the acceleration of premiums earned as a result of cancellations of single premium business and a \$24 million decrease in losses and loss adjustment expenses, offset in part by a \$20 million increase in acquisition and general operating expenses. The combined ratio was 49.2 points in the nine-month period ended September 30, 2015, compared to 52.5 points in the same period in the prior year, reflecting a decrease in the loss ratio, partially offset by an increase in the expense ratio.

Acquisition expenses increased slightly in the nine-month period ended September 30, 2015 compared to the same period in the prior year, primarily as a result of sales support activities related to the increase in new insurance written.

General operating expenses increased in the nine-month period ended September 30, 2015 compared to the same period in the prior year, primarily due to an increase in servicing costs related to the growth of the in-force business.

Other Business Results

The Other business' pre-tax operating income for the nine-month period ended September 30, 2015 was approximately \$43 million compared to \$39 million in the same period in the prior year. The increase in pre-tax operating income was primarily due to a decline in general operating expenses and losses and loss adjustment expenses, partially offset by a decline in net premiums earned and a decline in net investment income.

New Insurance Written on Domestic First-Lien Mortgage Loans

In the third quarter of 2015, Mortgage Guaranty's domestic first-lien new insurance written was \$14.5 billion compared to \$12.6 billion for the same period in the prior year, reflecting the expansion in the mortgage originations market caused by a reduction in mortgage interest rates in the latter part of 2014 and increased purchase volume favorably impacted by a drop in unemployment, improved housing prices, and lower down payment requirements. Domestic first-lien new insurance written increased to \$40.2 billion in the nine-month period ended September 30, 2015, compared to \$31.3 billion in the same period

in the prior year, driven by an increase in refinancing, improvements in existing home sales due to lower down payment requirements and new purchase volume.

[Delinquency Inventory](#)

The delinquency inventory for domestic first-lien business declined during the nine-month period ended September 30, 2015 as a result of cures and paid claims exceeding the number of newly reported delinquencies. Mortgage Guaranty's first-lien primary delinquency ratio at September 30, 2015 was 3.5 percent compared to 4.6 percent at September 30, 2014. Over the last several years, Mortgage Guaranty has experienced a decline in newly reported defaults and an increase in cure rates.

The following table provides a summary of activity in Mortgage Guaranty's domestic first lien delinquency inventory:

Nine Months Ended September 30, <i>(number of policies)</i>	2015	2014
Number of delinquencies at the beginning of the year	38,357	47,518
Newly reported	29,450	35,474
Cures	(27,946)	(33,260)
Claims paid	(6,728)	(8,783)
Other	(1,225)	(1,727)
Number of delinquencies at the end of the period	31,908	39,222

[Mortgage Guaranty Quarterly and Year-to-Date Underwriting Ratios](#)

The following tables present the Mortgage Guaranty combined ratios based on GAAP data:

	Three Months Ended September 30,		Increase (Decrease)	Nine Months Ended September 30,		Increase (Decrease)
	2015	2014		2015	2014	
Loss ratio	18.1	27.8	(9.7)	20.9	26.1	(5.2)
Acquisition ratio	8.6	7.9	0.7	9.0	8.1	0.9
General operating expense ratio	18.1	20.3	(2.2)	17.6	18.0	(0.4)
Expense ratio	26.7	28.2	(1.5)	26.6	26.1	0.5
Combined ratio	44.8	56.0	(11.2)	47.5	52.2	(4.7)

The combined ratio decreased by 11.2 points and 4.7 points in the three- and nine-month periods ended September 30, 2015, respectively, compared to the same periods in the prior year. The decrease in the ratio in the three- and nine-month periods ended September 30, 2015 was driven primarily by a reduction in the loss ratio due to a decline in incurred losses driven by lower delinquencies and higher cure rates.

The acquisition ratio increased by 0.7 points and 0.9 points in the three- and nine-month periods ended September 30, 2015, respectively, compared to the same periods in the prior year, primarily due to the increases in expenses related to sales activities supporting new insurance written.

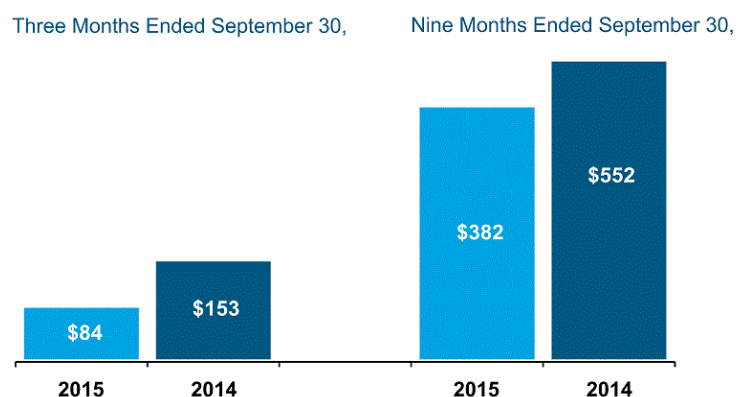
The general operating expense ratio decreased by 2.2 points and 0.4 points in the three- and nine-month periods ended September 30, 2015, respectively, compared to the same periods in the prior year, primarily due to an increase in earned premiums.

Institutional Markets Results

The following table presents Institutional Markets results:

<i>(in millions)</i>	Three Months Ended September 30,			Percentage Change	Nine Months Ended September 30,		
	2015	2014			2015	2014	Percentage Change
Revenues:							
Premiums	\$ 115	\$ 108		6 %	\$ 854	\$ 368	132 %
Policy fees	49	49		-	148	138	7
Net investment income	414	469		(12)	1,372	1,522	(10)
Benefits and expenses:							
Policyholder benefits and losses incurred	363	345		5	1,603	1,094	47
Interest credited to policyholder account balances	102	105		(3)	306	308	(1)
Amortization of deferred policy acquisition costs	1	-		NM	2	2	-
Other acquisition expenses	9	8		13	24	25	(4)
General operating expenses	19	15		27	57	47	21
Pre-tax operating income	\$ 84	\$ 153		(45)	\$ 382	\$ 552	(31)

INSTITUTIONAL MARKETS PRE-TAX OPERATING INCOME *(in millions)*



Institutional Markets Quarterly Results

Pre-tax operating income in the three-month period ended September 30, 2015 decreased compared to the same period in the prior year, primarily due to a decrease in net investment income and an increase in policyholder benefits resulting from a large claim in the current year period.

Net investment income in the three-month period ended September 30, 2015 decreased compared to the same period in the prior year, primarily due to losses on alternative investments from negative performance in hedge funds. See MD&A – Investments – Life Insurance Companies for additional information on the investment strategy, asset-liability management process and invested assets of our Life Insurance Companies, which include the invested assets of the Institutional Markets business.

General operating expenses in the three-month period ended September 30, 2015 increased compared to the same period in the prior year, primarily due to higher interest expense.

Institutional Markets Year-to-Date Results

Pre-tax operating income in the nine-month period ended September 30, 2015 decreased compared to the same period in the prior year, primarily due to a decrease in net investment income. Fee income increased in the nine-month period ended September 30, 2015 compared to the same period in the prior year, driven by growth in reserves and assets under management, primarily from continued development of the stable value wrap business. The notional amount of stable value wrap assets under management at September 30, 2015 grew by \$4.8 billion or 17 percent from September 30, 2014. The increases in premiums and in benefit expense in the nine months ended September 30, 2015, compared to the same period in the prior year, were primarily due to the premium received and establishment of the future policy benefit reserve for a large terminal funding annuity issued during the first half of 2015.

Net investment income in the nine-month period ended September 30, 2015 decreased compared to the same period in the prior year, primarily due to lower income on alternative investments and lower yield enhancements from bond call and tender income. See MD&A – Investments – Life Insurance Companies for additional information on the investment strategy, asset-liability management process and invested assets of our Life Insurance Companies, which include the invested assets of the Institutional Markets business.

General operating expenses in the nine-month period ended September 30, 2015 increased compared to the same period in the prior year, primarily due to higher state guaranty fund assessment expenses, technology investments and higher interest expense.

Institutional Markets Premiums and Deposits

For Institutional Markets, premiums represent amounts received on traditional life insurance policies and life-contingent payout annuities or structured settlements. Premiums and deposits is a non-GAAP financial measure that includes direct and assumed premiums as well as deposits received on universal life insurance and investment-type annuity contracts, including GICs and stable value wrap funding agreements.

The following table presents a reconciliation of Institutional Markets premiums and deposits to GAAP premiums:

<i>(in millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Premiums and deposits	\$ 159	\$ 2,840	\$ 985	\$ 3,182
Deposits	(33)	(2,725)	(104)	(2,797)
Other	(11)	(7)	(27)	(17)
Premiums	\$ 115	\$ 108	\$ 854	\$ 368

Premiums and deposits for the three- and nine-month periods ended September 30, 2015 decreased compared to the same periods in the prior year, primarily due to a \$2.5 billion deposit to the separate accounts of one of the Life Insurance Companies for a stable value wrap funding agreement that was reflected in the prior year periods. Excluding the \$2.5 billion deposit in the prior year period, premiums and deposits for the nine-month period ended September 30, 2015 increased compared to the same period in the prior year, primarily due to higher premiums, which reflected a large single premium for a terminal funding annuity agreement in the first half of 2015.

CONSUMER INSURANCE

Consumer Insurance presents its operating results in three operating segments – Retirement, Life and Personal Insurance.

Retirement provides a broad portfolio of retirement products and services to individual consumers. The primary products offered by the Retirement operating segment include individual fixed and variable annuities, retail mutual funds and advisory services. Retirement products are distributed through affiliated channels that include The Variable Annuity Life Insurance

Company (VALIC) career financial advisors and licensed financial advisors in the AIG Advisor Group and through non-affiliated channels, which include banks, wirehouses, regional and independent broker-dealers, independent marketing organizations and independent insurance agents.

Life provides life insurance products to individual consumers as well as group products distributed through employers. The primary products offered by the Life operating segment include term life, whole life and universal life insurance. International products include term and whole life insurance, savings products, supplemental health, cancer and critical illness insurance. Life products are distributed in the U.S. through affiliated channels that include career agents and financial advisors in the AIG Financial Network and direct marketing. Non-affiliated channels in the U.S. include independent marketing organizations, independent agents and benefit brokers. International life products are sold through non-affiliated independent agents and direct marketing.

Personal Insurance provides accident and health and personal lines insurance products to individuals, organizations and families. The products offered by the Personal Insurance operating segment include voluntary and sponsor-paid personal accident and supplemental health products for individuals, employees, associations and other organizations, including a broad range of travel insurance products and services for leisure and business travelers, personal automobile and homeowners insurance, extended warranty, and consumer specialty products, such as identity theft and credit card protections, as well as various high-net-worth insurance products. Personal Insurance products and services are distributed through various channels, including independent agents, brokers, affinity partners, airlines and travel agents, as well as direct marketing.

See Part I, Item 1. Business in AIG's 2014 Annual Report for further discussion of our products and geographic regions where we distribute our products.

Consumer Insurance Results

The following table presents Consumer Insurance results:

<i>(in millions)</i>	Three Months Ended		Percentage Change	Nine Months Ended		Percentage Change
	September 30,			September 30,		
	2015	2014		2015	2014	
Revenues:						
Premiums	\$ 3,531	\$ 3,781	(7)%	\$ 10,636	\$ 11,269	(6)%
Policy fees	653	635	3	1,919	1,829	5
Net investment income	1,944	2,283	(15)	6,351	6,883	(8)
Other income	524	511	3	1,575	1,487	6
Benefits and expenses:						
Policyholder benefits and losses incurred	2,741	2,763	(1)	7,981	8,166	(2)
Interest credited to policyholder account balances	789	776	2	2,459	2,488	(1)
Amortization of deferred policy acquisition costs	694	597	16	2,146	2,033	6
General operating and other expenses*	1,771	1,810	(2)	5,270	5,230	1
Pre-tax operating income	\$ 657	\$ 1,264	(48)%	\$ 2,625	\$ 3,551	(26)%

* Includes general operating expenses, non deferrable commissions, other acquisition expenses, advisory fee expenses and other expenses.

Consumer Insurance Results by Operating Segment

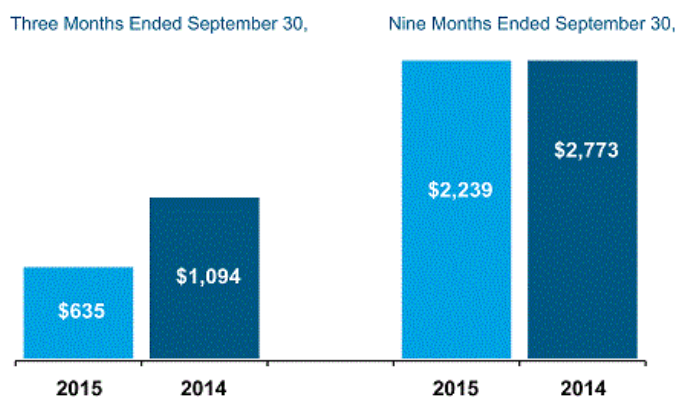
The following section provides a comparative discussion of Consumer Insurance Results of Operations for the three- and nine-month periods ended September 30, 2015 and 2014 by operating segment.

Retirement Results

The following table presents Retirement results:

<i>(in millions)</i>	Three Months Ended		Percentage Change	Nine Months Ended		Percentage Change
	September 30,			September 30,		
	2015	2014		2015	2014	
Revenues:						
Premiums	\$ 37	\$ 67	(45)%	\$ 127	\$ 221	(43)%
Policy fees	261	265	(2)	802	751	7
Net investment income	1,396	1,629	(14)	4,584	4,908	(7)
Advisory fee and other income	509	511	-	1,543	1,487	4
Benefits and expenses:						
Policyholder benefits and losses incurred	198	137	45	406	410	(1)
Interest credited to policyholder account balances	665	648	3	2,089	2,108	(1)
Amortization of deferred policy acquisition costs	32	(46)	NM	332	197	69
Non deferrable insurance commissions	72	68	6	210	192	9
Advisory fee expenses	339	338	-	1,012	986	3
General operating expenses	262	233	12	768	701	10
Pre-tax operating income	\$ 635	\$ 1,094	(42)%	\$ 2,239	\$ 2,773	(19)%

RETIREMENT PRE-TAX OPERATING INCOME *(in millions)*



Retirement Quarterly Results

Pre-tax operating income in the three-month period ended September 30, 2015 decreased compared to the same period in the prior year, primarily due to lower net investment income, a lower net positive adjustment from the review and update of actuarial assumptions and higher general operating expenses. The update of actuarial assumptions resulted in a net positive adjustment to Retirement pre-tax operating earnings of \$140 million in the three-month period ended September 30, 2015, compared to a net positive adjustment of \$256 million in the three-month period ended September 30, 2014.

In Fixed Annuities, the update of estimated gross profit assumptions resulted in a net positive adjustment of \$92 million in the three-month period ended September 30, 2015, which reflected refinements to investment spread assumptions, lower terminations than previously assumed and decreases to expense assumptions. The three-month period ended September 30,

2014, included a net positive adjustment of \$196 million in Fixed Annuities, primarily due to better spreads than previously assumed.

In Retirement Income Solutions, there were offsetting updates to assumed investment fees, modeled expenses, and terminations, resulting in no net adjustment to pre-tax operating earnings in the three-month period ended September 30, 2015, compared to a \$14 million net positive adjustment in the three-month period ended September 30, 2014, primarily due to the update of mortality assumptions.

In Group Retirement, a net positive adjustment from the update of estimated gross profit assumptions of \$48 million in the three-month period ended September 30, 2015 was primarily due to revisions to mortality and surrender assumptions, partially offset by decreased spread assumptions. In the three-month period ended September 30, 2014, a net positive adjustment of \$46 million in Group Retirement was primarily due to more favorable assumptions for investment spreads and surrenders than previously assumed.

See Insurance Reserves - Life Insurance Companies DAC and Reserves – Update of Actuarial Assumptions for adjustments by product line and financial statement line item, and discussion of adjustments related to the update of assumptions for the valuation of variable annuity GMWB features in the Retirement Income Solutions and Group Retirement product lines, which are accounted for as embedded derivatives and measured at fair value, with the change in fair value recorded in net realized capital gains (losses) and excluded from pre-tax operating income.

Net investment income for the three-month period ended September 30, 2015 decreased compared to the same period in the prior year, primarily due to losses on alternative investments from negative performance in hedge funds, lower income from yield enhancements and lower base net investment income. These declines were partially offset by higher gains in private equity fund partnerships and affordable housing partnerships. Yield enhancements in the same period in the prior year reflected higher bond call and tender income and higher income on investments for which the fair value option was elected, including the investment in PICC Group then held by the Life Insurance Companies.

Base net investment income for the three-month period ended September 30, 2015 decreased compared to the same period in the prior year, primarily due to the effect of lower base yields from reinvestment at rates below the weighted average yield of the overall portfolio. See Investments – Life Insurance Companies for additional information on the investment strategy, asset-liability management process and invested assets of our Life Insurance Companies, which include the invested assets of the Retirement business.

Overall, Retirement fixed maturity portfolio yields in the three-month period ended September 30, 2015 declined compared to the same period in the prior year, primarily as a result of investment purchases and investment of portfolio cash flows at rates below the weighted average yield of the existing portfolio in the sustained low interest rate environment. While average interest crediting rates were down slightly due to active rate management, the decline in base yields compressed base spreads in Fixed Annuities. See Spread Management below for additional discussion.

General operating expenses increased in the three-month period ended September 30, 2015 compared to the same period in the prior year, due in part to technology investments and higher expenses associated with continued strong sales in the Retirement Income Solutions product line.

Retirement Year-to-Date Results

Pre-tax operating income in the nine-month period ended September 30, 2015 decreased compared to the same period in the prior year, primarily due to lower net investment income, a lower net positive adjustment to reflect the update of actuarial assumptions and higher general operating expenses, partially offset by growth in fee income. In addition, DAC amortization in Retirement Income Solutions increased in the nine-month period ended September 30, 2015 due to growth in the business and lower equity market returns compared to the same period in the prior year. Base net investment income decreased in the nine-month period ended September 30, 2015, which compressed base spreads, but this decrease was partially offset by higher policy fees and advisory fees due to growth in variable annuity separate account assets under management, principally driven by positive net flows.

Net investment income for the nine-month period ended September 30, 2015 decreased compared to the same period in the prior year, primarily due to lower income on alternative investments and lower base net investment income.

Base net investment income for the nine-month period ended September 30, 2015 decreased slightly compared to the same period in the prior year, primarily due to the effect of lower base yields from reinvestment at rates below the weighted average yield of the overall portfolio. This overall decrease in base net investment income compared to the same period in the prior year was partially offset in the nine-month period ended September 30, 2015 by additional accretion on a security held in Group Retirement. See Investments – Life Insurance Companies for additional information on the investment strategy, asset-liability management process and invested assets of our Life Insurance Companies, which include the invested assets of the Retirement business.

Overall, Retirement fixed maturity portfolio yields in the nine-month period ended September 30, 2015 declined compared to the same period in the prior year, primarily as a result of investment purchases and investment of portfolio cash flows at rates below the weighted average yield of the existing portfolio in the sustained low interest rate environment. While average interest crediting rates were down slightly due to active rate management, the decline in base yield resulted in spread compression in Fixed Annuities base spreads compared to the same period in the prior year. Group Retirement base spread was flat compared to the same period in the prior year, primarily due to additional accretion income in the nine-month period ended September 30, 2015, which offset the decline in base yield. See Spread Management below for additional discussion.

General operating expenses increased in the nine-month period ended September 30, 2015 compared to the same period in the prior year, due in part to technology investments and higher expenses associated with continued strong sales in the Retirement Income Solutions product line.

Spread Management

The contractual provisions for renewal of crediting rates and guaranteed minimum crediting rates included in products may reduce spreads in a sustained low interest rate environment and thus reduce future profitability. Although this interest rate risk is partially mitigated through the Life Insurance Companies' asset-liability management process, product design elements and crediting rate strategies, a sustained low interest rate environment may negatively affect future profitability.

Disciplined pricing on new business and active crediting rate management are used in the Fixed Annuities and Group Retirement product lines to partially offset the impact of a continued decline in base yields resulting from investment of available cash flows in the low interest rate environment.

Disciplined pricing on new business is used to pursue new sales of annuity products at targeted net investment spreads in the current rate environment. Retirement has an active product management process to ensure that new business offerings appropriately reflect the current interest rate environment. To the extent that Retirement cannot achieve targeted net investment spreads on new business, products are re-priced or no longer sold. Additionally, where appropriate, existing products that had higher minimum rate guarantees have been re-filed with lower crediting rates as permitted under state insurance laws for new sales. As a result, new sales of fixed annuity products generally have minimum interest rate guarantees of one percent.

Renewal crediting rate management is done under contractual provisions in annuity products that were designed to allow crediting rates to be reset at pre-established intervals in accordance with state and federal laws and subject to minimum crediting rate guarantees. Retirement will continue to adjust crediting rates on in-force business to mitigate the pressure on spreads from declining base yields. In addition to deferred annuity products, certain traditional long-duration products for which Retirement does not have the ability to adjust interest rates, such as payout annuities, are exposed to reduced earnings and potential loss recognition reserve increases in a sustained low interest rate environment.

As of September 30, 2015, Retirement's fixed annuity reserves, which include fixed options offered within variable annuities sold in the Group Retirement and Retirement Income Solutions product lines as well as reserves of the Fixed Annuities product line, had minimum guaranteed interest rates ranging from 1.0 percent to 5.5 percent, with the higher rates representing guarantees on older in-force products. As indicated in the table below, approximately 73 percent of annuity account values were at their minimum crediting rates as of September 30, 2015, compared to 71 percent at December 31, 2014. As a result of

disciplined pricing on new business and the run-off of older business with higher minimum crediting rates, fixed annuity account values having contractual minimum guaranteed rates above 1 percent decreased to 75 percent of total fixed annuity reserves at September 30, 2015 from 79 percent at December 31, 2014.

The following table presents fixed annuity account values by contractual minimum guaranteed interest rate and current crediting rates:

September 30, 2015 Contractual Minimum Guaranteed Interest Rate (in millions)	Current Crediting Rates			Total
	At Contractual Minimum Guarantee	1-50 Basis Points Above Minimum Guarantee	More than 50 Basis Points Above Minimum Guarantee	
Fixed annuities *				
1%	\$ 5,675	\$ 6,494	\$ 11,256	\$ 23,425
> 1% - 2%	12,133	2,611	3,180	17,924
> 2% - 3%	30,673	554	1,661	32,888
> 3% - 4%	12,414	48	8	12,470
> 4% - 5%	7,713	-	4	7,717
> 5% - 5.5%	225	-	5	230
Total	\$ 68,833	\$ 9,707	\$ 16,114	\$ 94,654
Percentage of total	73 %	10 %	17 %	100 %

* Fixed annuities shown include fixed options within variable annuities sold in Group Retirement and Retirement Income Solutions product lines.

[Retirement Premiums and Deposits, Surrenders and Net Flows](#)

Premiums

For Retirement, premiums primarily represent amounts received on life-contingent payout annuities. Premiums and deposits is a non-GAAP financial measure that includes, in addition to direct and assumed premiums, deposits received on investment-type annuity contracts and mutual funds.

The following table presents a reconciliation of Retirement premiums and deposits to GAAP premiums:

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Premiums and deposits*	\$ 6,625	\$ 5,863	\$ 18,204	\$ 18,033
Deposits	(6,542)	(5,822)	(18,079)	(17,951)
Other	(46)	26	2	139
Premiums	\$ 37	\$ 67	\$ 127	\$ 221

* Excludes activity related to closed blocks of fixed and variable annuities.

Premiums decreased in the three- and nine-month periods ended September 30, 2015 compared to the same periods in the prior year, primarily due to lower immediate annuity premiums in the Fixed Annuities product line.

Premiums and Deposits and Net Flows

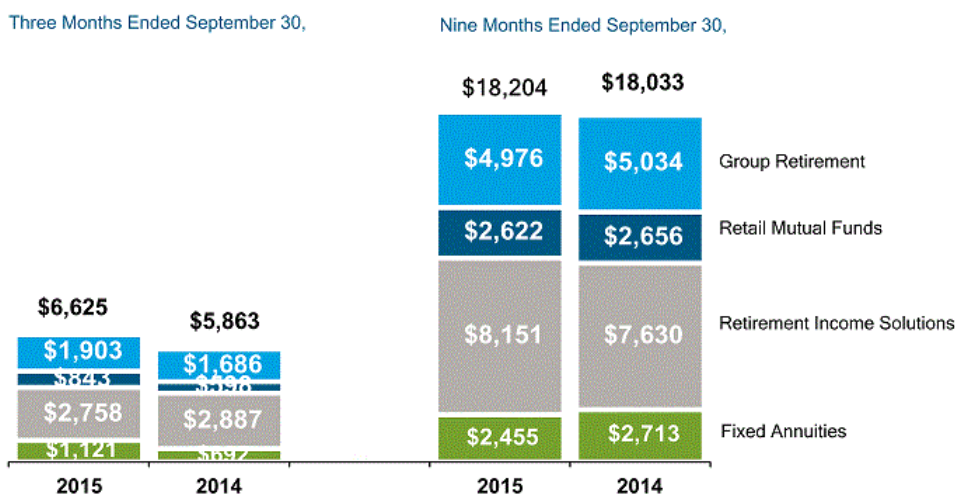
The following table presents Retirement premiums and deposits and net flows by product line:

<i>(in millions)</i>	Three Months Ended September 30,			Percentage Change	Nine Months Ended September 30,			Percentage Change
	2015	2014			2015	2014		
Fixed Annuities	\$ 1,121	\$ 692		62 %	\$ 2,455	\$ 2,713		(10)%
Retirement Income Solutions	2,758	2,887		(4)	8,151	7,630		7
Retail Mutual Funds	843	598		41	2,622	2,656		(1)
Group Retirement	1,903	1,686		13	4,976	5,034		(1)
Total Retirement premiums and deposits*	\$ 6,625	\$ 5,863		13 %	\$ 18,204	\$ 18,033		1 %

<i>(in millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net flows				
Fixed Annuities	\$ (337)	\$ (733)	\$ (2,023)	\$ (1,572)
Retirement Income Solutions	1,824	1,952	5,271	4,826
Retail Mutual Funds	192	(315)	676	78
Group Retirement	(664)	(1,061)	(1,695)	(1,534)
Total Retirement net flows*	\$ 1,015	\$ (157)	\$ 2,229	\$ 1,798

* Excludes activity related to closed blocks of fixed and variable annuities, which had reserves of approximately \$5.0 billion and \$5.4 billion at September 30, 2015 and 2014, respectively.

RETIREMENT PREMIUMS AND DEPOSITS BY PRODUCT LINE *(in millions)*



Premiums and deposits for Retirement increased in the three-month period ended September 30, 2015 compared to the same period in the prior year, primarily due to higher sales in Fixed Annuities, Group Retirement and Retail Mutual Funds product lines. Premiums and deposits increased for the nine-month period ended September 30, 2015 compared to the same period in the prior year, primarily due to growth in Retirement Income Solutions, partially offset by lower sales in Fixed Annuities.

Net flows for annuity products included in the Fixed Annuities, Retirement Income Solutions and Group Retirement product lines represent premiums and deposits less death, surrender and other withdrawal benefits. Net flows from mutual funds, which are included in both the Retail Mutual Funds and Group Retirement product lines, represent deposits less withdrawals.

Total net flows for Retirement in the three-month period ended September 30, 2015 improved compared to the same period in the prior year, primarily due to higher premiums and deposits in Fixed Annuities, Group Retirement and Retail Mutual Funds. Surrender and withdrawal activity in Group Retirement and Retail Mutual Funds improved in the three-month period ended September 30, 2015, compared to higher levels for the prior year period.

In the nine-month period ended September 30, 2015, total net flows for Retirement increased compared to the same period in the prior year, primarily due to continued growth in Retirement Income Solutions and a significant reduction in the level of withdrawals in Retail Mutual Fund, partially offset by lower net flows from Fixed Annuities and Group Retirement.

Premiums and Deposits and Net Flows by Product Line

A discussion of the significant variances in premiums and deposits and net flows for each product line follows:

Fixed Annuities deposits and net flows increased in the three-month period ended September 30, 2015 compared to the same period in the prior year, due to new product offerings and an increase in fixed deferred annuities bank channel sales driven by higher rates as a result of widening credit spreads. In the nine-month period ended September 30, 2015, deposits decreased compared to the same period in the prior year, and net flows continued to be negative, primarily due to lower sales in the sustained low interest rate environment.

Retirement Income Solutions premiums and deposits and net flows decreased in the three-month period ended September 30, 2015 compared to the same period in the prior year, due to lower variable annuity sales partially offset by growth in index annuities. In the nine-month period ended September 30, 2015, premiums and deposits and net flows increased compared to the same period in the prior year, reflecting an increase in index annuity sales. The improvement in surrender rates (see Surrender Rates below) for the three- and nine-month periods ended September 30, 2015, compared to the same periods in the prior year, was primarily due to the significant growth in account value driven by the high volume of sales, which has increased the proportion of business that is within the surrender charge period.

Retail Mutual Fund net flows increased in the three-month period ended September 30, 2015 compared to the same period in the prior year, primarily due to improvement in the levels of deposits and withdrawals. Retail Mutual Fund net flows increased in the nine-month period ended September 30, 2015 compared to the same period in the prior year, due to a reduction in the level of withdrawals. The increase in net flows in both periods compared to the same periods in the prior year was primarily driven by activity within the Focused Dividend Strategy Fund.

Group Retirement net flows in the three-month period ended September 30, 2015 improved compared to the same period in the prior year, due to higher premiums and deposits and improved surrender activity compared to the three-month period ended September 30, 2014, which included a large group surrender of approximately \$700 million. In the nine-month period ended September 30, 2015, net flows decreased compared to the same period in the prior year, due to both a decrease in premiums and deposits and an increase in surrender activity. The increase in the surrender rate compared to the same period in the prior year was due in part to large group surrenders of approximately \$1.1 billion in the nine-month period ended September 30, 2015. The large group market has been impacted by the consolidation of healthcare providers and other employers in our target markets.

Surrender Rates

The following table presents reserves for annuity product lines by surrender charge category:

(in millions)	September 30, 2015			December 31, 2014		
	Group Retirement Products ^(a)	Fixed Annuities	Retirement Income Solutions	Group Retirement Products ^(a)	Fixed Annuities	Retirement Income Solutions
No surrender charge ^(b)	\$ 59,860	\$ 35,000	\$ 1,027	\$ 61,751	\$ 34,396	\$ 1,871
0% - 2%	1,539	1,852	16,478	1,648	2,736	17,070
Greater than 2% - 4%	1,159	1,842	4,014	1,657	2,842	4,254
Greater than 4%	5,635	12,665	31,123	5,793	12,754	26,165
Non-surrenderable	688	3,610	172	770	3,464	151
Total reserves	\$ 68,881	\$ 54,969	\$ 52,814	\$ 71,619	\$ 56,192	\$ 49,511

(a) Excludes mutual fund assets under management of \$14.0 billion and \$14.6 billion at September 30, 2015 and December 31, 2014, respectively.

(b) Group Retirement Products in this category include reserves of approximately \$6.2 billion at both September 30, 2015 and December 31, 2014, that are subject to 20 percent annual withdrawal limitations.

The following table presents annualized surrender rates for deferred annuities by product line:

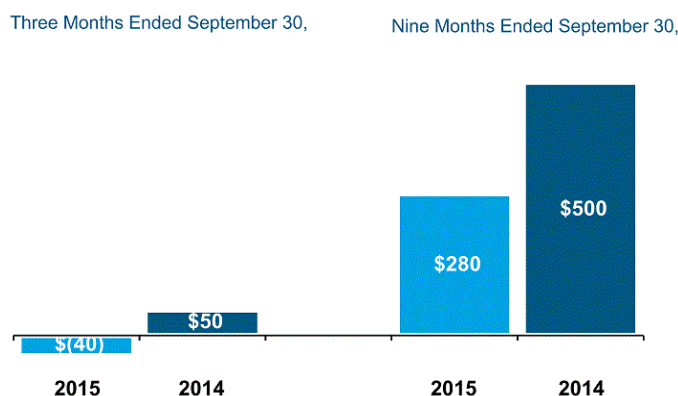
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Surrenders as a percentage of average account value				
Fixed Annuities	6.5 %	6.3 %	6.8 %	6.6 %
Retirement Income Solutions	6.0	6.8	6.2	7.3
Group Retirement	11.4	12.0	9.9	9.5

Life Results

The following table presents Life results:

(in millions)	Three Months Ended September 30,		Percentage Change	Nine Months Ended September 30,		Percentage Change
	2015	2014		2015	2014	
Revenues:						
Premiums	\$ 675	\$ 655	3 %	\$ 2,085	\$ 2,004	4 %
Policy fees	392	370	6	1,117	1,078	4
Net investment income	496	550	(10)	1,589	1,663	(4)
Other income	15	-	NM	32	-	NM
Benefits and expenses:						
Policyholder benefits and losses incurred	1,037	1,005	3	2,944	2,766	6
Interest credited to policyholder account balances	124	128	(3)	370	380	(3)
Amortization of deferred policy acquisition costs	158	97	63	333	258	29
Non deferrable insurance commissions	51	62	(18)	167	185	(10)
General operating expenses	248	233	6	729	656	11
Pre-tax operating income (loss)	\$ (40)	\$ 50	NM	\$ 280	\$ 500	(44)

LIFE PRE-TAX OPERATING INCOME (in millions)



Life Quarterly Results

Pre-tax operating income decreased in the three-month period ended September 30, 2015 compared to the same period in the prior year, primarily due to lower net investment income, mortality experience that was within pricing expectations but less favorable than the prior year period, and a higher net negative adjustment to reflect the review and update of actuarial assumptions. Other income in the three-month period ended September 30, 2015, was primarily related to commission and profit sharing revenues received by Laya Healthcare for the distribution of insurance products.

The net negative adjustment of \$157 million related to an update of actuarial assumptions in the three-month period ended September 30, 2015 was primarily due to lower assumed surrender rates for certain later-duration universal life with secondary guarantees, which represent approximately eight percent of total U.S. life reserves. The net negative adjustment also reflected lower investment spread assumptions, partially offset by more favorable than expected mortality, as well as loss recognition expense of \$39 million for certain discontinued long-term care products primarily due to lower future premium assumptions. These negative adjustments were partially offset by a decrease in certain Group Benefit claim reserves based on updated experience data.

A net negative adjustment of \$135 million in the three-month period ended September 30, 2014 also included additions to reserves for universal life with secondary guarantees, primarily due to lower investment spread and mortality assumptions which, while higher than previously assumed, were still within pricing assumptions. The net negative adjustment in the three-month period ended September 30, 2014 also included loss recognition expense of \$87 million for certain long-term care business, primarily as a result of lower future premium increase assumptions and, to a lesser extent, lower yield assumptions.

See Insurance Reserves - Life Insurance Companies DAC and Reserves – Update of Actuarial Assumptions for amounts by product line and financial statement line item and additional discussion.

Net investment income decreased in the three-month period ended September 30, 2015 compared to the same period in the prior year, primarily due to losses on alternative investments from negative performance in hedge funds, lower income from yield enhancements and lower base net investment income. Yield enhancements in the prior year period reflected higher bond call and tender income and higher gains on securities for which the fair value option was elected, including the investment in PICC Group then held by the Life Insurance Companies. See Investments – Life Insurance Companies for additional discussion of the investment strategy, asset-liability management process and invested assets of our Life Insurance Companies, which include the invested assets of the Life business.

General operating expenses increased in the three-month period ended September 30, 2015 compared to the same period in the prior year, primarily due to increases in expenses related to expansion of the international Life business.

Life Year-to-Date Results

Pre-tax operating income decreased in the nine-month period ended September 30, 2015 compared to the same period in the prior year, primarily due to lower net investment income, mortality experience that was within pricing expectations but less favorable than the prior year period, and a higher net negative adjustment to reflect updated actuarial assumptions. Other income in the nine-month period ended September 30, 2015, was primarily related to commission and profit sharing revenues received by Laya Healthcare for the distribution of insurance products.

Net investment income for the nine-month period ended September 30, 2015 decreased compared to the same period in the prior year primarily due to lower income on alternative investments and a decrease in base net investment income compared to the prior year period, due in part to participation income received on a commercial mortgage loan in the 2014 period. See Investments – Life Insurance Companies for additional discussion of the investment strategy, asset-liability management process and invested assets of our Life Insurance Companies, which include the invested assets of the Life business.

General operating expenses increased in the nine-month period ended September 30, 2015 compared to the same period in the prior year, primarily due to increases in expenses related to expansion of the international Life business.

Spread Management

Disciplined pricing on new business is used to pursue new sales of life products at targeted net investment spreads in the current interest rate environment. Life has an active product management process to ensure that new business offerings appropriately reflect the current interest rate environment. To the extent that Life cannot achieve targeted net investment spreads on new business, products are re-priced or no longer sold. Additionally, where appropriate, existing products with higher minimum rate guarantees have been re-filed with lower crediting rates as permitted under state insurance laws for new sales. Universal life insurance interest rate guarantees are generally 2 to 3 percent on new non-indexed products and zero to 2 percent on new indexed products, and are designed to meet targeted net investment spreads.

In-force Management. Crediting rates for in-force policies are adjusted in accordance with contractual provisions that were designed to allow crediting rates to be reset subject to minimum crediting rate guarantees.

The following table presents universal life account values by contractual minimum guaranteed interest rate and current crediting rates:

September 30, 2015 Contractual Minimum Guaranteed Interest Rate (in millions)	Current Crediting Rates			Total
	At Contractual Minimum Guarantee	1-50 Basis Points Above Minimum Guarantee	More than 50 Basis Points Above Minimum Guarantee	
Universal life insurance				
1%	\$ -	\$ -	\$ 7	\$ 7
> 1% - 2%	32	152	210	394
> 2% - 3%	562	277	1,454	2,293
> 3% - 4%	2,063	501	1,098	3,662
> 4% - 5%	3,985	195	-	4,180
> 5% - 5.5%	330	-	-	330
Total	\$ 6,972	\$ 1,125	\$ 2,769	\$ 10,866
Percentage of total	64 %	10 %	26 %	100 %

[Life Premiums and Deposits](#)

Premiums for Life represent amounts received on traditional life insurance policies and group benefit policies. Premiums and deposits for Life is a non-GAAP financial measure that includes direct and assumed premiums as well as deposits received on universal life insurance.

The following table presents a reconciliation of Life premiums and deposits to GAAP premiums:

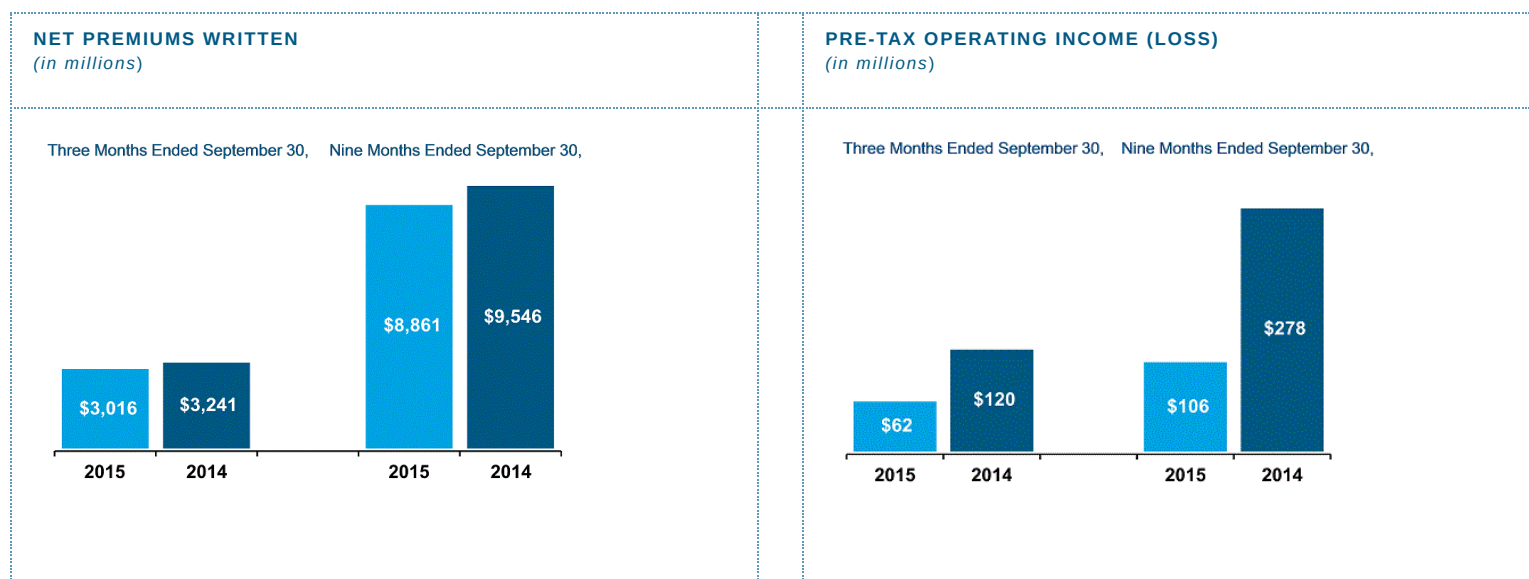
<i>(in millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Premiums and deposits	\$ 1,223	\$ 1,163	\$ 3,695	\$ 3,557
Deposits	(369)	(366)	(1,127)	(1,129)
Other	(179)	(142)	(483)	(424)
Premiums	\$ 675	\$ 655	\$ 2,085	\$ 2,004

Excluding the effect of foreign exchange, Life premiums and deposits increased 8 percent and 7 percent for the three- and nine-month periods ended September 30, 2015, respectively, compared to the same periods in the prior year, principally driven by growth in Japan and the acquisition of AIG Life Limited in the U.K.

[Personal Insurance Results](#)

The following table presents Personal Insurance results:

<i>(in millions)</i>	Three Months Ended September 30,		Percentage Change	Nine Months Ended September 30,		Percentage Change
	2015	2014		2015	2014	
Underwriting results:						
Net premiums written	\$ 3,016	\$ 3,241	(7)%	\$ 8,861	\$ 9,546	(7)%
Increase in unearned premiums	(197)	(182)	(8)	(437)	(502)	13
Net premiums earned	2,819	3,059	(8)	8,424	9,044	(7)
Losses and loss adjustment expenses incurred	1,506	1,621	(7)	4,631	4,990	(7)
Acquisition expenses:						
Amortization of deferred policy acquisition costs	504	546	(8)	1,481	1,578	(6)
Other acquisition expenses	296	269	10	868	840	3
Total acquisition expenses	800	815	(2)	2,349	2,418	(3)
General operating expenses	503	607	(17)	1,516	1,670	(9)
Underwriting income (loss)	10	16	(38)	(72)	(34)	(112)
Net investment income	52	104	(50)	178	312	(43)
Pre-tax operating income	\$ 62	\$ 120	(48)%	\$ 106	\$ 278	(62)%



Personal Insurance Quarterly Results

Pre-tax operating income decreased in the three-month period ended September 30, 2015 compared to the same period in the prior year, due to a decrease in net investment income. Catastrophe losses were \$58 million in the three-month period ended September 30, 2015, compared to \$22 million in the same period in the prior year. Net favorable prior year loss reserve development was \$46 million in the three-month period ended September 30, 2015, compared to \$12 million in the same period in the prior year.

Acquisition expenses decreased in the three-month period ended September 30, 2015, compared to the same period in the prior year, due to the strengthening of the U.S. dollar against the Japanese yen, British pound and euro. Excluding the effect of foreign exchange, acquisition expenses increased due to higher acquisition costs in the automobile business and higher profit share expenses related to warranty service programs, partially offset by a decrease in non-deferred direct marketing expenses. The non-deferred direct marketing expenses, excluding commissions, for the three-month period ended September 30, 2015, were approximately \$70 million, and, excluding the impact of foreign exchange, decreased by approximately \$31 million from the same period in the prior year.

General operating expenses decreased in the three-month period ended September 30, 2015, compared to the same period in the prior year, primarily reflecting the timing of investment in strategic initiatives together with an ongoing focus on cost efficiency.

Net investment income decreased in the three-month period ended September 30, 2015, compared to the same period in the prior year, primarily driven by lower interest income and negative performance of alternative investments in hedge funds. The lower interest income was due to the continued impact of low interest rates resulting in yields on new purchases that were lower than the weighted average yield of the overall portfolio the strengthening of the U.S. dollar against most major foreign currencies and lower allocation of net investment income.

See MD&A — Investments for additional information on the Non-Life Insurance Companies invested assets, investment strategy, and asset-liability management process.

Personal Insurance Year-to-Date Results

Pre-tax operating income decreased in the nine-month period ended September 30, 2015, compared to the same period in the prior year, primarily due to a decrease in net investment income and underwriting results. Catastrophe losses were \$135 million in the nine-month period ended September 30, 2015, compared to \$118 million in the same period in the prior year. In the nine-month period ended September 30, 2015, net favorable prior year loss reserve development was \$59 million, compared to \$42 million in the same period in the prior year.

Acquisition expenses decreased in the nine-month period ended September 30, 2015, compared to the same period in the prior year. Excluding the effect of foreign exchange, acquisition expenses increased due to higher acquisition costs, primarily in automobile and property businesses, and higher profit share expenses related to warranty service programs, partially offset by a decrease in non-deferred direct marketing expenses. The non-deferred direct marketing expenses, excluding commissions, for the nine-month period ended September 30, 2015, were approximately \$219 million, and, excluding the impact of foreign exchange, decreased by approximately \$64 million from the same period in the prior year.

General operating expenses decreased in the nine-month period ended September 30, 2015, compared to the same period in the prior year, primarily due to the effect of foreign exchange.

Net investment income decreased in the nine-month period ended September 30, 2015, compared to the same period in the prior year, primarily due to the continued impact of low interest rates resulting in yields on new purchases that were lower than the weighted average yield of the overall portfolio, the strengthening of the U.S. dollar against most major foreign currencies, and lower allocation of net investment income.

See MD&A — Investments for additional information on the Non-Life Insurance Companies invested assets, investment strategy, and asset-liability management process.

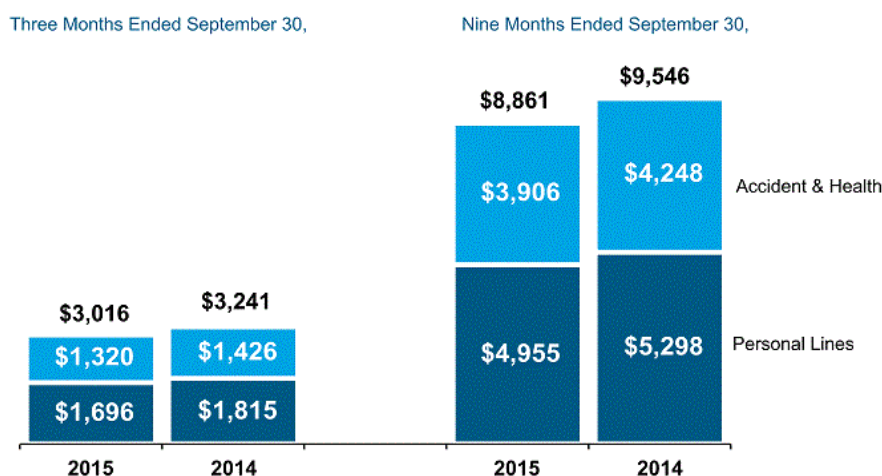
Personal Insurance Net Premiums Written

The following table presents Personal Insurance net premiums written by major line of business:

<i>(in millions)</i>	Three Months Ended		Percentage Change in		Nine Months Ended		Percentage Change in	
	September 30,		U.S.	Original	September 30,		U.S.	Original
	2015	2014	Dollars	Currency	2015	2014	Dollars	Currency
Accident & Health	\$ 1,320	\$ 1,426	(7)%	3 %	\$ 3,906	\$ 4,248	(8)%	1 %
Personal Lines	1,696	1,815	(7)	4	4,955	5,298	(6)	3
Total Personal Insurance net premiums written	\$ 3,016	\$ 3,241	(7)%	4 %	\$ 8,861	\$ 9,546	(7)%	2 %

PERSONAL INSURANCE NET PREMIUMS WRITTEN BY LINE OF BUSINESS

(in millions)



Personal Insurance Quarterly and Year-to-Date Net Premiums Written

Personal Insurance net premiums written decreased in the three- and nine-month periods ended September 30, 2015, compared to the same periods in the prior year due to the strengthening of the U.S. dollar against the Japanese yen, British pound and euro. Excluding the effect of foreign exchange, net premiums written increased in the three- and nine-month periods ended September 30, 2015 compared to the same periods in the prior year, as the business continued to grow through multiple product and distribution channels.

A&H net premiums written, excluding the effect of foreign exchange, increased in the three- and nine-month periods ended September 30, 2015 compared to the same periods in the prior year primarily, due to production increases in individual travel business in Latin America, group personal accident and the supplemental health business in Japan and individual personal accident outside of Japan, partially offset by the decrease in personal accident and travel businesses in the U.S. and EMEA, due to continued underwriting discipline.

Personal Lines net premiums written, excluding the effect of foreign exchange, increased in the three- and nine-month periods ended September 30, 2015, compared to the same periods in the prior year. These increases were primarily due to increased production in personal property business in the Americas and Asia Pacific and in the automobile business in the Americas and EMEA, partially offset by decreased production of warranty service programs, due to underwriting actions taken in the prior year. The increase in the U.S. personal property business in the three-month period ended September 30, 2015 was attributable to new business sales and improved retention in the private client group, whereas in Japan the increase was due to new business sales as a result of the recent increase in new housing starts. In addition, the increase in U.S. personal property business in the nine-month period September 30, 2015 reflected changes to optimize our reinsurance structure to retain more favorable risks, while continuing to manage aggregate exposure.

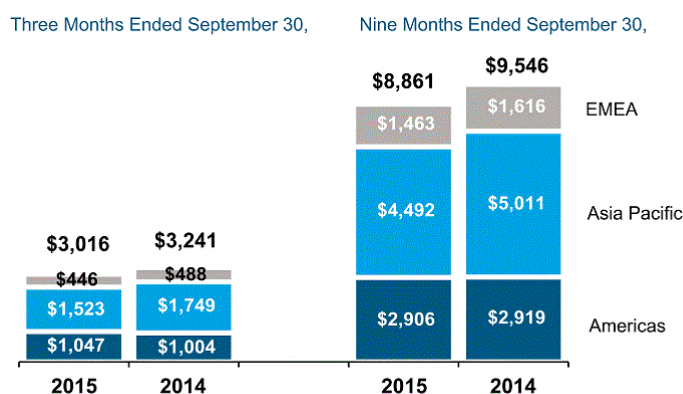
Personal Insurance Net Premiums Written by Region

The following table presents Personal Insurance net premiums written by region:

(in millions)	Three Months Ended September 30,		Percentage Change in U.S. dollars	Percentage Change in Original Currency	Nine Months Ended September 30,		Percentage Change in U.S. dollars	Percentage Change in Original Currency
	2015	2014			2015	2014		
Americas	\$ 1,047	\$ 1,004	4 %	6 %	\$ 2,906	\$ 2,919	- %	1 %
Asia Pacific	1,523	1,749	(13)	1	4,492	5,011	(10)	2
EMEA	446	488	(9)	6	1,463	1,616	(9)	5
Total net premiums written	\$ 3,016	\$ 3,241	(7)%	4 %	\$ 8,861	\$ 9,546	(7)%	2 %

PERSONAL INSURANCE NET PREMIUMS WRITTEN BY REGION

(in millions)



Americas net premiums written increased in the three-month period ended September 30, 2015, compared to the same period in the prior year, primarily due to growth in personal property and automobile businesses, partially offset by a decrease in net premiums written in warranty service programs and group accident business in the U.S. Net premiums written in the nine-month period ended September 30, 2015 remained essentially unchanged compared to the prior year quarter. Excluding the effect of foreign exchange, net premiums written increased in the nine-month period ended September 30, 2015, due to growth in personal property and automobile businesses, offset by decreases in warranty service programs, individual travel and group accident businesses in the U.S. The growth in personal property business is primarily driven by new business sales and improved retention in the U.S. private client group, as well as the changes in the reinsurance structure discussed above.

Asia Pacific net premiums written decreased in the three- and nine-month periods ended September 30, 2015, compared to the same periods in the prior year. Excluding the effect of foreign exchange, net premiums written increased in the three-month period ended September 30, 2015, primarily due to increased production in personal property, individual personal accident and supplemental health businesses, partially offset by decreases in automobile and warranty service programs. Excluding the effect of foreign exchange, net premiums written increased in the nine-month period ended September 30, 2015, across almost all lines of business, primarily due to businesses with increased production, as discussed above.

EMEA net premiums written decreased in the three- and nine-month periods ended September 30, 2015, compared to the same periods in the prior year. Excluding the effect of foreign exchange, net premiums written increased, particularly in automobile due to new business and in warranty service programs, partially offset by decreases in group personal accident and travel business due to continued underwriting discipline.

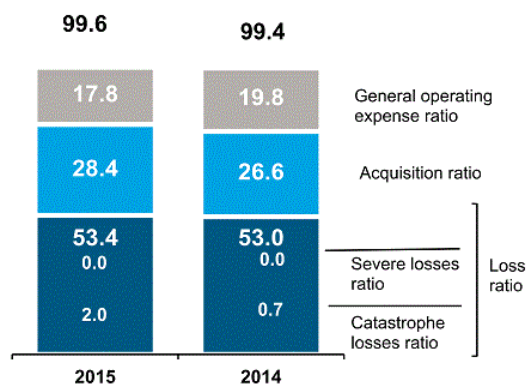
Personal Insurance Underwriting Ratios

The following tables present the Personal Insurance combined ratios based on GAAP data and reconciliation to the accident year combined ratio, as adjusted:

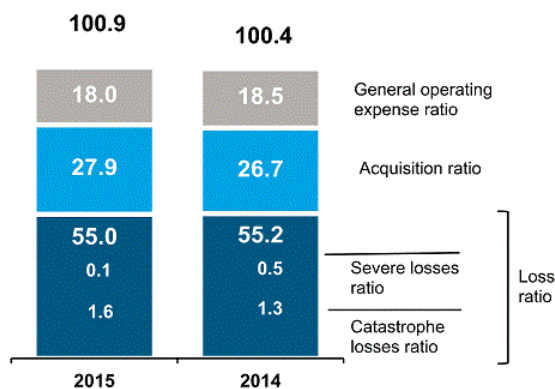
	Three Months Ended September 30,		Increase (Decrease)	Nine Months Ended September 30,		Increase (Decrease)
	2015	2014		2015	2014	
Loss ratio	53.4	53.0	0.4	55.0	55.2	(0.2)
Catastrophe losses and reinstatement premiums	(2.0)	(0.7)	(1.3)	(1.6)	(1.3)	(0.3)
Prior year development net of premium adjustments	1.6	0.4	1.2	0.7	0.4	0.3
Accident year loss ratio, as adjusted	53.0	52.7	0.3	54.1	54.3	(0.2)
Acquisition ratio	28.4	26.6	1.8	27.9	26.7	1.2
General operating expense ratio	17.8	19.8	(2.0)	18.0	18.5	(0.5)
Expense ratio	46.2	46.4	(0.2)	45.9	45.2	0.7
Combined ratio	99.6	99.4	0.2	100.9	100.4	0.5
Catastrophe losses and reinstatement premiums	(2.0)	(0.7)	(1.3)	(1.6)	(1.3)	(0.3)
Prior year development net of premium adjustments	1.6	0.4	1.2	0.7	0.4	0.3
Accident year combined ratio, as adjusted	99.2	99.1	0.1	100.0	99.5	0.5

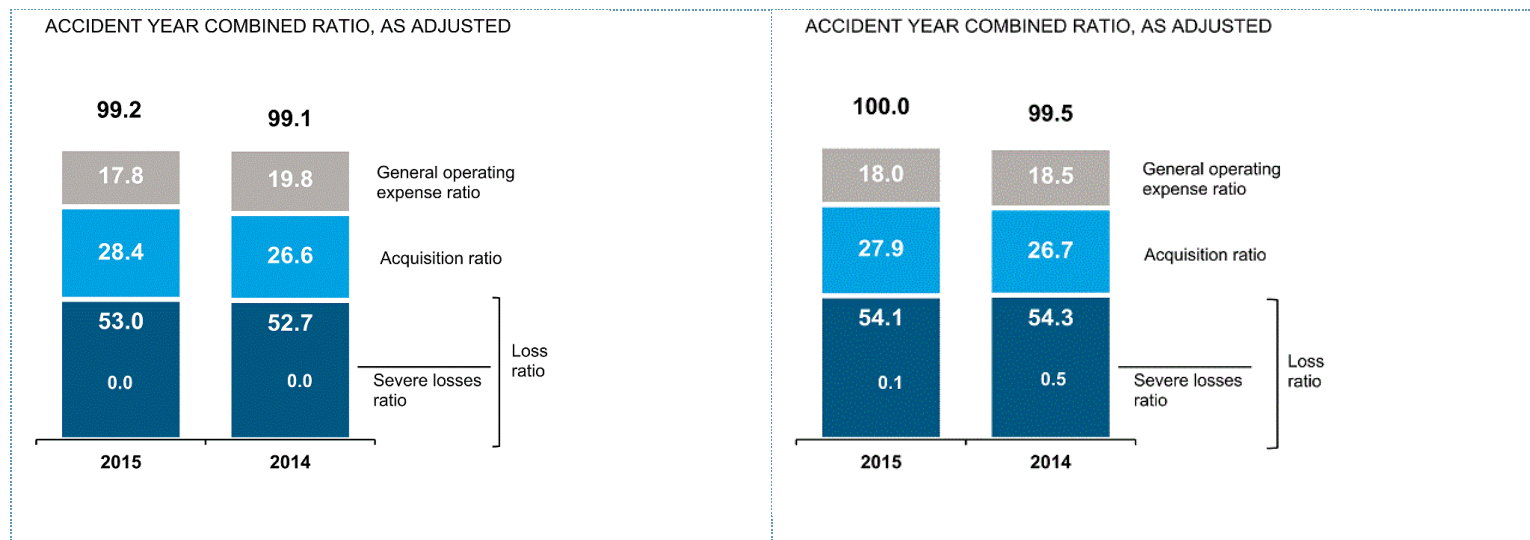
PERSONAL INSURANCE RATIOS

Three Months Ended September 30,
COMBINED RATIO



Nine Months Ended September 30,
COMBINED RATIO





The following tables present Personal Insurance accident year catastrophe and severe losses by region and the number of events:

Catastrophes (a)

(in millions)	# of Events	Americas	Asia Pacific	EMEA	Total
Three Months Ended September 30, 2015					
Windstorms and hailstorms	2	\$ 4	\$ 33	\$ -	\$ 37
Wildfire	1	1	-	-	1
Tropical cyclone	1	-	20	-	20
Total catastrophe-related charges	4	\$ 5	\$ 53	\$ -	\$ 58
Three Months Ended September 30, 2014					
Flooding	2	\$ 2	\$ -	\$ -	\$ 2
Windstorms and hailstorms	5	9	10	-	19
Earthquakes	1	1	-	-	1
Total catastrophe-related charges	8	\$ 12	\$ 10	\$ -	\$ 22
Nine Months Ended September 30, 2015					
Flooding	2	\$ 4	\$ -	\$ -	\$ 4
Windstorms and hailstorms	9	77	33	-	110
Wildfire	1	1	-	-	1
Tropical cyclone	1	-	20	-	20
Total catastrophe-related charges	13	\$ 82	\$ 53	\$ -	\$ 135
Nine Months Ended September 30, 2014					
Flooding	2	\$ 2	\$ -	\$ -	\$ 2
Windstorms and hailstorms	14	60	54	1	115
Earthquakes	1	1	-	-	1
Total catastrophe-related charges	17	\$ 63	\$ 54	\$ 1	\$ 118

(a) Catastrophes are generally weather or seismic events having a net impact on AIG in excess of \$10 million each.

Severe Losses^(b)

<i>(in millions)</i>	# of Events	Americas	Asia Pacific	EMEA	Total
Three Months Ended September 30, 2015	-	-	-	-	-
2014	-	-	-	-	-
Nine Months Ended September 30, 2015	1	12	-	-	12
2014	3	37	4	-	41

(b) Severe losses are defined as non-catastrophe individual first party losses and surety losses greater than \$10 million, net of related reinsurance and salvage and subrogation.

Personal Insurance Quarterly and Year-to-Date Insurance Ratios

The combined ratio increased by 0.2 points in the three-month period ended September 30, 2015, compared to the same period in the prior year, reflecting an increase in the loss ratio, partially offset by a decrease in the expense ratio. The combined ratio increased by 0.5 points in the nine-month period ended September 30, 2015 compared to the same period in the prior year, reflecting an increase in the expense ratio, partially offset by a decrease in the loss ratio. The accident year combined ratio, as adjusted, increased by 0.1 point and 0.5 points in the three- and the nine-month periods ended September 30, 2015, respectively, compared to the same periods in the prior year.

The accident year loss ratio, as adjusted, increased by 0.3 points in the three-month period ended September 30, 2015 compared to the same period in the prior year, primarily due to higher losses in automobile and personal property businesses, partially offset by improved performance in warranty service programs. The loss ratio improvement in warranty service programs was offset by an increase in the acquisition ratio due to a related profit sharing arrangement. The accident year loss ratio, as adjusted, decreased by 0.2 points in the nine-month period ended September 30, 2015, compared to the same period in the prior year, due to a decrease in losses in warranty service programs and lower severe losses, partially offset by higher losses in automobile and personal property businesses.

The acquisition ratio increased by 1.8 points and 1.2 points in the three- and nine-month periods ended September 30, 2015, respectively, compared to the same periods in the prior year, primarily due to increases in acquisition costs in warranty service programs and in the automobile business, partially offset by lower A&H direct marketing expenses.

The general operating expense ratio decreased by 2.0 points in the three-month period ended September 30, 2015, compared to the same period in the prior year, reflecting the timing of investment in strategic initiatives together with an ongoing focus on cost efficiency. The general operating expense ratio decreased by 0.5 points in the nine-month period ended September 30, 2015, compared to the same period in the prior year, primarily due to an ongoing focus on cost efficiency.

CORPORATE AND OTHER

As a result of the progress of the wind down and de-risking activities of the DIB and the derivative portfolio of AIGFP included within GCM, AIG has discontinued separate reporting of the DIB and GCM. Their results are reported within Income from other assets, net, beginning with the first quarter of 2015. This reporting aligns with the manner in which AIG manages its financial resources. Prior periods are presented in the historical format for informational purposes.

Corporate and Other Results

The following table presents AIG's Corporate and Other results:

<i>(in millions)</i>	Three Months Ended			Percentage Change	Nine Months Ended		
	September 30,				September 30,		
	2015	2014		2015	2014	Percentage Change	
Corporate and Other pre-tax operating income (loss):							
Equity in pre-tax operating earnings of AerCap ^(a)	\$ -	\$ 196	NM%	\$ 255	\$ 249	2 %	
Fair value of PICC investments ^(b)	(195)	(30)	NM	22	(30)	NM	
Income from other assets, net ^(c)	15	214	(93)	1,088	263	314	
Corporate general operating expenses	(133)	(317)	58	(653)	(858)	24	
Interest expense	(266)	(310)	14	(849)	(962)	12	
Direct Investment book	-	314	NM	-	1,067	NM	
Global Capital Markets	-	58	NM	-	332	NM	
Run-off insurance Lines	(54)	25	NM	37	(23)	NM	
Consolidation and eliminations	20	(1)	NM	21	1	NM	
Total Corporate and Other pre-tax operating income (loss)	\$ (613)	\$ 149	NM%	\$ (79)	\$ 39	NM%	

(a) Represents our share of AerCap's pre-tax operating income, which excludes certain post-acquisition transaction expenses incurred by AerCap in connection with its acquisition of ILFC and the difference between expensing AerCap's maintenance rights assets over the remaining lease term as compared to the remaining economic life of the related aircraft.

(b) During the first quarter of 2015, Non-Life Insurance Companies sold a portion of their investment in PICC P&C to AIG Parent. During 2014, the Life Insurance Companies sold their investment in PICC Group to AIG Parent.

(c) Consists of the results of investments held by AIG Parent to support various corporate needs as well as the remaining positions of AIGFP, life settlements, real estate, equipment leasing and lending and other secured lending investments held by AIG Parent and certain subsidiaries.

Corporate and Other Quarterly Results

Corporate and Other reported a pre-tax operating loss in the three-month period ended September 30, 2015, compared to pre-tax operating income in the same period in the prior year, primarily due to lower fair value appreciation on ABS CDOs as a result of widening credit spreads, now reflected in Income from other assets, net; and higher fair value losses in our PICC P&C and PICC Group investments. In addition, the three-month period ended September 30, 2014 included our share of AerCap's pre-tax operating income, which was accounted for under the equity method through the date of sale of most of our AerCap common shares in the second quarter of 2015. Partially offsetting these declines were lower corporate general operating expenses resulting from a pension curtailment credit and lower interest expense from ongoing liability management activities described in Liquidity and Capital Resources.

Run-off insurance lines reported a pre-tax operating loss of \$54 million in the three-month period ended September 30, 2015 compared to pre-tax operating income of \$25 million in the same period in the prior year primarily due to an increase in net unfavorable prior year loss reserve development, as well as an increase in net loss reserve discount charge on excess workers' compensation. See Insurance Reserves – Non-Life Insurance Companies – Discounting of Reserves for further discussion. During the third quarter of 2015, certain environmental liability and healthcare coverages that were no longer offered by Commercial Insurance, were transferred to Run-off insurance lines, along with associated prior year adverse loss reserve development of \$43 million.

Corporate and Other Year-to-Date Results

Corporate and Other reported a pre-tax operating loss in the nine-month period ended September 30, 2015, compared to pre-tax operating income in the same period in the prior year primarily due to lower fair value appreciation on ABS CDOs as a result of widening credit spreads, lower credit valuation adjustments on assets for which the fair value option was elected, and lower mark-to-market income on CDS positions as a result of portfolio wind down and spread widening, all of which are reflected in Income from other assets, net. Partially offsetting these declines were lower corporate general operating expenses

resulting from a pension curtailment credit and lower interest expense from ongoing liability management activities described in Liquidity and Capital Resources.

Run-off insurance lines reported pre-tax operating income of \$37 million in the nine-month period ended September 30, 2015 compared to pre-tax operating loss of \$23 million in the same period in the prior year primarily due to higher excess workers' compensation net loss reserve discount benefit, primarily reflecting an increase in Treasury rates in the second quarter of 2015, partially offset by an increase in net unfavorable prior year loss reserve development reflecting transfers to run-off insurance lines as discussed above. See Insurance Reserves – Non-Life Insurance Companies – Discounting of Reserves for further discussion.

INVESTMENTS

OVERVIEW

Our investment strategies are tailored to the specific business needs of each operating unit. The investment objectives are driven by the respective business models for Non-Life Insurance Companies, Life Insurance Companies and AIG Parent. The primary objectives are generation of investment income, preservation of capital, liquidity management and growth of surplus to support the insurance products. The majority of assets backing our insurance liabilities consist of intermediate and long duration fixed maturity securities.

Investments Highlights During the Nine Months Ended September 30, 2015

- A widening of credit spreads resulted in a decrease in our net unrealized gain position in our investment portfolio. Net unrealized gains in our available for sale portfolio decreased to approximately \$13.0 billion as of September 30, 2015 from approximately \$19.0 billion as of December 31, 2014.
- We continued to make investments in structured securities and other fixed maturity securities and increased lending activities in commercial mortgage loans with favorable risk versus return characteristics to improve yields and increase net investment income.
- Although our alternative investments continue to generate higher returns than our fixed maturity securities portfolio, our investment performance tapered in the third quarter of 2015 due to negative performance in the equity markets, which affected the performance of our hedge fund portfolio.
- Blended investment yields on new investments were lower than blended rates on investments that were sold, matured or called.
- Other-than-temporary impairments increased due to impairments within the energy and emerging markets sectors, driven primarily by slowing growth in China and weakness in commodity markets.

Investment Strategies

Investment strategies are based on considerations that include the local and general market conditions, liability duration and cash flow characteristics, rating agency and regulatory capital considerations, legal investment limitations, tax optimization and diversification.

Some of our key investment strategies are as follows:

- Fixed maturity securities held by the U.S. insurance companies included in Non-Life Insurance Companies consist of a mix of instruments that meet our current risk-return, tax, liquidity, credit quality and diversification objectives.
- Outside of the U.S., fixed maturity securities held by Non-Life Insurance Companies consist primarily of intermediate duration high-grade securities generally denominated in the currencies of the countries in which we operate.
- While more of a focus is placed on asset-liability management in Life Insurance Companies, our fundamental strategy across all of our investment portfolios is to optimize the duration characteristics of the assets within a target range based on comparable liability characteristics, to the extent practicable.
- AIG Parent actively manages its assets and liabilities in terms of products, counterparties and duration. AIG Parent's liquidity sources are held in the form of cash, short-term investments and publicly traded, intermediate term investment-grade rated fixed maturity securities. Based upon an assessment of its immediate and longer-term funding needs, AIG Parent purchases publicly traded, intermediate term, investment-grade rated fixed maturity securities that can be readily monetized through sales or repurchase agreements. These securities allow us to diversify sources of liquidity while reducing the cost of maintaining sufficient liquidity.

Investments

The following tables summarize the composition of AIG's investments:

<i>(in millions)</i>	Non-Life Insurance Companies	Life Insurance Companies	Corporate and Other	Total
September 30, 2015				
Fixed maturity securities:				
Bonds available for sale, at fair value	\$ 88,973	\$ 158,224	\$ 5,757	\$ 252,954
Other bond securities, at fair value	1,519	2,618	12,685	16,822
Equity securities:				
Common and preferred stock available for sale, at fair value	3,494	135	163	3,792
Other Common and preferred stock, at fair value	346	-	720	1,066
Mortgage and other loans receivable, net of allowance	7,677	22,799	(2,240)	28,236
Other invested assets	9,873	13,799	7,451	31,123
Short-term investments	3,701	3,732	4,975	12,408
Total investments*	115,583	201,307	29,511	346,401
Cash	1,048	388	133	1,569
Total invested assets	\$ 116,631	\$ 201,695	\$ 29,644	\$ 347,970
December 31, 2014				
Fixed maturity securities:				
Bonds available for sale, at fair value	\$ 92,942	\$ 164,527	\$ 2,390	\$ 259,859
Other bond securities, at fair value	1,733	2,785	15,194	19,712
Equity securities:				
Common and preferred stock available for sale, at fair value	4,241	150	4	4,395
Other Common and preferred stock, at fair value	495	-	554	1,049
Mortgage and other loans receivable, net of allowance	6,686	20,874	(2,570)	24,990
Other invested assets	10,372	11,916	12,230	34,518
Short-term investments	4,154	2,131	4,958	11,243
Total investments*	120,623	202,383	32,760	355,766
Cash	1,191	451	116	1,758
Total invested assets	\$ 121,814	\$ 202,834	\$ 32,876	\$ 357,524

* At both September 30, 2015 and December 31, 2014, approximately 90 percent and 10 percent of investments were held by domestic and foreign entities, respectively.

The following table presents the components of Net Investment Income:

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Interest and dividends	\$ 3,204	\$ 3,352	\$ 9,599	\$ 9,963
Alternative investments	88	636	1,471	2,108
Other investment income *	47	173	202	435
Total investment income	3,339	4,161	11,272	12,506
Investment expenses	133	133	402	398
Total net investment income	\$ 3,206	\$ 4,028	\$ 10,870	\$ 12,108

* Includes changes in fair value of certain fixed maturity securities where the fair value option has been elected and which are used to economically hedge the interest rate risk in GMWB embedded derivatives. For the three-month periods ended September 30, 2015 and 2014, the net investment income (loss) recorded on these securities was \$4 million and \$32 million, respectively. For the nine-month periods ended September 30, 2015 and 2014, the net investment income (loss) recorded on these securities was \$(39) million and \$162 million, respectively.

Net investment income decreased for the three-month period ended September 30, 2015, compared to the same period in the prior year due to lower income on alternative investments, lower reinvestment yields and lower income on investments for which the fair value option was elected. Net investment income decreased for the nine-month period ended September 30, 2015, compared to the same period in the prior year, due to lower income on alternative investments, lower reinvestment yields, and lower income on investments for which the fair value option was elected.

[Non-Life Insurance Companies](#)

For the Non-Life Insurance Companies, the duration of liabilities for long-tail casualty lines is greater than that of other lines. As a result, the investment strategy within the Non-Life Insurance Companies focuses on growth of surplus and preservation of capital, subject to liability and other business considerations.

The Non-Life Insurance Companies invest primarily in fixed maturity securities issued by corporations, municipalities and other governmental agencies and also invest in structured securities collateralized by, among other assets, residential and commercial real estate and commercial mortgage loans. While invested assets backing reserves of the Non-Life Insurance Companies are primarily invested in conventional fixed maturity securities, we have continued to allocate a portion of our investment activity into asset classes that offer higher yields, particularly in the domestic operations. In addition, we continue to invest in both fixed rate and floating rate asset-backed investments for their risk-return attributes, as well as to manage our exposure to potential changes in interest rates. This asset diversification has maintained stable average yields while the overall credit ratings of our fixed maturity securities were largely unchanged. We expect to continue to pursue this investment strategy to meet the Non-Life Insurance Companies' liquidity, duration and credit quality objectives as well as current risk-return and tax objectives.

In addition, the Non-Life Insurance Companies seek to enhance returns through investments in a diversified portfolio of alternative investments. Although these alternative investments are subject to periodic earnings fluctuations, they have historically achieved yields in excess of the fixed maturity portfolio yields and have provided added diversification to the broader portfolio. The Non-Life Insurance Companies' investment portfolio also includes, to a lesser extent, equity securities.

With respect to non-affiliate over-the-counter derivatives, the Non-Life Insurance Companies conduct business with highly rated counterparties and do not expect the counterparties to fail to meet their obligations under the contracts. The Non-Life Insurance Companies have controls in place to monitor credit exposures by limiting transactions with specific counterparties within specified dollar limits and assessing the creditworthiness of counterparties periodically. The Non-Life Insurance Companies generally use ISDA Master Agreements and Credit Support Annexes (CSAs) with bilateral collateral provisions to reduce counterparty credit exposures.

Fixed maturity investments of the Non-Life Insurance Companies domestic operations, with an intermediate duration of 4.7 years, are currently comprised primarily of tax-exempt securities, which provide attractive risk-adjusted after-tax returns, as

well as taxable municipal bonds, government and agency bonds, and corporate bonds. The majority of these high quality investments are rated A or higher based on composite ratings.

Fixed maturity investments held in the Non-Life Insurance Companies foreign operations are of high quality, primarily rated A or higher based on composite ratings, and short to intermediate duration, averaging 3.3 years.

[Life Insurance Companies](#)

The investment strategy of the Life Insurance Companies is to maximize net investment income and portfolio value, subject to liquidity requirements, capital constraints, diversification requirements, asset-liability management and available investment opportunities.

The Life Insurance Companies use asset-liability management as a primary tool to monitor and manage risk in their businesses. The Life Insurance Companies' fundamental investment strategy is to maintain a diversified, high quality portfolio of fixed maturity securities that, to the extent possible, complements the characteristics of liabilities, including duration, which is a measure of sensitivity to changes in interest rates. The investment portfolio of each product line is tailored to the specific characteristics of its insurance liabilities, and as a result, certain portfolios are shorter in duration and others are longer in duration. An extended low interest rate environment may result in a lengthening of liability durations from initial estimates, primarily due to lower lapses.

The Life Insurance Companies invest primarily in fixed maturity securities issued by corporations, municipalities and other governmental agencies; structured securities collateralized by, among other assets, residential and commercial real estate; and commercial mortgage loans.

In addition, the Life Insurance Companies seek to enhance returns through investments in a diversified portfolio of alternative investments. Although these alternative investments are subject to periodic earnings fluctuations, they have historically achieved yields in excess of the fixed maturity portfolio yields. The Life Insurance Companies investment portfolio also includes, to a lesser extent, equity securities and yield enhancing investments.

The Life Insurance Companies monitor fixed income markets, including the level of interest rates, credit spreads and the shape of the yield curve. The Life Insurance Companies frequently review their interest rate assumptions and actively manage the crediting rates used for their new and in-force business. Business strategies continue to evolve to maintain profitability of the overall business in a historically low interest rate environment. The low interest rate environment makes it more difficult to profitably price attractive guaranteed return products and puts margin pressure on existing products, due to the challenge of investing recurring premiums and deposits and reinvesting investment portfolio cash flows in the low rate environment while maintaining satisfactory investment quality and liquidity. In addition, there is investment risk associated with future premium receipts from certain in-force business. Specifically, the investment of these future premium receipts may be at a yield below that required to meet future policy liabilities.

Fixed maturity investments of the Life Insurance Companies domestic operations, with an intermediate duration of 6.5 years, are comprised of taxable corporate bonds, as well as taxable municipal and government bonds, and agency and non-agency structured securities. The majority of these investments are held in the available for sale portfolio and are rated investment grade based on its composite ratings.

Fixed maturity investments held in the Life Insurance Companies foreign operations are of high quality, primarily rated A or higher based on composite ratings, and intermediate to long duration, averaging 12.9 years.

[NAIC Designations of Fixed Maturity Securities](#)

The Securities Valuation Office (SVO) of the National Association of Insurance Companies (NAIC) evaluates the investments of U.S. insurers for statutory reporting purposes and assigns fixed maturity securities to one of six categories called 'NAIC Designations.' In general, NAIC Designations of '1' highest quality, or '2' high quality, include fixed maturity securities considered investment grade, while NAIC Designations of '3' through '6' generally include fixed maturity securities referred to

as below investment grade. The NAIC has adopted revised rating methodologies for certain structured securities, including non-agency RMBS and CMBS, which are intended to enable a more precise assessment of the value of such structured securities and increase the accuracy in assessing expected losses to better determine the appropriate capital requirement for such structured securities. These methodologies result in an improved NAIC Designation for such securities compared to the rating typically assigned by the three major rating agencies. The following tables summarize the ratings distribution of Life Insurance Companies fixed maturity security portfolio by NAIC Designation, and the distribution by composite AIG credit rating, which is generally based on ratings of the three major rating agencies. See Investments – Credit Ratings herein for a full description of the composite AIG credit ratings.

The following table presents the fixed maturity security portfolio of Life Insurance Companies categorized by NAIC Designation, at fair value:

September 30, 2015

(in millions)

NAIC Designation	Total Investment			Total Below Investment						Total
	1	2	Grade	3	4	5	6	Grade		
Other fixed maturity securities	\$ 45,056	\$ 58,950	\$ 104,006	\$ 5,170	\$ 2,606	\$ 302	\$ 139	\$ 8,217	\$ 112,223	
Mortgage-backed, asset-backed and collateralized	40,735	1,920	42,655	382	347	29	945	1,703	44,358	
Total*	\$ 85,791	\$ 60,870	\$ 146,661	\$ 5,552	\$ 2,953	\$ 331	\$ 1,084	\$ 9,920	\$ 156,581	

* Excludes \$4.3 billion of fixed maturity securities for which no NAIC Designation is available because they are not held in legal entities within Life Insurance Companies that require a statutory filing.

The following table presents the fixed maturity security portfolio of Life Insurance Companies categorized by composite AIG credit rating, at fair value:

September 30, 2015

(in millions)

Composite AIG Credit Rating	Total Investment			CCC and Lower			Total Below Investment		Total
	AAA/AA/A	BBB	Grade	BB	B	Lower	Grade		
Other fixed maturity securities	\$ 44,921	\$ 59,410	\$ 104,331	\$ 4,765	\$ 2,717	\$ 410	\$ 7,892	\$ 112,223	
Mortgage-backed, asset-backed and collateralized	25,130	3,258	28,388	1,225	1,273	13,472	15,970	44,358	
Total*	\$ 70,051	\$ 62,668	\$ 132,719	\$ 5,990	\$ 3,990	\$ 13,882	\$ 23,862	\$ 156,581	

* Excludes \$4.3 billion of fixed maturity securities for which no NAIC Designation is available because they are not held in legal entities within Life Insurance Companies that require a statutory filing.

Credit Ratings

At September 30, 2015, approximately 90 percent of our fixed maturity securities were held by our domestic entities. Approximately 16 percent of such securities were rated AAA by one or more of the principal rating agencies, and approximately 17 percent were rated below investment grade or not rated. Our investment decision process relies primarily on internally generated fundamental analysis and internal risk ratings. Third-party rating services' ratings and opinions provide one source of independent perspective for consideration in the internal analysis.

A significant portion of our foreign entities' fixed maturity securities portfolio is rated by Moody's Investors' Service Inc. (Moody's), Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. (S&P), or similar foreign rating services. Rating services are not available for some foreign-issued securities. Our Credit Risk Management department closely reviews the credit quality of the foreign portfolio's non-rated fixed maturity securities. At September 30, 2015, approximately 15 percent of such investments were either rated AAA or, on the basis of our internal analysis, were equivalent from a credit standpoint to securities rated AAA, and approximately 5 percent were below investment grade or not

rated. Approximately 43 percent of the foreign entities' fixed maturity securities portfolio is comprised of sovereign fixed maturity securities supporting policy liabilities in the country of issuance.

Composite AIG Credit Ratings

With respect to our fixed maturity investments, the credit ratings in the table below and in subsequent tables reflect: (a) a composite of the ratings of the three major rating agencies, or when agency ratings are not available, the rating assigned by the NAIC SVO (over 99 percent of total fixed maturity investments), or (b) our equivalent internal ratings when these investments have not been rated by any of the major rating agencies or the NAIC. The "Non-rated" category in those tables consists of fixed maturity securities that have not been rated by any of the major rating agencies, the NAIC or us.

See Enterprise Risk Management herein for a discussion of credit risks associated with Investments.

The following table presents the composite AIG credit ratings of our fixed maturity securities calculated on the basis of their fair value:

(in millions)	Available for Sale		Other		Total	
	September 30, 2015	December 31, 2014	September 30, 2015	December 31, 2014	September 30, 2015	December 31, 2014
Rating:						
Other fixed maturity securities						
AAA	\$ 12,537	\$ 15,463	\$ 3,663	\$ 5,322	\$ 16,200	\$ 20,785
AA	36,408	36,730	151	224	36,559	36,954
A	52,577	56,693	970	242	53,547	56,935
BBB	73,448	75,607	220	250	73,668	75,857
Below investment grade	12,098	10,651	135	303	12,233	10,954
Non-rated	910	1,035	-	-	910	1,035
Total	\$ 187,978	\$ 196,179	\$ 5,139	\$ 6,341	\$ 193,117	\$ 202,520
Mortgage-backed, asset-backed and collateralized						
AAA	\$ 25,897	\$ 24,783	\$ 1,841	\$ 2,313	\$ 27,738	\$ 27,096
AA	4,685	4,078	919	1,549	5,604	5,627
A	7,501	7,606	487	494	7,988	8,100
BBB	4,529	3,813	528	620	5,057	4,433
Below investment grade	22,348	23,376	7,849	8,314	30,197	31,690
Non-rated	16	24	59	81	75	105
Total	\$ 64,976	\$ 63,680	\$ 11,683	\$ 13,371	\$ 76,659	\$ 77,051
Total						
AAA	\$ 38,434	\$ 40,246	\$ 5,504	\$ 7,635	\$ 43,938	\$ 47,881
AA	41,093	40,808	1,070	1,773	42,163	42,581
A	60,078	64,299	1,457	736	61,535	65,035
BBB	77,977	79,420	748	870	78,725	80,290
Below investment grade	34,446	34,027	7,984	8,617	42,430	42,644
Non-rated	926	1,059	59	81	985	1,140
Total	\$ 252,954	\$ 259,859	\$ 16,822	\$ 19,712	\$ 269,776	\$ 279,571

Available for Sale Investments

The following table presents the fair value of our available for sale securities:

<i>(in millions)</i>	Fair Value at September 30, 2015	Fair Value at December 31, 2014
Bonds available for sale:		
U.S. government and government sponsored entities	\$ 1,882	\$ 2,992
Obligations of states, municipalities and political subdivisions	27,546	27,659
Non-U.S. governments	18,428	21,095
Corporate debt	140,122	144,433
Mortgage-backed, asset-backed and collateralized:		
RMBS	35,625	37,520
CMBS	13,717	12,885
CDO/ABS	15,634	13,275
Total mortgage-backed, asset-backed and collateralized	64,976	63,680
Total bonds available for sale*	252,954	259,859
Equity securities available for sale:		
Common stock	2,961	3,629
Preferred stock	23	25
Mutual funds	808	741
Total equity securities available for sale	3,792	4,395
Total	\$ 256,746	\$ 264,254

* At September 30, 2015, and December 31, 2014, the fair value of bonds available for sale held by us that were below investment grade or not rated totaled \$35.4 billion and \$35.1 billion, respectively.

The following table presents the fair value of our aggregate credit exposures to non-U.S. governments for our fixed maturity securities:

<i>(in millions)</i>	September 30, 2015	December 31, 2014
Japan	\$ 5,192	\$ 5,728
Canada	1,574	2,181
Germany	1,017	1,315
France	646	614
United Kingdom	646	648
Mexico	554	661
Norway	547	619
Netherlands	517	639
Singapore	489	545
Chile	385	395
Other	6,863	7,752
Total	\$ 18,430	\$ 21,097

The following table presents the fair value of our aggregate European credit exposures by major sector for our fixed maturity securities:

(in millions)	September 30, 2015						December 31,
	Sovereign	Financial Institution	Non-Financial Corporates	Structured Products	Total	2014 Total	
Euro-Zone countries:							
France	\$ 646	\$ 1,332	\$ 2,118	\$ -	\$ 4,096	\$ 4,498	
Netherlands	517	1,015	1,612	448	3,592	4,276	
Germany	1,017	331	2,218	22	3,588	4,155	
Ireland	2	-	644	682	1,328	850	
Spain	29	75	997	17	1,118	1,557	
Italy	9	145	889	11	1,054	1,245	
Belgium	216	125	519	-	860	973	
Luxembourg	-	18	476	32	526	243	
Finland	53	32	132	-	217	235	
Austria	112	11	10	-	133	155	
Other - EuroZone*	650	50	198	1	899	1,022	
Total Euro-Zone	\$ 3,251	\$ 3,134	\$ 9,813	\$ 1,213	\$ 17,411	\$ 19,209	
Remainder of Europe							
United Kingdom	\$ 646	\$ 3,047	\$ 7,964	\$ 4,006	\$ 15,663	\$ 16,076	
Switzerland	40	1,078	1,379	-	2,497	2,941	
Sweden	182	528	195	-	905	1,135	
Norway	547	52	145	-	744	846	
Russian Federation	41	8	97	-	146	311	
Other - Remainder of Europe	186	112	107	15	420	494	
Total - Remainder of Europe	\$ 1,642	\$ 4,825	\$ 9,887	\$ 4,021	\$ 20,375	\$ 21,803	
Total	\$ 4,893	\$ 7,959	\$ 19,700	\$ 5,234	\$ 37,786	\$ 41,012	

* At September 30, 2015, we did not have material credit exposure to the government of Greece.

Investments in Municipal Bonds

At September 30, 2015, the U.S. municipal bond portfolio of Non-Life Insurance Companies was composed primarily of essential service revenue bonds and high-quality tax-backed bonds with over 95 percent of the portfolio rated A or higher.

The following table presents the fair values of our available for sale U.S. municipal bond portfolio by state and municipal bond type:

(in millions)	September 30, 2015				December 31, 2014 Total Fair Value
	State General Obligation	Local General Obligation	Revenue	Total Fair Value	
State:					
New York	\$ 36	\$ 630	\$ 4,085	\$ 4,751	\$ 4,116
California	664	609	2,584	3,857	4,707
Texas	329	1,560	1,542	3,431	3,356
Illinois	112	367	912	1,391	1,364
Massachusetts	690	-	658	1,348	1,417
Washington	482	75	694	1,251	1,278
Florida	137	-	909	1,046	1,052
Virginia	66	62	824	952	918
Georgia	281	241	322	844	819
Washington DC	155	-	559	714	607
Pennsylvania	270	22	370	662	537
Arizona	-	93	518	611	734
Ohio	129	35	417	581	604
All other states ^(a)	1,074	557	4,476	6,107	6,150
Total^{(b)(c)}	\$ 4,425	\$ 4,251	\$ 18,870	\$ 27,546	\$ 27,659

(a) At September 30, 2015, we did not have material credit exposure to the government of Puerto Rico.

(b) Excludes certain university and not-for-profit entities that issue their bonds in the corporate debt market. Includes industrial revenue bonds.

(c) Includes \$3.0 billion of pre-refunded municipal bonds.

Investments in Corporate Debt Securities

The following table presents the industry categories of our available for sale corporate debt securities:

Industry Category (in millions)	Fair Value at September 30, 2015	Fair Value at December 31, 2014
Financial institutions:		
Money Center /Global Bank Groups	\$ 9,355	\$ 10,682
Regional banks — other	507	543
Life insurance	3,352	3,575
Securities firms and other finance companies	411	422
Insurance non-life	5,593	5,625
Regional banks — North America	6,656	6,636
Other financial institutions	7,459	8,169
Utilities ^(a)	18,870	19,249
Communications	10,696	10,316
Consumer noncyclical	15,749	16,792
Capital goods	9,314	8,594
Energy ^(a)	15,198	16,494
Consumer cyclical	10,046	11,197
Basic	8,305	9,187
Other	18,611	16,952
Total^(b)	\$ 140,122	\$ 144,433

(a) The Utilities and Energy amounts at December 31, 2014, have been revised from \$23.7 billion and \$12.0 billion to \$19.2 billion and \$16.5 billion, respectively, to conform to current industry classification, which are not considered material to previously issued financial statements.

(b) At September 30, 2015, and December 31, 2014, approximately 92 percent and 93 percent, respectively, of these investments were rated investment grade.

Investments in RMBS

The following table presents AIG's RMBS available for sale investments by year of vintage:

<i>(in millions)</i>	Fair Value at September 30, 2015	Fair Value at December 31, 2014
Total RMBS		
2015	\$ 893	\$ -
2014	998	871
2013	2,199	2,724
2012	2,026	2,382
2011	4,832	5,310
2010 and prior*	24,677	26,233
Total RMBS	\$ 35,625	\$ 37,520
Agency		
2015	\$ 655	\$ -
2014	902	799
2013	2,114	2,625
2012	1,925	2,234
2011	2,939	3,428
2010 and prior	2,737	3,324
Total Agency	\$ 11,272	\$ 12,410
Alt-A		
2015	-	-
2014	-	-
2013	-	-
2012	-	-
2011	\$ -	\$ -
2010 and prior	13,193	13,001
Total Alt-A	\$ 13,193	\$ 13,001
Subprime		
2015	-	-
2014	-	-
2013	-	-
2012	-	-
2011	-	-
2010 and prior	\$ 2,286	\$ 2,423
Total Subprime	\$ 2,286	\$ 2,423
Prime non-agency		
2015	\$ -	\$ -
2014	-	-
2013	8	8
2012	87	126
2011	1,892	1,882
2010 and prior	6,063	7,047
Total Prime non-agency	\$ 8,050	\$ 9,063
Total Other housing related	\$ 824	\$ 623

* Includes approximately \$13.4 billion and \$13.5 billion at September 30, 2015, and December 31, 2014, respectively, of certain RMBS that had experienced deterioration in credit quality since their origination. See Note 5 to the Condensed Consolidated Financial Statements for additional discussion on Purchased Credit Impaired (PCI) Securities.

The following table presents our RMBS available for sale investments by credit rating:

<i>(in millions)</i>	Fair Value at September 30, 2015	Fair Value at December 31, 2014
Rating:		
Total RMBS		
AAA	\$ 13,697	\$ 14,699
AA	388	418
A	566	546
BBB	682	911
Below investment grade ^(a)	20,287	20,937
Non-rated	5	9
Total RMBS^(b)	\$ 35,625	\$ 37,520
Agency RMBS		
AAA	\$ 11,268	\$ 12,405
AA	4	5
Total Agency	\$ 11,272	\$ 12,410
Alt-A RMBS		
AAA	\$ 5	\$ 7
AA	18	33
A	129	85
BBB	230	317
Below investment grade ^(a)	12,811	12,559
Total Alt-A	\$ 13,193	\$ 13,001
Subprime RMBS		
AAA	\$ 15	\$ 18
AA	76	117
A	265	252
BBB	183	207
Below investment grade ^(a)	1,747	1,829
Total Subprime	\$ 2,286	\$ 2,423
Prime non-agency		
AAA	\$ 2,084	\$ 2,076
AA	176	253
A	169	205
BBB	232	351
Below investment grade ^(a)	5,384	6,169
Non-rated	5	9
Total prime non-agency	\$ 8,050	\$ 9,063
Total Other housing related	\$ 824	\$ 623

(a) Includes certain RMBS that had experienced deterioration in credit quality since their origination. See Note 5 to the Condensed Consolidated Financial Statements for additional discussion on PCI Securities.

(b) The weighted average expected life was six years at both September 30, 2015 and December 31, 2014.

Our underwriting practices for investing in RMBS, other asset-backed securities and CDOs take into consideration the quality of the originator, the manager, the servicer, security credit ratings, underlying characteristics of the mortgages, borrower characteristics, and the level of credit enhancement in the transaction.

Investments in CMBS

The following table presents our CMBS available for sale investments:

<i>(in millions)</i>	Fair Value at September 30, 2015	Fair Value at December 31, 2014
CMBS (traditional)	\$ 11,421	\$ 11,265
Agency	1,456	1,372
Other	840	248
Total	\$ 13,717	\$ 12,885

The following table presents the fair value of our CMBS available for sale investments by rating agency designation and by vintage year:

<i>(in millions)</i>	AAA	AA	A	BBB	Below Investment Grade	Non-Rated	Total
September 30, 2015							
Year:							
2015	\$ 629	\$ 331	\$ 119	\$ 554	\$ -	\$ -	\$ 1,633
2014	1,619	188	12	-	-	-	1,819
2013	2,679	440	91	55	-	-	3,265
2012	775	61	27	89	-	11	963
2011	1,036	20	37	22	-	-	1,115
2010 and prior	989	521	869	712	1,831	-	4,922
Total	\$ 7,727	\$ 1,561	\$ 1,155	\$ 1,432	\$ 1,831	\$ 11	\$ 13,717
December 31, 2014							
Year:							
2014	\$ 1,570	\$ 183	\$ 11	\$ -	\$ -	\$ -	\$ 1,764
2013	2,684	442	91	58	-	-	3,275
2012	1,158	61	28	92	-	12	1,351
2011	1,022	20	37	21	-	-	1,100
2010 and prior	1,119	626	814	843	1,993	-	5,395
Total	\$ 7,553	\$ 1,332	\$ 981	\$ 1,014	\$ 1,993	\$ 12	\$ 12,885

The following table presents our CMBS available for sale investments by geographic region:

<i>(in millions)</i>	Fair Value at September 30, 2015	Fair Value at December 31, 2014
Geographic region:		
New York	\$ 3,202	\$ 2,759
California	1,275	1,305
Texas	816	831
Florida	539	562
New Jersey	441	457
Virginia	383	389
Illinois	315	344
Pennsylvania	305	291
Georgia	262	286
Massachusetts	235	247
North Carolina	219	222
Maryland	211	222
All Other*	5,514	4,970
Total	\$ 13,717	\$ 12,885

* Includes Non-U.S. locations.

The following table presents our CMBS available for sale investments by industry:

<i>(in millions)</i>	Fair Value at September 30, 2015	Fair Value at December 31, 2014
Industry:		
Retail	\$ 4,053	\$ 3,700
Office	4,000	3,652
Multi-family*	2,951	2,889
Lodging	1,078	1,127
Industrial	978	679
Other	657	838
Total	\$ 13,717	\$ 12,885

* Includes Agency-backed CMBS.

The fair value of CMBS holdings remained stable during the third quarter of 2015. The majority of our investments in CMBS are in tranches that contain substantial protection features through collateral subordination. The majority of CMBS holdings are traditional conduit transactions, broadly diversified across property types and geographical areas.

Investments in CDOs

The following table presents our CDO available for sale investments by collateral type:

<i>(in millions)</i>	Fair value at September 30, 2015	Fair value at December 31, 2014
Collateral Type:		
Bank loans (CLO)	\$ 8,072	\$ 6,683
Synthetic investment grade	7	-
Other	157	388
Total	\$ 8,236	\$ 7,071

The following table presents our CDO available for sale investments by credit rating:

<i>(in millions)</i>	Fair Value at September 30, 2015	Fair Value at December 31, 2014
Rating:		
AAA	\$ 3,070	\$ 1,922
AA	2,472	2,135
A	2,197	2,317
BBB	328	366
Below investment grade	169	331
Total	\$ 8,236	\$ 7,071

Commercial Mortgage Loans

At September 30, 2015, we had direct commercial mortgage loan exposure of \$20.8 billion. At that date, over 99 percent of the loans were current.

The following table presents the commercial mortgage loan exposure by location and class of loan based on amortized cost:

<i>(dollars in millions)</i>	Number of Loans	Class							Total	Percent of Total
		Apartments	Offices	Retail	Industrial	Hotel	Others			
September 30, 2015										
State:										
New York	93	\$ 606	\$ 2,583	\$ 584	\$ 301	\$ 167	\$ 187	\$ 4,428	21	%
California	103	88	522	435	600	584	302	2,531	12	
Texas	60	120	660	116	148	187	49	1,280	6	
New Jersey	46	475	336	331	-	29	32	1,203	6	
Florida	81	143	125	376	117	137	151	1,049	5	
Illinois	21	174	369	21	33	36	23	656	3	
Pennsylvania	49	45	27	448	86	15	4	625	3	
Massachusetts	20	31	180	360	-	-	33	604	3	
Connecticut	20	313	153	24	81	-	-	571	3	
Colorado	18	61	229	48	8	120	12	478	2	
Other states	321	1,096	1,055	1,630	464	418	228	4,891	24	
Foreign	143	476	1,463	87	166	295	15	2,502	12	
Total*	975	\$ 3,628	\$ 7,702	\$ 4,460	\$ 2,004	\$ 1,988	\$ 1,036	\$ 20,818	100	%

[TABLE OF CONTENTS](#)

[ITEM 2 / INVESTMENTS](#)

December 31, 2014

State:																	
New York	90	\$	545	\$	2,111	\$	285	\$	148	\$	68	\$	215	\$	3,372	18	%
California	115		29		635		389		472		597		469		2,591	14	
New Jersey	48		490		353		308		-		30		74		1,255	7	
Florida	89		141		192		335		118		137		161		1,084	6	
Texas	58		62		482		121		171		187		54		1,077	6	
Illinois	24		175		327		26		73		36		-		637	3	
Massachusetts	19		-		198		321		-		-		34		553	3	
Colorado	18		62		158		48		-		120		101		489	2	
Connecticut	23		279		155		5		43		-		-		482	2	
Pennsylvania	49		45		89		170		107		16		5		432	2	
Other states	349		920		1,140		1,738		494		310		281		4,883	26	
Foreign	142		636		678		78		63		176		423		2,054	11	
Total*	1,024	\$	3,384	\$	6,518	\$	3,824	\$	1,689	\$	1,677	\$	1,817	\$	18,909	100	%

* Does not reflect allowance for losses.

See Note 7 to the Consolidated Financial Statements in the 2014 Annual Report for additional discussion on commercial mortgage loans.

Impairments

The following table presents impairments by investment type:

<i>(in millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Other-than-temporary Impairments:				
Fixed maturity securities, available for sale	\$ 167	\$ 30	\$ 330	\$ 121
Equity securities, available for sale	75	5	161	16
Private equity funds and hedge funds	31	15	74	27
Subtotal	273	50	565	164
Other impairments:				
Investments in life settlements	58	52	200	139
Other investments	22	62	69	117
Real estate	-	-	5	-
Total	\$ 353	\$ 164	\$ 839	\$ 420

Other-Than-Temporary Impairments

To determine other-than-temporary impairments, we use fundamental credit analyses of individual securities without regard to rating agency ratings. Based on this analysis, we expect to receive cash flows sufficient to cover the amortized cost of all below investment grade securities for which credit impairments were not recognized.

The following tables present other-than-temporary impairment charges recorded in earnings on fixed maturity securities, equity securities, private equity funds and hedge funds.

Other-than-temporary impairment charges by reportable segment and impairment type:

<i>(in millions)</i>	Non-Life Insurance Companies		Life Insurance Companies		Corporate and Other Operations		Total
Three Months Ended September 30, 2015							
Impairment Type:							
Severity	\$	10	\$	-	\$	-	\$ 10
Change in intent		3		76		2	81
Foreign currency declines		5		-		-	5
Issuer-specific credit events		107		69		-	176
Adverse projected cash flows		-		1		-	1
Total	\$	125	\$	146	\$	2	\$ 273
Three Months Ended September 30, 2014							
Impairment Type:							
Severity	\$	-	\$	-	\$	-	\$ -
Change in intent		7		7		-	14
Foreign currency declines		1		2		-	3
Issuer-specific credit events		10		21		-	31
Adverse projected cash flows		-		2		-	2
Total	\$	18	\$	32	\$	-	\$ 50
Nine Months Ended September 30, 2015							
Impairment Type:							
Severity	\$	12	\$	-	\$	-	\$ 12
Change in intent		5		107		81	193
Foreign currency declines		19		18		-	37
Issuer-specific credit events		161		153		-	314
Adverse projected cash flows		3		6		-	9
Total	\$	200	\$	284	\$	81	\$ 565
Nine Months Ended September 30, 2014							
Impairment Type:							
Severity	\$	-	\$	-	\$	-	\$ -
Change in intent		8		12		-	20
Foreign currency declines		8		5		-	13
Issuer-specific credit events		35		89		-	124
Adverse projected cash flows		2		5		-	7
Total	\$	53	\$	111	\$	-	\$ 164

Other-than-temporary impairment charges by investment type and impairment type:

<i>(in millions)</i>	RMBS	CDO/ABS	CMBS	Other Fixed Maturity	Equities/Other Invested Assets*	Total
Three Months Ended September 30, 2015						
Impairment Type:						
Severity	\$ -	\$ -	\$ -	\$ -	\$ 10	\$ 10
Change in intent	-	-	1	73	7	81
Foreign currency declines	-	-	-	5	-	5
Issuer-specific credit events	10	-	5	72	89	176
Adverse projected cash flows	1	-	-	-	-	1
Total	\$ 11	\$ -	\$ 6	\$ 150	\$ 106	\$ 273
Three Months Ended September 30, 2014						
Impairment Type:						
Severity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in intent	-	-	-	9	5	14
Foreign currency declines	-	-	-	3	-	3
Issuer-specific credit events	16	-	-	-	15	31
Adverse projected cash flows	2	-	-	-	-	2
Total	\$ 18	\$ -	\$ -	\$ 12	\$ 20	\$ 50
Nine Months Ended September 30, 2015						
Impairment Type:						
Severity	\$ -	\$ -	\$ -	\$ -	\$ 12	\$ 12
Change in intent	3	-	1	104	85	193
Foreign currency declines	-	-	-	37	-	37
Issuer-specific credit events	63	2	8	103	138	314
Adverse projected cash flows	9	-	-	-	-	9
Total	\$ 75	\$ 2	\$ 9	\$ 244	\$ 235	\$ 565
Nine Months Ended September 30, 2014						
Impairment Type:						
Severity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in intent	-	-	-	14	6	20
Foreign currency declines	-	-	-	13	-	13
Issuer-specific credit events	53	5	21	8	37	124
Adverse projected cash flows	7	-	-	-	-	7
Total	\$ 60	\$ 5	\$ 21	\$ 35	\$ 43	\$ 164

* Includes other-than-temporary impairment charges on private equity funds, hedge funds and direct private equity investments.

Other-than-temporary impairment charges by investment type and credit rating:

<i>(in millions)</i>	RMBS	CDO/ABS	CMBS	Other Fixed Maturity	Equities/Other Invested Assets*	Total
Three Months Ended September 30, 2015						
Rating:						
AAA	\$ -	\$ -	\$ -	\$ 3	\$ -	\$ 3
AA	-	-	-	2	-	2
A	-	-	-	1	-	1
BBB	1	-	-	9	-	10
Below investment grade	10	-	6	135	-	151
Non-rated	-	-	-	-	106	106
Total	\$ 11	\$ -	\$ 6	\$ 150	\$ 106	\$ 273
Three Months Ended September 30, 2014						
Rating:						
AAA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
AA	1	-	-	-	-	1
A	-	-	-	-	-	-
BBB	-	-	-	2	-	2
Below investment grade	17	-	-	10	-	27
Non-rated	-	-	-	-	20	20
Total	\$ 18	\$ -	\$ -	\$ 12	\$ 20	\$ 50
Nine Months Ended September 30, 2015						
Rating:						
AAA	\$ -	\$ -	\$ -	\$ 7	\$ -	\$ 7
AA	-	-	-	8	-	8
A	1	-	-	7	-	8
BBB	2	-	-	29	-	31
Below investment grade	72	2	9	189	-	272
Non-rated	-	-	-	4	235	239
Total	\$ 75	\$ 2	\$ 9	\$ 244	\$ 235	\$ 565
Nine Months Ended September 30, 2014						
Rating:						
AAA	\$ -	\$ -	\$ -	\$ 3	\$ -	\$ 3
AA	3	-	-	2	-	5
A	-	-	-	1	-	1
BBB	2	-	-	5	-	7
Below investment grade	55	1	21	24	-	101
Non-rated	-	4	-	-	43	47
Total	\$ 60	\$ 5	\$ 21	\$ 35	\$ 43	\$ 164

* Includes other-than-temporary impairment charges on private equity funds, hedge funds and direct private equity investments.

We recorded other-than-temporary impairment charges in the three- and nine-month periods ended September 30, 2015 and 2014 related to:

- issuer-specific credit events;
- securities that we intend to sell or for which it is more likely than not that we will be required to sell;
- declines due to foreign exchange rates;
- adverse changes in estimated cash flows on certain structured securities; and
- securities that experienced severe market valuation declines.

In addition, impairments are recorded on real estate and investments in life settlements.

In periods subsequent to the recognition of an other-than-temporary impairment charge for available for sale fixed maturity securities that is not foreign-exchange related, we generally prospectively accrete into earnings the difference between the new amortized cost and the expected undiscounted recoverable value over the remaining life of the security. The accretion that was recognized for these securities in earnings was \$197 million and \$183 million in the three-month periods ended September 30, 2015 and 2014, respectively, and \$565 million and \$544 million in the nine-month periods ended September 30, 2015 and 2014, respectively. See Note 6 to the Consolidated Financial Statements in the 2014 Annual Report for a discussion of our other-than-temporary impairment accounting policy.

The following table shows the aging of the pre-tax unrealized losses of fixed maturity and equity securities, the extent to which the fair value is less than amortized cost or cost, and the number of respective items in each category:

September 30, 2015 Aging ^(a) (dollars in millions)	Less Than or Equal to 20% of Cost ^(b)			Greater Than 20% to 50% of Cost ^(b)			Greater Than 50% of Cost ^(b)			Total		
	Unrealized			Unrealized			Unrealized			Unrealized		
	Cost ^(c)	Loss	Items ^(e)	Cost ^(c)	Loss	Items ^(e)	Cost ^(c)	Loss	Items ^(e)	Cost ^(c)	Loss ^(d)	Items ^(e)
Investment grade bonds												
0-6 months	\$ 36,668	\$ 1,066	6,052	\$ 312	\$ 76	53	\$ -	\$ -	-	\$ 36,980	\$ 1,142	6,105
7-11 months	8,316	510	1,287	514	130	62	-	-	-	8,830	640	1,349
12 months or more	6,675	456	859	1,551	394	204	24	15	7	8,250	865	1,070
Total	\$ 51,659	\$ 2,032	8,198	\$ 2,377	\$ 600	319	\$ 24	\$ 15	7	\$ 54,060	\$ 2,647	8,524
Below investment grade bonds												
0-6 months	\$ 6,364	\$ 220	2,588	\$ 202	\$ 55	98	\$ 3	\$ 2	8	\$ 6,569	\$ 277	2,694
7-11 months	1,856	94	432	126	35	71	218	141	14	2,200	270	517
12 months or more	4,692	270	685	801	249	186	59	34	25	5,552	553	896
Total	\$ 12,912	\$ 584	3,705	\$ 1,129	\$ 339	355	\$ 280	\$ 177	47	\$ 14,321	\$ 1,100	4,107
Total bonds												
0-6 months	\$ 43,032	\$ 1,286	8,640	\$ 514	\$ 131	151	\$ 3	\$ 2	8	\$ 43,549	\$ 1,419	8,799
7-11 months	10,172	604	1,719	640	165	133	218	141	14	11,030	910	1,866
12 months or more	11,367	726	1,544	2,352	643	390	83	49	32	13,802	1,418	1,966
Total ^(e)	\$ 64,571	\$ 2,616	11,903	\$ 3,506	\$ 939	674	\$ 304	\$ 192	54	\$ 68,381	\$ 3,747	12,631
Equity securities												
0-11 months	\$ 408	\$ 36	136	\$ 31	\$ 10	57	\$ -	\$ -	-	\$ 439	\$ 46	193
12 months or more	3	-	2	27	8	3	-	-	-	30	8	5
Total	\$ 411	\$ 36	138	\$ 58	\$ 18	60	\$ -	\$ -	-	\$ 469	\$ 54	198

(a) Represents the number of consecutive months that fair value has been less than cost by any amount.

(b) Represents the percentage by which fair value is less than cost at September 30, 2015.

(c) For bonds, represents amortized cost.

(d) The effect on Net income of unrealized losses after taxes will be mitigated upon realization because certain realized losses will result in current decreases in the amortization of certain DAC.

(e) Item count is by CUSIP by subsidiary.

Change in Unrealized Gains and Losses on Investments

The change in net unrealized gains and losses on investments in the third quarter of 2015 was primarily attributable to decreases in the fair value of fixed maturity securities. For the nine-month period ended September 30, 2015, net unrealized gains related to fixed maturity and equity securities decreased by \$6.1 billion due primarily to the widening of credit spreads.

The change in net unrealized gains and losses on investments for the third quarter of 2014 was primarily attributable to increases in the fair value of fixed maturity securities. Net unrealized gains related to fixed maturity and equity securities increased in the nine-month period ended September 30, 2014 by \$6.5 billion primarily due to the decrease in interest rates and narrowing of spreads.

See Note 5 to the Condensed Consolidated Financial Statements for additional discussion of our investment portfolio.

Insurance Reserves

The following section provides discussion of insurance reserves for both the Non-Life Insurance Companies and the Life Insurance Companies.

Non-Life Insurance Companies

The following section provides discussion of the consolidated liability for unpaid losses and loss adjustment expenses for the Non-Life Insurance Companies.

The following table presents the components of AIG's gross loss reserves by major lines of business on a U.S. statutory basis*:

<i>(in millions)</i>	September 30, 2015	December 31, 2014
Other liability occurrence (including asbestos and environmental)	\$ 17,962	\$ 19,444
International	16,292	16,932
Workers' compensation (net of discount)	13,234	14,914
Other liability claims made	9,126	10,051
Property	2,902	3,515
Auto liability	2,118	2,237
Commercial multiple peril	1,855	1,886
Medical malpractice	1,677	1,626
Aircraft	1,369	1,402
Products liability	1,443	1,439
Accident and health	1,026	1,271
Mortgage guaranty / credit	838	1,008
Fidelity/surety	621	504
Other	973	1,031
Total	\$ 71,436	\$ 77,260

* Presented by lines of business pursuant to statutory reporting requirements as prescribed by the NAIC.

Gross loss reserves represent the accumulation of estimates of ultimate losses, including estimates for IBNR and loss expenses, less estimated salvage and subrogation and applicable discount. The Non-Life Insurance Companies regularly review and update the methods and assumptions used to determine loss reserve estimates and to establish the resulting reserves. Any adjustments resulting from this review are reflected in pre-tax operating income. Because loss reserve estimates are subject to the outcome of future events, changes in estimates are unavoidable given that loss trends vary and time is often required for changes in trends to be recognized and confirmed. Reserve changes that increase prior years' estimates of ultimate cost are referred to as unfavorable or adverse development or reserve strengthening. Reserve changes that decrease prior years' estimates of ultimate cost are referred to as favorable development. Net loss reserves represent gross loss reserves reduced by reinsurance recoverable, net of an allowance for unrecoverable reinsurance.

The following table presents the components of net loss reserves:

<i>(in millions)</i>	September 30, 2015	December 31, 2014
Gross loss reserves before reinsurance and discount	\$ 74,670	\$ 80,337
Less: discount	(3,234)	(3,077)
Gross loss reserves, net of discount, before reinsurance	71,436	77,260
Less: reinsurance recoverable*	(13,146)	(15,648)
Net liability for unpaid losses and loss adjustment expenses	\$ 58,290	\$ 61,612

* Includes \$1.3 billion and \$1.5 billion of reinsurance recoverable under a retroactive reinsurance agreement at September 30, 2015, and December 31, 2014, respectively.

Gross loss reserves before reinsurance and discount are net of contractual deductible recoverable amounts due from policyholders of approximately \$12.5 billion and \$12.4 billion at September 30, 2015, and December 31, 2014, respectively. These recoverable amounts are related to certain policies with high deductibles (in excess of high dollar amounts retained by the insured through self-insured retentions, deductibles, retrospective programs, or captive arrangements; each referred to generically as "deductibles"), primarily for U.S. commercial casualty business, where the Non-Life Insurance Companies manage and pay the entire claim on behalf of the insured and are reimbursed by the insured for the deductible portion of the claim. At September 30, 2015, and December 31, 2014, the Non-Life Insurance Companies held collateral totaling \$9.6 billion and \$9.4 billion, respectively, for these deductible recoverable amounts, consisting primarily of letters of credit and assets in trusts.

The following table classifies the components of net loss reserves by business unit:

<i>(in millions)</i>	September 30, 2015	December 31, 2014
Commercial Property Casualty:		
Casualty	\$ 31,228	\$ 33,065
Financial lines	8,935	9,538
Specialty	5,685	5,786
Property	3,739	4,079
Total Commercial Property Casualty	49,587	52,468
Commercial Mortgage Guaranty	814	977
Consumer Personal Insurance		
Personal lines	2,814	2,763
Accident and health	1,600	1,878
Total Consumer Personal Insurance	4,414	4,641
Other run-off insurance lines*	3,475	3,526
Net liability for unpaid losses and loss adjustment expenses	\$ 58,290	\$ 61,612

* Beginning in September 30, 2015, Other run-off insurance lines includes \$311 million of loss reserves for certain environmental liability businesses and certain healthcare coverage previously reported in Casualty and Specialty.

Discounting of Reserves

The following table presents the components of loss reserve discount included above:

(in millions)	September 30, 2015			December 31, 2014		
	Property Casualty	Run-off Insurance Lines	Total	Property Casualty	Run-off Insurance Lines	Total
U.S. workers' compensation:						
Tabular	\$ 623	\$ 229	\$ 852	\$ 623	\$ 229	\$ 852
Non-tabular	1,661	713	2,374	1,525	689	2,214
Asbestos	-	8	8	-	11	11
Total reserve discount	\$ 2,284	\$ 950	\$ 3,234	\$ 2,148	\$ 929	\$ 3,077

The following table presents the net reserve discount benefit (charge):

(in millions)	Three Months Ended September 30,						Nine Months Ended September 30,					
	2015			2014			2015			2014		
	Property Casualty	Run-off Insurance Lines	Total	Property Casualty	Run-off Insurance Lines	Total	Property Casualty	Run-off Insurance Lines	Total	Property Casualty	Run-off Insurance Lines	Total
Current accident year	\$ 45	\$ -	\$ 45	\$ 68	\$ -	\$ 68	\$ 149	\$ -	\$ 149	\$ 203	\$ -	\$ 203
Accretion and other adjustments to prior year discount	(48)	(14)	(62)	(52)	(16)	(68)	(157)	(57)	(214)	(155)	(68)	(223)
Effect of interest rate changes	(38)	(23)	(61)	-	-	-	144	78	222	-	-	-
Effect of re-pooling	-	-	-	-	-	-	-	-	-	110	-	110
Net reserve discount benefit (charge)	\$ (41)	\$ (37)	\$ (78)	\$ 16	\$ (16)	\$ -	\$ 136	\$ 21	\$ 157	\$ 158	\$ (68)	\$ 90
Comprised of:												
U.S. Workers' compensation	\$ (41)	\$ (36)	\$ (77)	\$ 16	\$ (16)	\$ -	\$ 136	\$ 24	\$ 160	\$ 158	\$ (51)	\$ 107
Asbestos	\$ -	\$ (1)	\$ (1)	\$ -	\$ -	\$ -	\$ -	\$ (3)	\$ (3)	\$ -	\$ (17)	\$ (17)

U.S. Workers' Compensation

The Non-Life Insurance Companies discount certain workers' compensation reserves in accordance with practices prescribed or permitted by New York, Pennsylvania and Delaware. New York rules generally do not permit non-tabular discounting on IBNR and prescribe a fixed 5 percent discount rate for application to case reserves. Pennsylvania permits non-tabular discounting of IBNR and, commencing in 2013, approved variable discount rates determined using risk-free rates based on the U.S. Treasury forward yield curve plus a liquidity margin, applicable to IBNR and case reserves. Delaware has permitted discounting on the same basis as the Pennsylvania domiciled companies.

The net decrease in workers' compensation discount in the three-month period ended September 30, 2015, of \$77 million was due to a \$61 million reduction for accident years 2014 and prior, primarily from accretion of discount on reserves for the three-month period ended September 30, 2015. In addition, decreases in the forward yield curve component of the discount rates resulted in a \$61 million decrease in the loss reserve discount, as Treasury rates as of September 30, 2015 generally decreased along the payout pattern horizon as compared to the prior periods, partially offset by an increase in the credit spread. These decreases were partially offset by the effects of the discount attributable to newly established reserves for accident year 2015, which increased the discount by \$45 million in the three-month period ended September 30, 2015.

The net increase in workers' compensation discount in the nine-month period ended September 30, 2015, of \$160 million was primarily due to the increase in forward yield curve rates used for discounting under the prescribed or permitted practices. The

increase in the forward yield curve component of the discount rates resulted in a \$222 million increase in the loss reserve discount, as Treasury rates generally increased along the payout pattern horizon in the nine-month period ended September 30, 2015. In addition, the effects of the discount attributable to newly established reserves for accident year 2015 increased the discount by \$149 million in the nine-month period ended September 30, 2015. These increases were partially offset by a \$211 million reduction for accident years 2014 and prior, primarily from accretion of discount on reserves for the nine-month period ended September 30, 2015.

On January 1, 2014, the Non-Life Insurance Companies merged their two internal pooling arrangements into one pool, and changed the participation percentages of the pool members resulting in a reallocation of reserves from New York domiciled companies to those domiciled in Pennsylvania and Delaware. As a result of these changes in the participation percentages and domiciliary states of the participants of the combined pool, the Non-Life Insurance Companies recognized a discount benefit of \$110 million in the first quarter of 2014.

[Quarterly Reserving Conclusion](#)

AIG net loss reserves represent our best estimate of the liability for net losses and loss adjustment expenses as of September 30, 2015. While we regularly review the adequacy of established loss reserves, there can be no assurance that our ultimate loss reserves will not develop adversely in future years and materially exceed our loss reserves as of September 30, 2015. In our opinion, such adverse development and resulting increase in reserves are not likely to have a material adverse effect on our consolidated financial condition, although such events could have a material adverse effect on our consolidated results of operations for an individual reporting period.

The following table presents the rollforward of net loss reserves:

<i>(in millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net liability for unpaid losses and loss adjustment expenses				
at beginning of period	\$ 59,093	\$ 63,090	\$ 61,612	\$ 64,316
Foreign exchange effect	(121)	(46)	(1,087)	(2)
Change due to retroactive asbestos reinsurance transaction	39	35	139	121
Losses and loss adjustment expenses incurred:				
Current year, undiscounted	5,067	5,413	15,205	16,125
Prior years unfavorable development, undiscounted ^(a)	191	307	532	457
Change in discount	78	-	(157)	(90)
Losses and loss adjustment expenses incurred ^(b)	5,336	5,720	15,580	16,492
Losses and loss adjustment expenses paid ^(b)	6,057	6,435	17,954	18,563
Net liability for unpaid losses and loss adjustment expenses				
at end of period	\$ 58,290	\$ 62,364	\$ 58,290	\$ 62,364

(a) See tables below for details of prior year development by business unit, accident year and major class of business.

(b) These amounts exclude benefit from retroactive reinsurance.

The following table summarizes development, (favorable) or unfavorable, of incurred losses and loss expenses for prior years, net of reinsurance, by business unit and major class of business:

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Prior accident year development by major class of business:				
Commercial Property Casualty - U.S. & Canada:				
Excess casualty	\$ -	\$ (44)	\$ 318	\$ (34)
Financial lines including professional liability	10	(9)	13	(76)
Environmental (2004 - ongoing)	104	44	109	44
Primary casualty:				
Loss-sensitive (offset by premium adjustments below)	(30)	93	(53)	157
Other	21	237	139	324
Healthcare	150	-	156	10
Specialty	(26)	11	20	109
Property excluding natural catastrophes	(14)	13	(123)	8
Natural catastrophes	4	(31)	(37)	(104)
All other, net	36	17	69	60
Total Commercial Property Casualty - U.S. & Canada	255	331	611	498
Commercial Property Casualty International:				
Primary casualty	(2)	10	5	3
Financial lines	(3)	-	(30)	119
Specialty	(12)	(9)	(29)	(21)
Property excluding natural catastrophes	(69)	(6)	(104)	(63)
Natural catastrophes	(13)	(7)	(14)	(54)
All other, net	-	-	1	(2)
Total Commercial Property Casualty - International	(99)	(12)	(171)	(18)
Total Commercial Property Casualty	156	319	440	480
Commercial Mortgage Guaranty	(18)	(13)	(35)	(75)
Consumer Personal Insurance - U.S. & Canada:				
Natural catastrophes	(1)	(1)	(6)	(2)
All other, net	(31)	(5)	(68)	(27)
Total Consumer Personal Insurance - U.S. & Canada	(32)	(6)	(74)	(29)
Consumer Personal Insurance - International:				
Natural catastrophes	-	-	-	(6)
All other, net	(14)	(6)	15	(7)
Total Consumer Personal Insurance - International	(14)	(6)	15	(13)
Total Consumer Personal Insurance	(46)	(12)	(59)	(42)
Run-off Insurance Lines - U.S. & Canada:				
Asbestos and environmental	2	5	51	68
Run-off environmental	52	-	89	23
Run-off healthcare*	50	-	50	-
Total all other, net	(5)	-	(4)	-
Total Run-off Insurance Lines - U.S. & Canada	99	5	186	91
Run-off Insurance Lines - International:				
Asbestos and environmental (1986 and prior)	-	2	-	(2)
Total all other, net	-	6	-	5
Total Run-off Insurance Lines - International	-	8	-	3
Total Run-off Insurance Lines	99	13	186	94
Total prior year unfavorable development	\$ 191	\$ 307	\$ 532	\$ 457
Premium adjustments on primary casualty loss sensitive business	30	(93)	53	(157)
Total prior year development, net of premium adjustments	\$ 221	\$ 214	\$ 585	\$ 300

* Both the three- and nine-month periods ended September 30, 2015 include \$30 million of non-operating adverse prior year development.

Quarterly and Year-to-Date Net Loss Development

In determining the loss development from prior accident years, AIG analyzes and evaluates the change in estimated ultimate loss for each accident year by class of business. For example, if loss emergence for a class of business is different than expected for certain accident years, we examine the indicated effect such emergence would have on the reserves of that class of business. In some cases, the higher or lower than expected emergence may result in no clear change in the ultimate loss estimate for the accident years in question, and no adjustment would be made to the reserves for the class of business for prior accident years. In other cases, the higher or lower than expected emergence may result in a large change, either favorable or unfavorable. As appropriate, we make adjustments for the difference between the actual and expected loss emergence for each accident year. As part of our reserving process, we also consider notices of claims received with respect to emerging and/or evolving issues.

In the three-month period ended September 30, 2015, the adverse prior year loss reserve development was \$191 million. This was driven by adverse development from Healthcare, Environmental (2004 - ongoing), and Run-off environmental, partially offset by Property excluding natural catastrophes, both domestically and internationally.

The adverse prior year development in Healthcare and Environmental (2004 - ongoing) resulted from indications of the annual detailed valuation review (DVR) performed in the third quarter of 2015 for those lines. Healthcare was driven by deteriorating loss experience in accident years 2008 and subsequent characterized by additional large claims in various segments including hospitals, physicians and surgeons, nursing homes, and pharmaceutical and medical products liability. Environmental was driven by adverse emergence in recent accident years and higher severity assumptions in the most recent accident years.

In the nine-month period ended September 30, 2015, the adverse prior year loss reserve development was \$532 million, which was driven by increased automobile claim severity in Excess and Primary Casualty, as well as adverse development from Healthcare, Environmental (2004 - ongoing), Run-off Environmental, and Asbestos and Environmental (1986 and prior). This was partially offset by Property excluding natural catastrophes, both domestically and internationally.

We have observed increases in both the frequency and severity of claims occurring in our primary and excess commercial automobile liability business since the recovery from the recent economic downturn, which have significantly outpaced the rate increases implemented during the same time. We believe a combination of factors are contributing to these increases such as a mix of business weighted towards Excess auto liability for commercial trucking; increased shipping activity potentially resulting in driver fatigue; a greater incidence of claims involving multiple severe injuries and fatalities; and the general increase in damage awards.

We continued to react to these trends as new information emerged, including strengthening reserves during the annual DVR of the commercial automobile liability business in 2012, 2013 and 2014 and through our selection of the current accident year loss ratios. In addition, we made interim increases to reserves in periods between the annual DVR in 2014 and 2015. The experience in accident years 2011 and subsequent has continued to deteriorate and the DVR conducted in the second quarter of 2015 resulted in an increase of commercial automobile liability reserves by \$402 million for the nine-month period ended September 30, 2015, including \$91 million for primary automobile and \$311 million for excess automobile, primarily in accident years 2011 through 2014.

We recognized return (additional) premiums on loss sensitive business of \$30 million and \$(93) million for the three-month periods ended September 30, 2015 and 2014, respectively, and \$53 million and \$(157) million for the nine-month periods ended September 30, 2015 and 2014, respectively, which entirely offset development in that business.

See Results of Operations — Commercial Insurance and Results of Operations — Consumer Personal Insurance Results herein for further discussion of net loss development.

The following table summarizes development, (favorable) or unfavorable, of incurred losses and loss adjustment expenses for prior years, net of reinsurance, by accident year:

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Prior accident year development by accident year:				
Accident Year				
2014	\$ (65)	\$ -	\$ (87)	\$ -
2013	27	(62)	92	(189)
2012	(83)	6	69	(84)
2011	1	(30)	23	(76)
2010	40	(20)	42	31
2009	21	(62)	(9)	36
2008	57	(47)	70	5
2007	17	(55)	(30)	(64)
2006	29	45	21	52
2005	6	109	4	122
2004 and prior (see table below)	141	423	337	624
Total prior year unfavorable development	\$ 191	\$ 307	\$ 532	\$ 457

The following table summarizes development, (favorable) or unfavorable, of incurred losses and loss adjustment expenses for accident year 2004 and prior by major class of business and driver of development:

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
2004 and prior accident year development by major class of business and driver of development:				
Excess Casualty - primarily mass torts	\$ -	\$ 302	\$ -	\$ 302
Excess Casualty - all other	-	23	1	42
Primary Casualty - loss sensitive business ^(a)	12	34	(3)	52
Primary Casualty - all other ^(b)	58	21	94	58
Run-off environmental (1987 to 2004)	39	(1)	86	22
Asbestos and Environmental (1986 and prior)	2	2	51	66
Commutations and Arbitrations ^(c)	(4)	9	(5)	58
All Other	34	33	113	24
Total prior year unfavorable development	\$ 141	\$ 423	\$ 337	\$ 624

(a) Loss sensitive business that is offset by premium adjustments and has no income statement impact. Approximated based on prior accident year development recognized from policy year premium charges.

(b) Includes loss development on excess of deductible exposures in workers' compensation, general liability and commercial auto.

(c) The effects of commutations and arbitrations are shown separately from the related classes of business. Commutations and arbitrations are reflected for the years in which they were contractually binding.

[Asbestos and Environmental Reserves](#)

[Loss Reserve Estimates - Asbestos and Environmental](#)

The estimation of loss reserves relating to asbestos and environmental claims on insurance policies written many years ago is subject to greater uncertainty than other types of claims due to inconsistent court decisions as well as judicial interpretations and legislative actions that in some cases have tended to broaden coverage beyond the original intent of such policies and in others have expanded theories of liability.

As described more fully in the 2014 Annual Report, our reserves relating to asbestos and environmental claims reflect comprehensive ground-up and top-down analyses performed periodically. In the nine-month period ended September 30, 2015, we increased our gross asbestos reserves by \$20 million and our net asbestos reserves by \$9 million due to minor changes in estimates, accretion of discount, and anticipated uncollectible reinsurance. For the same period, we increased our gross environmental reserves by \$66 million and our net environmental reserves by \$43 million to reflect the results of a top-down analysis of accident years 1986 and prior completed in the second quarter of 2015.

In addition to the U.S. asbestos and environmental reserve amounts shown in the tables below, the Non-Life Insurance Companies also have asbestos reserves relating to foreign risks written by non-U.S. entities of \$122 million gross and \$96 million net as of September 30, 2015. The asbestos reserves relating to non-U.S. risks written by non-U.S. entities were \$132 million gross and \$105 million net as of December 31, 2014.

The following table provides a summary of reserve activity, including estimates for applicable IBNR, relating to asbestos and environmental claims:

As of or for the Nine Months Ended September 30, (in millions)	2015		2014	
	Gross	Net	Gross	Net
Asbestos:				
Liability for unpaid losses and loss adjustment expenses at beginning of year	\$ 4,117	\$ 388	\$ 4,720	\$ 529
Change in net loss reserves due to retroactive reinsurance:				
Paid losses recoverable under retroactive reinsurance contracts	-	137	-	123
Re-estimation of amounts recoverable under retroactive reinsurance contracts ^(a)	-	(2)	-	(3)
Change in net loss reserves due to retroactive reinsurance	-	135	-	120
Losses and loss adjustment expenses incurred:				
Undiscounted	13	7	(6)	11
Change in discount	7	4	35	20
Losses and loss adjustment expenses incurred^(b)	20	11	29	31
Losses and loss adjustment expenses paid ^(b)	(438)	(230)	(514)	(316)
Liability for unpaid losses and loss adjustment expenses at end of period	\$ 3,699	\$ 304	\$ 4,235	\$ 364
Environmental:				
Liability for unpaid losses and loss adjustment expenses at beginning of year	\$ 368	\$ 185	\$ 313	\$ 163
Losses and loss adjustment expenses incurred	66	43	121	52
Losses and loss adjustment expenses paid	(30)	(24)	(40)	(25)
Other changes	-	6	-	-
Liability for unpaid losses and loss adjustment expenses at end of period	\$ 404	\$ 210	\$ 394	\$ 190

TABLE OF CONTENTS

ITEM 2 / INSURANCE RESERVES / NON-LIFE INSURANCE COMPANIES

Combined:				
Liability for unpaid losses and loss adjustment expenses at beginning of year	\$ 4,485	\$ 573	\$ 5,033	\$ 692
Change in net loss reserves due to retroactive reinsurance:				
Paid losses recoverable under retroactive reinsurance contracts	-	137	-	123
Re-estimation of amount recoverable under retroactive reinsurance contracts	-	(2)	-	(3)
Change in net loss reserves due to retroactive reinsurance	-	135	-	120
Losses and loss adjustment expenses incurred:				
Undiscounted	79	50	115	63
Change in discount	7	4	35	20
Losses and loss adjustment expenses incurred	86	54	150	83
Losses and loss adjustment expenses paid	(468)	(254)	(554)	(341)
Other changes	-	6	-	-
Liability for unpaid losses and loss adjustment expenses at end of period	\$ 4,103	\$ 514	\$ 4,629	\$ 554

(a) Re-estimation of amounts recoverable under retroactive reinsurance contracts includes effect of changes in reserve estimates and changes in discount.

(b) These amounts exclude benefit from retroactive reinsurance.

Life Insurance Companies DAC and Reserves

The following section provides discussion of deferred policy acquisition costs and insurance reserves for Life Insurance Companies.

Update of Actuarial Assumptions

The Life Insurance Companies review and update estimated gross profit assumptions used to amortize DAC and related items for investment-oriented products at least annually. Estimated gross profit assumptions include net investment income and spreads, net realized capital gains and losses, fees, surrender charges, expenses, and mortality gains and losses. If the assumptions used for estimated gross profits change significantly, DAC and related reserves (which may include VOBA, SIA, guaranteed benefit reserves and unearned revenue reserve) are recalculated using the new assumptions, and any resulting adjustment is included in income. Updating such assumptions may result in acceleration of amortization in some products and deceleration of amortization in other products.

In addition to estimated gross profit assumptions, the update of actuarial assumptions in the three-month periods ended September 30, 2015 and 2014 included adjustments to reserves for universal life with secondary guarantees, group benefit claim reserves and loss recognition for certain long-term care products. The update of assumptions also included adjustments to the valuation of variable annuity GMWB features that are accounted for as embedded derivatives. Changes in the fair value of such embedded derivatives are recorded in net realized capital gains (losses) and, together with related DAC adjustments, are excluded from pre-tax operating income.

The net increases (decreases) to pre-tax operating income and pre-tax income as a result of the update of actuarial assumptions for the nine-month periods ended September 30, 2015 and 2014 are shown in the following tables.

The following table presents the increase (decrease) in pre-tax operating income resulting from the update of actuarial assumptions for the domestic Life Insurance Companies, by product line:

Three Months and Nine Months Ended September 30, (in millions)	2015	2014
Consumer Insurance:		
Retirement		
Fixed Annuities	\$ 92	\$ 196
Retirement Income Solutions	-	14
Group Retirement	48	46
Total Retirement	140	256
Life	(157)	(135)
Total Consumer Insurance	(17)	121
Commercial Insurance:		
Institutional Markets	-	1
Total increase (decrease) in pre-tax operating income from update of assumptions	(17)	122

The following table presents the increase (decrease) in pre-tax income resulting from the update of actuarial assumptions of the domestic Life Insurance Companies, by line item as reported in Results of Operations:

Three Months and Nine Months Ended September 30, (in millions)	2015	2014
Policy fees	\$ 21	\$ 27
Interest credited to policyholder account balances	74	93
Amortization of deferred policy acquisition costs	79	166
Policyholder benefits and losses incurred	(191)	(165)
Increase (decrease) in pre-tax operating income	(17)	121
Change in DAC related to net realized capital gains (losses)	21	5
Net realized capital gains (losses)	(39)	(32)
Increase (decrease) in pre-tax income	\$ (35)	\$ 94

In the three- and nine-month periods ended September 30, 2015, pre-tax operating income of the Life Insurance Companies in the aggregate was reduced by \$17 million as a result of the update of actuarial assumptions. This aggregate net adjustment of \$17 million included a net negative adjustment of \$157 million in the Life operating segment, which was offset in large part by net positive adjustments in the Retirement operating segment of \$92 million in Fixed Annuities and \$48 million in Group Retirement.

In the three- and nine-month periods ended September 30, 2014, pre-tax operating income of the Life Insurance Companies in the aggregate was increased by \$122 million as a result of the update of assumptions, primarily due to net positive adjustments in the Retirement operating segment from the update of estimated gross profit assumptions in Fixed Annuities and Group Retirement, partially offset by loss recognition for certain long-term care business and additions to reserves for universal life with secondary guarantees in the Life operating segment.

Adjustments related to the update of assumptions for the valuation of variable annuity GMWB features accounted for as embedded derivatives and measured at fair value, which are primarily in the Retirement Income Solutions and Group Retirement product lines, are recorded in net realized capital gains (losses) and excluded from pre-tax operating income. The update of GMWB valuation assumptions in the three- and nine-month periods ended September 30, 2015, including improved mortality, lapse and withdrawal assumptions, resulted in an increase in the GMWB liability. After offsets for related adjustments to DAC, this update of GMWB valuation assumptions reduced pre-tax income by \$18 million in the three- and nine-month periods ended September 30, 2015.

In the three- and nine-month periods ended September 30, 2014, improved mortality assumptions for variable annuity GMWB embedded derivative liabilities resulted in a net decrease to pre-tax income of \$27 million, net of DAC.

A discussion of the adjustments to reflect the update of assumptions for the Retirement and Life operating segments follows.

Update of Actuarial Assumptions by Operating Segment

Retirement

The update of actuarial assumptions resulted in net positive adjustments to pre-tax operating earnings of the Retirement operating segment of \$140 million in the three- and nine-month periods ended September 30, 2015 and \$256 million in the three- and nine-month periods ended September 30, 2014.

In Fixed Annuities, the update of estimated gross profit assumptions resulted in a net positive adjustment of \$92 million in the three- and nine-month periods ended September 30, 2015, which reflected refinements to investment spread assumptions, lower terminations than previously assumed and decreases to expense assumptions. The three- and nine-month periods ended September 30, 2014 included a net positive adjustment of \$196 million in Fixed Annuities, primarily due to better spreads than previously assumed.

In Retirement Income Solutions, there were offsetting updates to assumed investment fees, modeled expenses, and terminations, resulting in no net adjustment to pre-tax operating earnings in the three- and nine-month periods ended September 30, 2015, compared to a \$14 million net positive adjustment in the three- and nine-month periods ended September 30, 2014, primarily due to the update of mortality assumptions.

In Group Retirement, a net positive adjustment from the update of estimated gross profit assumptions of \$48 million in the three- and nine-month periods ended September 30, 2015 was primarily due to revisions to mortality and surrender assumptions, partially offset by decreased spread assumptions. In the three- and nine-month periods ended September 30, 2014, a net positive adjustment in Group Retirement was primarily due to more favorable assumptions for investment spreads and surrenders than previously assumed.

Adjustments related to the update of assumptions for the valuation of variable annuity GMWB features accounted for as embedded derivatives and measured at fair value, which primarily relate to the Retirement Income Solutions and Group Retirement product lines, are recorded in net realized capital gains (losses) and excluded from pre-tax operating income. See Update of Actuarial Assumptions above for discussion of these adjustments.

Life

The net negative adjustment of \$157 million related to the update of the actuarial assumptions, which reduced pre-tax operating income of the Life operating segment in the three- and nine-month periods ended September 30, 2015 was primarily due to lower assumed surrender rates for certain later-duration universal life with secondary guarantees, which represent approximately eight percent of total U.S. life reserves. The net negative adjustment also reflected lower investment spread assumptions, partially offset by more favorable than expected mortality, as well as loss recognition expense of \$39 million for certain discontinued long-term care products primarily due to lower future premium assumptions. These negative adjustments were partially offset by a decrease in certain Group Benefit claim reserves based on updated experience data.

A net negative adjustment of \$135 million in the Life operating segment in the three- and nine-month periods ended September 30, 2014 also included additions to reserves for universal life with secondary guarantees, primarily due to lower investment spread and mortality assumptions which, while higher than previously assumed, were still within pricing assumptions, as well as loss recognition expense.

The Life operating segment recorded loss recognition expense of \$39 million and \$87 million in the three-month periods ended September 30, 2015 and 2014, respectively, which reduced pre-tax operating income in the respective periods, to increase reserves for certain long-term care business. Loss recognition expense is included in Other reserve changes in the rollforward table presented in Insurance Reserves. The loss recognition for both periods was primarily a result of lower future premium increase assumptions and, in the 2014 period but to a lesser extent, lower yield assumptions. Assumptions related to investment yields, mortality experience and expenses are reviewed periodically and updated as appropriate, which could result in additional loss recognition reserves. While the domestic Life Insurance Companies do not currently offer standalone long-

term care products, these needs are addressed with various benefits and riders in the existing portfolio, such as chronic illness riders.

DAC

The following table summarizes the major components of the changes in Life Insurance Companies DAC, including VOBA:

Nine Months Ended September 30, <i>(in millions)</i>	2015	2014
Balance, beginning of year	\$ 7,258	\$ 6,920
Acquisition costs deferred	935	819
Amortization expense:		
Update of assumptions included in pre-tax operating income	79	167
Related to realized capital gains and losses	(65)	(48)
All other operating amortization	(746)	(624)
Increase (decrease) in DAC due to foreign exchange	(32)	(6)
Change related to unrealized depreciation (appreciation) of investments	464	(361)
Balance, end of period*	\$ 7,893	\$ 6,867

* DAC balance excluding the amount related to unrealized depreciation (appreciation) of investments was \$8.9 billion and \$8.3 billion at September 30, 2015 and 2014, respectively.

The net adjustments to DAC amortization from the update of actuarial assumptions for estimated gross profits, including those reported within change in DAC related to net realized capital gains (losses), represented one percent and two percent of the DAC balance excluding the amount related to unrealized depreciation (appreciation) of investments as of September 30, 2015 and 2014, respectively.

DAC and Reserves Related to Unrealized Appreciation of Investments

DAC for universal life and investment-type products (collectively, investment-oriented products) is adjusted at each balance sheet date to reflect the change in DAC as if fixed maturity and equity securities available for sale had been sold at their stated aggregate fair value and the proceeds reinvested at current yields (shadow DAC). The change in shadow DAC generally moves in the opposite direction of the change in unrealized appreciation of the available for sale securities portfolio. In addition, significant unrealized appreciation of investments in a prolonged low interest rate environment may cause additional future policy benefit liabilities to be recorded (shadow loss reserves). Market interest rates increased as a result of widening spreads in the nine-month period ended September 30, 2015. As a result, the Life Insurance Companies' unrealized appreciation of investments in the nine-month period ended September 30, 2015 decreased by \$4.4 billion compared to December 31, 2014, which resulted in an increase in shadow DAC and a decrease in shadow loss reserves. Shadow loss reserves were \$304 million at September 30, 2015 compared to \$1.2 billion at December 31, 2014.

Life Insurance Companies Reserves

The following table presents a rollforward of Life Insurance Companies' insurance reserves, including separate accounts and mutual fund assets under management, by operating segment:

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Institutional Markets:				
Balance at beginning of period, gross	\$ 35,523	\$ 32,386	\$ 35,080	\$ 32,100
Premiums and deposits	159	2,840	985	3,182
Surrenders and withdrawals	(133)	(343)	(389)	(428)
Death and other contract benefits	(396)	(365)	(1,193)	(1,117)
Subtotal	(370)	2,132	(597)	1,637
Change in fair value of underlying assets and reserve accretion, net of				
policy fees	206	184	763	833
Cost of funds	102	105	306	308
Other reserve changes	(61)	(42)	(152)	(113)
Balance at end of period	35,400	34,765	35,400	34,765
Reserves related to unrealized appreciation of investments	288	752	288	752
Reinsurance ceded	(5)	(6)	(5)	(6)
Total insurance reserves	\$ 35,683	\$ 35,511	\$ 35,683	\$ 35,511
Retirement:				
Balance at beginning of period, gross	\$ 207,868	\$ 203,264	\$ 204,627	\$ 195,493
Premiums and deposits	6,639	5,876	18,244	18,074
Surrenders and withdrawals	(4,767)	(5,208)	(13,433)	(13,941)
Death and other contract benefits	(997)	(953)	(2,965)	(2,775)
Subtotal	875	(285)	1,846	1,358
Change in fair value of underlying assets and reserve accretion, net of				
policy fees	(5,754)	(1,137)	(4,862)	3,562
Cost of funds	688	698	2,037	2,087
Other reserve changes	15	21	44	61
Balance at end of period	203,692	202,561	203,692	202,561
Reserves related to unrealized appreciation of investments	15	85	15	85
Reinsurance ceded	(363)	(356)	(363)	(356)
Total insurance reserves and mutual fund assets under management	\$ 203,344	\$ 202,290	\$ 203,344	\$ 202,290
Life:				
Balance at beginning of period, gross	\$ 33,640	\$ 33,086	\$ 33,536	\$ 32,810
Premiums and deposits	1,223	1,163	3,695	3,557
Surrenders and withdrawals	(189)	(211)	(575)	(638)
Death and other contract benefits	(257)	(224)	(764)	(608)
Subtotal	777	728	2,356	2,311
Change in fair value of underlying assets and reserve accretion, net of				
policy fees	(266)	(195)	(594)	(530)
Cost of funds	124	126	370	378
Other reserve changes	(436)	(327)	(1,829)	(1,551)
Balance at end of period	33,839	33,418	33,839	33,418
Reserves related to unrealized appreciation of investments	1	-	1	-
Reinsurance ceded	(1,430)	(1,315)	(1,430)	(1,315)
Total insurance reserves	\$ 32,410	\$ 32,103	\$ 32,410	\$ 32,103

Total Life Insurance Companies:								
Balance at beginning of period, gross	\$	277,031	\$	268,736	\$	273,243	\$	260,403
Premiums and deposits		8,021		9,879		22,924		24,813
Surrenders and withdrawals		(5,089)		(5,762)		(14,397)		(15,007)
Death and other contract benefits		(1,650)		(1,542)		(4,922)		(4,500)
Subtotal		1,282		2,575		3,605		5,306
Change in fair value of underlying assets and reserve accretion, net of policy fees		(5,814)		(1,148)		(4,693)		3,865
Cost of funds		914		929		2,713		2,773
Other reserve changes		(482)		(348)		(1,937)		(1,603)
Balance at end of period		272,931		270,744		272,931		270,744
Reserves related to unrealized appreciation of investments		304		837		304		837
Reinsurance ceded		(1,798)		(1,677)		(1,798)		(1,677)
Total insurance reserves and mutual fund assets under management	\$	271,437	\$	269,904	\$	271,437	\$	269,904

Life Insurance Companies' insurance reserves including separate accounts and mutual fund assets under management were comprised of the following balances:

<i>(in millions)</i>		September 30, 2015		December 31, 2014
Future policy benefits*	\$	40,840	\$	40,931
Policyholder contract deposits		126,793		124,716
Separate account liabilities		77,125		80,025
Total insurance reserves		244,758		245,672
Mutual fund assets under management		26,679		27,052
Total insurance reserves and mutual fund assets under management	\$	271,437	\$	272,724

* Excludes certain intercompany assumed reinsurance.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Liquidity refers to the ability to generate sufficient cash resources to meet our payment obligations. It is defined as cash and unencumbered assets that can be monetized in a short period of time at a reasonable cost. We manage our liquidity prudently through various risk committees, policies and procedures, and a stress testing and liquidity framework established by Enterprise Risk Management (ERM). Our liquidity framework is designed to measure both the amount and composition of our liquidity to meet financial obligations in both normal and stressed markets. See Enterprise Risk Management — Risk Appetite, Limits, Identification, and Measurement in the 2014 Annual Report and Enterprise Risk Management — Liquidity Risk Management below for additional information.

Capital refers to the long-term financial resources available to support the operation of our businesses, fund business growth, and cover financial and operational needs that arise from adverse circumstances. Our primary source of ongoing capital generation is the profitability of our insurance subsidiaries. We must comply with numerous constraints on our minimum capital positions. These constraints drive the requirements for capital adequacy for both AIG and the individual businesses and are based on internally-defined risk tolerances, regulatory requirements, rating agency and creditor expectations and business needs. Actual capital levels are monitored on a regular basis, and using ERM's stress testing methodology, we evaluate the capital impact of potential macroeconomic, financial and insurance stresses in relation to the relevant capital constraints of both AIG and our insurance subsidiaries.

We believe that we have sufficient liquidity and capital resources to satisfy future requirements and meet our obligations to policyholders, customers, creditors and debt-holders, including those arising from reasonably foreseeable contingencies or events.

Nevertheless, some circumstances may cause our cash or capital needs to exceed projected liquidity or readily deployable capital resources. Additional collateral calls, deterioration in investment portfolios or reserve strengthening affecting statutory surplus, higher surrenders of annuities and other policies, downgrades in credit ratings, or catastrophic losses may result in significant additional cash or capital needs and loss of sources of liquidity and capital. In addition, regulatory and other legal restrictions could limit our ability to transfer funds freely, either to or from our subsidiaries.

Depending on market conditions, regulatory and rating agency considerations and other factors, we may take various liability and capital management actions. Liability management actions may include, but are not limited to, repurchasing or redeeming outstanding debt, issuing new debt or engaging in debt exchange offers. Capital management actions may include, but are not limited to, paying dividends to our shareholders and share repurchases.

Liquidity and Capital Resources Activity for the Nine-Month Period Ended September 30, 2015

Sources

AIG Parent Funding from Subsidiaries

During the nine-month period ended September 30, 2015, AIG Parent received \$7.3 billion in dividends and loan repayments from subsidiaries. Of this amount, \$2.7 billion was dividends in the form of cash and fixed maturity securities from our Non-Life Insurance Companies and \$4.6 billion was dividends and loan repayments in the form of cash and fixed maturity securities from our Life Insurance Companies. The \$7.3 billion in dividends and loan repayments included \$2.8 billion of dividends that were declared during the fourth quarter of 2014.

AIG Parent also received \$1.5 billion in tax sharing payments from our insurance businesses in the nine-month period ended September 30, 2015, including \$503 million of such payments during the third quarter of 2015. The tax sharing payments may be subject to adjustment in future periods.

Debt Issuances

In January 2015, we issued \$1.2 billion aggregate principal amount of 3.875% Notes due 2035 and \$800 million aggregate principal amount of 4.375% Notes due 2055.

In March 2015, we issued \$350 million aggregate principal amount of 4.35% Callable Notes due 2045.

In July 2015, we issued \$1.25 billion aggregate principal amount of 3.750% Notes due 2025, \$500 million aggregate principal amount of 4.700% Notes due 2035 and \$750 million aggregate principal amount of 4.800% Notes due 2045. In addition, in July 2015, we issued \$290 million aggregate principal amount of 4.90% Callable Notes due 2045.

In September 2015, we issued \$420 million aggregate principal amount of 4.90% Callable Notes due 2045.

PICC P&C and Springleaf

In April 2015, AIG Parent received gross proceeds of approximately \$500 million from our sale of 256 million ordinary H shares of PICC P&C by means of a placement to certain institutional investors. In May 2015, AIG Parent received net proceeds of approximately \$410 million from the sale of approximately 8.4 million shares of common stock of Springleaf.

AerCap

In June 2015, AIG Parent received net proceeds of approximately \$3.7 billion from the sale of approximately 86.9 million ordinary shares of AerCap by means of an underwritten public offering of approximately 71.2 million ordinary shares and a private sale of approximately 15.7 million ordinary shares to AerCap.

In August 2015, AIG Parent received net proceeds of approximately \$500 million from the sale of our remaining approximately 10.7 million ordinary shares of AerCap by means of an underwritten public offering.

Uses

• **Debt Reduction**

In March 2015, we repurchased, through cash tender offers, approximately \$1.0 billion aggregate principal amount of certain senior notes issued or guaranteed by AIG for an aggregate purchase price of approximately \$1.1 billion.

In April 2015, we repurchased, through cash tender offers, (i) approximately \$22 million aggregate principal amount of certain senior notes issued or guaranteed by AIG for an aggregate purchase price of approximately \$24 million, and (ii) approximately \$915 million aggregate principal amount of certain junior subordinated debentures issued or guaranteed by AIG for an aggregate purchase price of approximately \$1.25 billion.

In July 2015, we repurchased, through cash tender offers, (i) approximately \$142 million aggregate principal amount of certain senior notes issued by AIG for an aggregate purchase price of approximately \$153 million, and (ii) approximately \$3.3 billion aggregate principal amount of certain senior notes and junior subordinated notes issued or guaranteed by AIG for an aggregate purchase price of approximately \$3.6 billion.

We also made other repurchases and repayments of approximately \$3.1 billion during the nine-month period ended September 30, 2015. AIG Parent made interest payments on our debt instruments totaling \$846 million during the nine-month period ended September 30, 2015.

• **Dividend**

We paid a cash dividend of \$0.125 per share on AIG Common Stock during each of the first and second quarters of 2015, and a cash dividend of \$0.28 per share during the third quarter of 2015.

• **Repurchase of Common Stock***

We repurchased approximately 129 million shares of AIG Common Stock during the nine-month period ended September 30, 2015, for an aggregate purchase price of approximately \$7.5 billion. The total number of shares of AIG Common Stock repurchased in the nine-month period ended September 30, 2015 includes (but the aggregate purchase price does not include) approximately 3.5 million shares of AIG Common Stock received in January 2015 upon the settlement of an ASR agreement executed in the fourth quarter of 2014.

• **PICC P&C**

During the nine-month period ended September 30, 2015, AIG Parent purchased 440 million ordinary H shares of PICC P&C from our Non-Life Insurance Companies for approximately \$864 million.

* Pursuant to an Exchange Act Rule 10b5-1 plan, from October 1 to October 31, 2015, we have repurchased approximately \$602 million of additional shares of AIG Common Stock. As of October 31, 2015, approximately \$2.9 billion remained under our share repurchase authorization.

Analysis of Sources and Uses of Cash

The following table presents selected data from AIG's Condensed Consolidated Statements of Cash Flows:

Nine Months Ended September 30, (in millions)	2015	2014
Sources:		
Net cash provided by operating activities	\$ 2,234	\$ 4,357
Net cash provided by changes in restricted cash	1,476	-
Net cash provided by other investing activities	5,204	5,527
Changes in policyholder contract balances	1,415	1,275
Issuance of long-term debt	6,449	5,827
Total sources	16,778	16,986

Uses:		
Change in restricted cash	-	(660)
Repayments of long-term debt	(8,343)	(11,561)
Purchases of AIG Common Stock	(7,473)	(3,403)
Net cash used in other financing activities	(1,112)	(1,739)
Total uses	(16,928)	(17,363)
Effect of exchange rate changes on cash	(39)	(19)
Decrease in cash	\$ (189)	\$ (396)

The following table presents a summary of AIG's Condensed Consolidated Statements of Cash Flows:

Nine Months Ended September 30, <i>(in millions)</i>	2015	2014
Summary:		
Net cash provided by operating activities	\$ 2,234	\$ 4,357
Net cash provided by investing activities	6,680	4,867
Net cash used in financing activities	(9,064)	(9,601)
Effect of exchange rate changes on cash	(39)	(19)
Decrease in cash	(189)	(396)
Cash at beginning of year	1,758	2,241
Change in cash of businesses held-for-sale	-	88
Cash at end of period	\$ 1,569	\$ 1,933

[Operating Cash Flow Activities](#)

Insurance companies generally receive most premiums in advance of the payment of claims or policy benefits. The ability of insurance companies to generate positive cash flow is affected by the frequency and severity of losses under their insurance policies, policy retention rates and operating expenses.

Interest payments totaled \$1.1 billion for the nine-month period ended September 30, 2015 compared to \$2.6 billion in the same period in the prior year. Excluding interest payments, AIG generated positive operating cash flow of \$3.3 billion for the nine-month period ended September 30, 2015 and \$7.0 billion for the nine-month period ended September 30, 2014.

Cash used in operating activities of our Non-Life Insurance Companies in the nine-month period ended September 30, 2015 was \$172 million compared to \$1.2 billion of cash provided in the same period of the prior year, primarily attributable to increases in loss payments in the nine-month period ended September 30, 2015.

Cash provided by operating activities of our Life Insurance Companies was \$2.1 billion in the nine-month period ended September 30, 2015, compared to cash provided of \$2.6 billion in the same period in the prior year, primarily due to a decrease in net income in the nine-month period ended September 30, 2015.

[Investing Cash Flow Activities](#)

Net cash provided by investing activities in the nine-month period ended September 30, 2015 included:

- approximately \$0.7 billion of cash collateral received in connection with the securities lending program launched during 2012 by our Life Insurance Companies; and
- approximately \$4.2 billion of net cash proceeds from the sale of ordinary shares of AerCap.

Net cash provided by investing activities in the nine-month period ended September 30, 2014 included:

- approximately \$1.0 billion of cash collateral received in connection with the securities lending program launched during 2012 by our Life Insurance Companies; and
- approximately \$2.4 billion of net cash proceeds from the sale of ILFC.

[Financing Cash Flow Activities](#)

Net cash used in financing activities in the nine-month period ended September 30, 2015 included:

- approximately \$687 million in the aggregate to pay a dividend of \$0.125 per share on AIG Common Stock in each of the first and second quarters of 2015 and \$0.28 per share on AIG Common Stock in the third quarter of 2015;
- approximately \$7.5 billion to repurchase approximately 129 million shares of AIG Common Stock; and
- approximately \$8.3 billion to repay long-term debt.

Net cash used in financing activities in the nine-month period ended September 30, 2014 included:

- approximately \$539 million in the aggregate to pay a dividend of \$0.125 per share on AIG Common Stock in each of the first, second and third quarters of 2014;
- approximately \$3.4 billion to repurchase approximately 60 million shares of AIG Common Stock;
- approximately \$271 million to repay long-term debt of business held-for-sale; and
- approximately \$11.3 billion to repay long-term debt.

[Liquidity and Capital Resources of AIG Parent and Subsidiaries](#)

[AIG Parent](#)

As of September 30, 2015, AIG Parent had approximately \$15.7 billion in liquidity sources. AIG Parent's liquidity sources are held in the form of cash, short-term investments and publicly traded, intermediate-term investment grade rated fixed maturity securities. Fixed maturity securities primarily include U.S. government and government sponsored entity securities, U.S. agency mortgage-backed securities, corporate and municipal bonds and certain other highly rated securities. AIG Parent actively manages its assets and liabilities in terms of products, counterparties and duration. Based upon an assessment of its immediate and longer-term funding needs, AIG Parent purchases publicly traded, intermediate-term investment grade rated fixed maturity securities that can be readily monetized through sales or repurchase agreements. These securities allow us to diversify sources of liquidity while reducing the cost of maintaining sufficient liquidity. AIG Parent liquidity sources are monitored through the use of various internal liquidity risk measures. AIG Parent's primary sources of liquidity are dividends, distributions, loans and other payments from subsidiaries, as well as credit and contingent liquidity facilities. AIG Parent's primary uses of liquidity are for debt service, capital and liability management, operating expenses and subsidiary capital needs.

We generally manage capital flows between AIG Parent and its subsidiaries through internal, Board-approved policies and guidelines. In addition, AIG Parent has unconditional capital maintenance agreements (CMAs) in place with certain subsidiaries. Nevertheless, regulatory and other legal restrictions could limit our ability to transfer capital freely, either to or from our subsidiaries.

We believe that we have sufficient liquidity and capital resources to satisfy our reasonably foreseeable future requirements and meet our obligations to our creditors, debt-holders and insurance company subsidiaries. We expect to access the debt markets from time to time to meet funding requirements as needed.

We utilize our capital resources to support our businesses, with the majority of capital allocated to our insurance operations. Should we have or generate more capital than is needed to support our business strategies (including organic growth or acquisition opportunities) or mitigate risks inherent to our business, we may develop plans to distribute such capital to shareholders via dividends or share repurchase authorizations or deploy such capital towards liability management.

In the normal course, it is expected that a portion of the capital released by our insurance operations or through the utilization of AIG's deferred tax assets may be available for distribution to shareholders. Additionally, it is expected that capital associated with businesses or investments that do not directly support our insurance operations may be available for distribution to shareholders or deployment towards liability management upon its monetization.

In developing plans to distribute capital, AIG considers a number of factors, including, but not limited to: the capital resources available to support our insurance operations and business strategies, AIG's funding capacity and capital resources in comparison to internal benchmarks, expectations for capital generation, rating agency expectations for capital, as well as regulatory standards for capital and capital distributions.

The following table presents AIG Parent's liquidity sources:

<i>(In millions)</i>	As of September 30, 2015	As of December 31, 2014
Cash and short-term investments ^(a)	\$ 4,816	\$ 5,085
Unencumbered fixed maturity securities ^(b)	6,387	4,727
Total AIG Parent liquidity	11,203	9,812
Available capacity under syndicated credit facility ^(c)	4,000	4,000
Available capacity under contingent liquidity facility ^(d)	500	500
Total AIG Parent liquidity sources	\$ 15,703	\$ 14,312

(a) Cash and short-term investments include reverse repurchase agreements totaling \$2.7 billion and \$1.6 billion as of September 30, 2015 and December 31, 2014, respectively.

(b) Unencumbered securities consist of publicly traded, intermediate-term investment grade rated fixed maturity securities. Fixed maturity securities primarily include U.S. government and government sponsored entity securities, U.S. agency mortgage-backed securities, corporate and municipal bonds and certain other highly rated securities.

(c) For additional information relating to this syndicated credit facility, see Credit Facilities below.

(d) For additional information relating to the contingent liquidity facility, see Contingent Liquidity Facilities below.

[Non-Life Insurance Companies](#)

We expect that our Non-Life Insurance Companies will be able to continue to satisfy reasonably foreseeable future liquidity requirements and meet their obligations, including those arising from reasonably foreseeable contingencies or events, through cash from operations and, to the extent necessary, monetization of invested assets. Our Non-Life Insurance Companies' liquidity resources are held in the form of cash, short-term investments and publicly traded, investment grade rated fixed maturity securities.

Certain Non-Life Insurance Companies are members of the Federal Home Loan Banks (FHLBs) in their respective districts. Borrowings from the FHLBs may be used to supplement liquidity. As of September 30, 2015 and December 31, 2014, none of our Non-Life Insurance Companies had FHLB borrowings outstanding.

Our Non-Life Insurance Companies may require additional funding to meet capital or liquidity needs under certain circumstances. Large catastrophes may require us to provide additional support to our affected operations. Downgrades in our credit ratings could put pressure on the insurer financial strength ratings of our subsidiaries, which could result in non-renewals or cancellations by policyholders and adversely affect the subsidiary's ability to meet its own obligations. Increases in market interest rates may adversely affect the financial strength ratings of our subsidiaries, as rating agency capital models may reduce the amount of available capital relative to required capital. Other potential events that could cause a liquidity strain include an economic collapse of a nation or region significant to our operations, nationalization, catastrophic terrorist acts, pandemics or other events causing economic or political upheaval.

In April 2015, AIG Parent and Ascot Corporate Name Limited (ACNL), a Non-Life Insurance Company, entered into a new \$725 million letter of credit facility, which replaced the prior \$625 million letter of credit facility. ACNL, as a member of the Lloyd's of London insurance syndicate (Lloyd's), is required to hold capital at Lloyd's, known as Funds at Lloyds (FAL). Under the new facility, the entire FAL capital requirement of \$625 million as of September 30, 2015, which supports the 2015, 2016 and 2017 years of account, was satisfied with a letter of credit in that amount issued under the facility.

AIG generally manages capital between AIG Parent and our Non-Life Insurance Companies through internal, Board-approved policies and guidelines. In addition, AIG Parent is party to a CMA with a Mortgage Guaranty insurance company. Among other things, the CMA provides that AIG Parent will maintain capital and surplus of this Mortgage Guaranty insurance company at or above a specified minimum required capital based on a specified risk-to-capital ratio. In addition, the CMA provides that if capital and surplus of this Mortgage Guaranty insurance company is in excess of that same specified minimum required capital, subject to its board approval and compliance with applicable insurance laws, this Mortgage Guaranty insurance company would declare and pay ordinary dividends to its equity holders up to an amount necessary to reduce projected or actual capital and surplus to a level equal to or not materially greater than such specified minimum required capital. As structured, the CMA contemplates that the specified minimum required capital would be reviewed and agreed upon at least annually. As of September 30, 2015, the minimum required capital for the CMA with the Mortgage Guaranty insurance company is based on a risk-to-capital ratio of 19 to 1.

In the nine-month period ended September 30, 2015, our Non-Life Insurance Companies paid approximately \$2.7 billion in dividends in the form of cash and fixed maturity securities to AIG Parent, of which \$600 million represented the remainder of dividends that were declared by our Non-Life Insurance Companies in the fourth quarter of 2014. The fixed maturity securities primarily include U.S. government and government sponsored entity securities, U.S. agency mortgage-backed securities, corporate and municipal bonds and certain other highly rated securities.

[Life Insurance Companies](#)

We expect that our Life Insurance Companies will be able to continue to satisfy reasonably foreseeable future liquidity requirements and meet their obligations, including those arising from reasonably foreseeable contingencies or events, through cash from operations and, to the extent necessary, monetization of invested assets. Our Life Insurance Companies hold liquidity resources in the form of cash, short-term investments and publicly traded, investment grade rated fixed maturity securities.

Certain of our domestic Life Insurance Companies are members of the FHLBs in their respective districts. Borrowings from the FHLBs are used to supplement liquidity or for other uses deemed appropriate by management. Our domestic Life Insurance Companies had outstanding borrowings from the FHLBs in an aggregate amount of \$27 million and \$44 million as of September 30, 2015 and December 31, 2014, respectively.

The need to fund product surrenders, withdrawals and maturities creates a potential liquidity requirement for our Life Insurance Companies. Management believes that because of the size and liquidity of our Life Insurance Companies' investment portfolios, normal deviations from projected claim or surrender experience would not create significant liquidity risk. Furthermore, our Life Insurance Companies' products contain certain features that mitigate surrender risk, including surrender charges. As part of their risk management framework, our Life Insurance Companies continue to evaluate and, where appropriate, pursue strategies and programs to improve their liquidity position and facilitate their ability to maintain a fully invested asset portfolio. Our Life Insurance Companies also have developed a contingent liquidity plan to address unforeseen liquidity needs.

Certain of our domestic Life Insurance Companies have programs, which began in 2012, that lend securities from their investment portfolio to supplement liquidity or for other uses as deemed appropriate by management. Under these programs, these domestic Life Insurance Companies lend securities to financial institutions and receive cash as collateral equal to 102 percent of the fair value of the loaned securities. Cash collateral received is invested in short-term investments. Additionally, the aggregate amount of securities that a Life Insurance Company is able to lend under its program at any time is limited to five percent of its general account statutory-basis admitted assets. At September 30, 2015, our domestic Life Insurance Companies had \$981 million of securities subject to these agreements and \$1.0 billion of liabilities to borrowers for collateral

received. Our domestic Life Insurance Companies had no securities subject to lending agreements and no collateral liability at December 31, 2014.

AIG generally manages capital between AIG Parent and our Life Insurance Companies through internal, Board-approved policies and guidelines. In addition, AIG Parent is party to a CMA with AGC Life Insurance Company. Among other things, the CMA provides that AIG Parent will maintain the total adjusted capital of AGC Life Insurance Company at or above a specified minimum percentage of its projected NAIC Company Action Level Risk-Based Capital (RBC). As of September 30, 2015, the specified minimum percentage under this CMA was 250 percent.

In the nine-month period ended September 30, 2015, our domestic Life Insurance Companies paid approximately \$4.6 billion in dividends and loan repayments in the form of cash and fixed maturity securities to AIG Parent, of which \$2.2 billion represented the remainder of dividends that were declared by our domestic operating Life Insurance Companies in the fourth quarter of 2014. The fixed maturity securities primarily include U.S. government and government sponsored entity securities, U.S. agency mortgage-backed securities, corporate and municipal bonds and certain other highly rated securities.

[Credit Facilities](#)

We maintain a committed, revolving syndicated credit facility (the Five-Year Facility) as a potential source of liquidity for general corporate purposes. The Five-Year Facility provides for aggregate commitments by the bank syndicate to provide unsecured revolving loans and/or standby letters of credit of up to \$4.0 billion without any limits on the type of borrowings and is scheduled to expire in June 2019.

As of September 30, 2015, a total of \$4.0 billion remains available under the Five-Year Facility. Our ability to borrow under the Five-Year Facility is not contingent on our credit ratings. However, our ability to borrow under the Five-Year Facility is conditioned on the satisfaction of certain legal, operating, administrative and financial covenants and other requirements contained in the Five-Year Facility. These include covenants relating to our maintenance of a specified total consolidated net worth and total consolidated debt to total consolidated capitalization. Failure to satisfy these and other requirements contained in the Five-Year Facility would restrict our access to the Five-Year Facility and could have a material adverse effect on our financial condition, results of operations and liquidity. We expect to borrow under the Five-Year Facility from time to time, and may use the proceeds for general corporate purposes.

[Contingent Liquidity Facilities](#)

AIG Parent has access to a contingent liquidity facility of up to \$500 million as a potential source of liquidity for general corporate purposes. Under this facility, we have the unconditional right, prior to December 15, 2015, to issue up to \$500 million in senior debt to the counterparty, based on a put option agreement between AIG Parent and the counterparty.

Our ability to borrow under this facility is not contingent on our credit ratings.

Contractual Obligations

The following table summarizes contractual obligations in total, and by remaining maturity:

September 30, 2015		Payments due by Period					
<i>(in millions)</i>	Total Payments	Remainder of 2015	2016 - 2017	2018 - 2019	2020	Thereafter	
Insurance operations							
Loss reserves	\$ 74,670	\$ 5,666	\$ 28,897	\$ 14,509	\$ 4,538	\$ 21,060	
Insurance and investment contract liabilities	225,824	3,737	28,529	25,597	11,873	156,088	
Borrowings	813	-	-	-	107	706	
Interest payments on borrowings	1,144	3	109	109	54	869	
Other long-term obligations	16	1	10	3	2	-	
Total	\$ 302,467	\$ 9,407	\$ 57,545	\$ 40,218	\$ 16,574	\$ 178,723	
Other							
Borrowings	\$ 24,782	\$ 1,062	\$ 2,824	\$ 3,065	\$ 1,387	\$ 16,444	
Interest payments on borrowings	17,488	220	2,160	1,869	866	12,373	
Other long-term obligations	120	8	7	2	-	103	
Total	\$ 42,390	\$ 1,290	\$ 4,991	\$ 4,936	\$ 2,253	\$ 28,920	
Consolidated							
Loss reserves	\$ 74,670	\$ 5,666	\$ 28,897	\$ 14,509	\$ 4,538	\$ 21,060	
Insurance and investment contract liabilities	225,824	3,737	28,529	25,597	11,873	156,088	
Borrowings	25,595	1,062	2,824	3,065	1,494	17,150	
Interest payments on borrowings	18,632	223	2,269	1,978	920	13,242	
Other long-term obligations ^(a)	136	9	17	5	2	103	
Total^(b)	\$ 344,857	\$ 10,697	\$ 62,536	\$ 45,154	\$ 18,827	\$ 207,643	

(a) Primarily includes contracts to purchase future services and other capital expenditures.

(b) Does not reflect unrecognized tax benefits of \$4.4 billion, the timing of which is uncertain.

Loss Reserves

Loss reserves relate to our Non-Life Insurance Companies and represent future losses and loss adjustment expense payments estimated based on historical loss development payment patterns. Due to the significance of the assumptions used, the payments by period presented above could be materially different from actual required payments. We believe that our Non-Life Insurance Companies maintain adequate financial resources to meet the actual required payments under these obligations.

Insurance and Investment Contract Liabilities

Insurance and investment contract liabilities, including GIC liabilities, relate to our Life Insurance Companies. These liabilities include various investment-type products with contractually scheduled maturities, including periodic payments of a term certain nature. These liabilities also include benefit and claim liabilities, of which a significant portion represents policies and contracts that do not have stated contractual maturity dates and may not result in any future payment obligations. For these policies and contracts (i) we are not currently making payments until the occurrence of an insurable event, such as death or disability, (ii) payments are conditional on survivorship or (iii) payment may occur due to a surrender or other non-scheduled event beyond our control.

We have made significant assumptions to determine the estimated undiscounted cash flows of these contractual policy benefits. These assumptions include mortality, morbidity, future lapse rates, expenses, investment returns and interest crediting rates, offset by expected future deposits and premiums on in-force policies. Due to the significance of the assumptions, the periodic amounts presented could be materially different from actual required payments. The amounts

presented in this table are undiscounted and exceed the future policy benefits and policyholder contract deposits included in the Condensed Consolidated Balance Sheets.

We believe that our Life Insurance Companies have adequate financial resources to meet the payments actually required under these obligations. These subsidiaries have substantial liquidity in the form of cash and short-term investments. In addition, our Life Insurance Companies maintain significant levels of investment grade rated fixed maturity securities, including substantial holdings in government and corporate bonds, and could seek to monetize those holdings in the event operating cash flows are insufficient. We expect liquidity needs related to GIC liabilities to be funded through cash flows generated from maturities and sales of invested assets.

Borrowings

Our borrowings exclude those incurred by consolidated investments and include hybrid financial instrument liabilities recorded at fair value. We expect to repay the long-term debt maturities and interest accrued on borrowings by AIG through maturing investments and dispositions of invested assets, future cash flows from operations, cash flows generated from invested assets, future debt issuance and other financing arrangements. Borrowings supported by assets of AIG include various notes and bonds payable as well as GIAs that are supported by cash and investments held by AIG Parent and certain non-insurance subsidiaries for the repayment of those obligations.

Off-Balance Sheet Arrangements and Commercial Commitments

The following table summarizes Off-Balance Sheet Arrangements and Commercial Commitments in total, and by remaining maturity:

September 30, 2015		Amount of Commitment Expiring					
<i>(in millions)</i>	Total Amounts Committed	Remainder of 2015	2016 - 2017	2018 - 2019	2020	Thereafter	
Insurance operations							
Guarantees:							
Standby letters of credit	\$ 855	\$ 60	\$ 161	\$ 632	\$ -	2	
Guarantees of indebtedness	163	136	27	-	-	-	
All other guarantees ^(a)	3	-	1	-	-	2	
Commitments:							
Investment commitments ^(b)	2,436	1,524	643	244	25	-	
Commitments to extend credit	3,440	2,288	237	655	165	95	
Letters of credit	13	-	13	-	-	-	
Total^(c)	\$ 6,910	\$ 4,008	\$ 1,082	\$ 1,531	\$ 190	\$ 99	
Other							
Guarantees:							
Liquidity facilities ^(d)	\$ 74	\$ -	\$ -	\$ -	\$ -	74	
Standby letters of credit	214	213	1	-	-	-	
All other guarantees	25	-	25	-	-	-	
Commitments:							
Investment commitments ^(b)	181	36	70	-	-	75	
Commitments to extend credit ^(e)	500	-	-	500	-	-	
Letters of credit	25	5	20	-	-	-	
Other commercial commitments ^(f)	65	11	46	7	1	-	
Total^(c)	\$ 1,084	\$ 265	\$ 162	\$ 507	\$ 1	\$ 149	

Consolidated

Guarantees:										
Liquidity facilities ^(d)	\$	74	\$	-	\$	-	\$	-	\$	74
Standby letters of credit		1,069		273		162		632		2
Guarantees of indebtedness		163		136		27		-		-
All other guarantees ^(a)		28		-		26		-		2
Commitments:										
Investment commitments ^(b)		2,617		1,560		713		244		25
Commitments to extend credit ^(e)		3,940		2,288		237		1,155		165
Letters of credit		38		5		33		-		-
Other commercial commitments ^(f)		65		11		46		7		1
Total^(c)	\$	7,994	\$	4,273	\$	1,244	\$	2,038	\$	191
										\$
										248

(a) Includes construction guarantees connected to affordable housing investments by our Life Insurance Companies. Excludes potential amounts for indemnification obligations included in asset sales agreements. See Note 9 to the Condensed Consolidated Financial Statements for further information on indemnification obligations.

(b) Includes commitments to invest in private equity funds, hedge funds and mutual funds and commitments to purchase and develop real estate in the United States and abroad. The commitments to invest in private equity funds, hedge funds and other funds are called at the discretion of each fund, as needed for funding new investments or expenses of the fund. The expiration of these commitments is estimated in the table above based on the expected life cycle of the related fund, consistent with past trends of requirements for funding. Investors under these commitments are primarily insurance and real estate subsidiaries.

(c) Does not include guarantees, CMAs or other support arrangements among AIG consolidated entities.

(d) Primarily represents liquidity facilities provided in connection with certain municipal swap transactions and collateralized bond obligations.

(e) Includes a five-year senior unsecured revolving credit facility between AerCap Ireland Capital Limited, as borrower, and AIG Parent, as lender (the AerCap Credit Facility) scheduled to mature in May 2019. The AerCap Credit Facility permits loans for general corporate purposes. In June 2015, upon the receipt by AIG Parent of the \$500 million principal amount of 6.50% fixed-to-floating rate junior subordinated notes issued by AerCap Global Aviation Trust, the aggregate commitment under the AerCap Credit Facility was reduced to \$500 million from \$1.0 billion. At September 30, 2015, no amounts were outstanding under the AerCap Credit Facility.

(f) Excludes commitments with respect to pension plans. The remaining annual pension contribution for 2015 is expected to be approximately \$14 million for U.S. and non-U.S. plans.

[Arrangements with Variable Interest Entities](#)

We enter into various arrangements with variable interest entities (VIEs) in the normal course of business, and we consolidate a VIE when we are the primary beneficiary of the entity. For a further discussion of our involvement with VIEs, see Note 7 to the Condensed Consolidated Financial Statements.

[Indemnification Agreements](#)

We are subject to financial guarantees and indemnity arrangements in connection with our sales of businesses. These arrangements may be triggered by declines in asset values, specified business contingencies, the realization of contingent liabilities, litigation developments, or breaches of representations, warranties or covenants provided by us. These arrangements are typically subject to time limitations, defined by contract or by operation of law, such as by prevailing statutes of limitation. Depending on the specific terms of the arrangements, the maximum potential obligation may or may not be subject to contractual limitations. For additional information regarding our indemnification agreements, see Note 9 to the Condensed Consolidated Financial Statements.

We have recorded liabilities for certain of these arrangements where it is possible to estimate them. These liabilities are not material in the aggregate. We are unable to develop a reasonable estimate of the maximum potential payout under some of these arrangements. Overall, we believe that it is unlikely we will have to make any material payments under these arrangements.

Debt

The following table provides the rollforward of AIG's total debt outstanding:

Nine Months Ended September 30, 2015 (in millions)	Balance at December 31, 2014	Issuances	Maturities and Repayments	Effect of Foreign Exchange	Other Changes	Balance at September 30, 2015
Debt issued or guaranteed by AIG:						
AIG general borrowings:						
Notes and bonds payable	\$ 15,570	\$ 5,540	\$ (2,981)	\$ (112)	\$ 8	\$ 18,025
Subordinated debt	250	-	(250)	-	-	-
Junior subordinated debt	2,466	-	(1,073)	(49)	1	1,345
Loans and mortgages payable	-	109	-	(2)	-	107
AIGLH notes and bonds payable	284	-	-	-	-	284
AIGLH junior subordinated debt	536	-	(114)	-	-	422
Total AIG general borrowings	19,106	5,649	(4,418)	(163)	9	20,183
AIG borrowings supported by assets: ^(a)						
MIP notes payable	2,870	-	(1,422)	-	(57)	1,391
Series AIGFP matched notes and bonds payable	34	-	(2)	-	4	36
GIAs, at fair value	4,648	304	(1,501)	-	91 ^(b)	3,542
Notes and bonds payable, at fair value	818	10	(388)	-	3 ^(b)	443
Total AIG borrowings supported by assets	8,370	314	(3,313)	-	41	5,412
Total debt issued or guaranteed by AIG	27,476	5,963	(7,731)	(163)	50	25,595
Debt not guaranteed by AIG:						
Other subsidiaries notes, bonds, loans and mortgages payable						
	58	301	(379)	(1)	49	28
Debt of consolidated investments ^(c)	3,683	226	(364)	(90)	1,641 ^(d)	5,096
Total debt not guaranteed by AIG	3,741	527	(743)	(91)	1,690	5,124
Total debt	\$ 31,217	\$ 6,490	\$ (8,474)	\$ (254)	\$ 1,740	\$ 30,719

(a) AIG Parent guarantees all such debt, except for MIP notes payable and Series AIGFP matched notes and bonds payable, which are direct obligations of AIG Parent. Collateral posted to third parties was \$2.5 billion and \$3.5 billion at September 30, 2015 and December 31, 2014, respectively. This collateral primarily consists of securities of the U.S. government and government sponsored entities and generally cannot be repledged or resold by the counterparties.

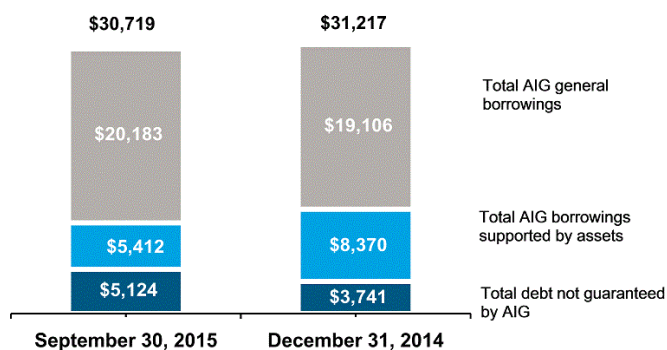
(b) Primarily represents adjustments to the fair value of debt.

(c) At September 30, 2015, includes debt of consolidated investment vehicles related to real estate investments of \$2.4 billion, affordable housing partnership investments and securitizations of \$2.2 billion and other securitization vehicles and investments of \$471 million.

(d) Includes the effect of consolidating previously unconsolidated partnerships.

TOTAL DEBT OUTSTANDING

(in millions)



Debt Maturities

The following table summarizes maturing debt at September 30, 2015 of AIG (excluding \$5.1 billion of borrowings of consolidated investments) for the next four quarters:

(in millions)	Fourth Quarter 2015	First Quarter 2016	Second Quarter 2016	Third Quarter 2016	Total
AIG general borrowings	\$ 847	\$ -	\$ 703	\$ -	\$ 1,550
AIG borrowings supported by assets	215	82	75	70	442
Other subsidiaries notes, bonds, loans and mortgages payable	25	-	-	-	25
Total	\$ 1,087	\$ 82	\$ 778	\$ 70	\$ 2,017

The following table presents maturities of long-term debt (including unamortized original issue discounts, hedge accounting valuation adjustments and fair value adjustments, when applicable), excluding \$5.1 billion in borrowings of consolidated investments:

September 30, 2015 (in millions)	Total	Remainder of 2015	2016	2017	Year Ending			2020	Thereafter
					2018	2019			
Debt issued or guaranteed by AIG:									
AIG general borrowings:									
Notes and bonds payable	\$ 18,025	\$ 847	\$ 1,011	\$ 197	\$ 1,106	\$ 998	\$ 1,345	\$ 12,521	
Subordinated debt	-	-	-	-	-	-	-	-	-
Junior subordinated debt	1,345	-	-	-	-	-	-	1,345	-
Loans and mortgages payable	107	-	-	-	-	-	107	-	-
AIGLH notes and bonds payable	284	-	-	-	-	-	-	-	284
AIGLH junior subordinated debt	422	-	-	-	-	-	-	-	422
Total AIG general borrowings	20,183	847	1,011	197	1,106	998	1,452	14,572	
AIG borrowings supported by assets:									
MIP notes payable	1,391	-	248	795	348	-	-	-	-
Series AIGFP matched notes and bonds payable	36	-	-	10	-	-	-	-	26
GIAs, at fair value	3,542	150	144	178	468	91	42	2,469	
Notes and bonds payable, at fair value	443	65	182	59	54	-	-	-	83
Total AIG borrowings supported by assets	5,412	215	574	1,042	870	91	42	2,578	
Total debt issued or guaranteed by AIG	25,595	1,062	1,585	1,239	1,976	1,089	1,494	17,150	
Other subsidiaries notes, bonds, loans and mortgages payable									
	28	25	-	3	-	-	-	-	-
Total	\$ 25,623	\$ 1,087	\$ 1,585	\$ 1,242	\$ 1,976	\$ 1,089	\$ 1,494	\$ 17,150	

Credit Ratings

Credit ratings estimate a company's ability to meet its obligations and may directly affect the cost and availability of financing to that company.

The following table presents the credit ratings of AIG and certain of its subsidiaries as of October 31, 2015. Figures in parentheses indicate the relative ranking of the ratings within the agency's rating categories; that ranking refers only to the major rating category and not to the modifiers assigned by the rating agencies.

	Short-Term Debt		Senior Long-Term Debt		
	Moody's	S&P	Moody's ^(a)	S&P ^(b)	Fitch ^(c)
AIG	P-2 (2nd of 3) <i>Stable Outlook</i>	A-2 (2nd of 8)	Baa 1 (4th of 9) <i>Stable Outlook</i>	A- (3rd of 8) <i>Stable Outlook</i>	BBB+ (4th of 9) <i>Positive Outlook</i>
AIG Financial Products Corp. ^(d)	P-2 <i>Stable Outlook</i>	A-2	Baa 1 <i>Stable Outlook</i>	A- <i>Stable Outlook</i>	-

(a) Moody's appends numerical modifiers 1, 2 and 3 to the generic rating categories to show relative position within the rating categories.

(b) S&P ratings may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

(c) Fitch ratings may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

(d) AIG guarantees all obligations of AIG Financial Products Corp.

These credit ratings are current opinions of the rating agencies. They may be changed, suspended or withdrawn at any time by the rating agencies as a result of changes in, or unavailability of, information or based on other circumstances. Ratings may also be withdrawn at our request.

We are party to some agreements that contain "ratings triggers." Depending on the ratings maintained by one or more rating agencies, these triggers could result in (i) the termination or limitation of credit availability or a requirement for accelerated repayment, (ii) the termination of business contracts or (iii) a requirement to post collateral for the benefit of counterparties.

In the event of adverse actions on our long-term debt ratings by the major rating agencies, AIGFP and certain other AIG entities would be required to post additional collateral under some derivative transactions or could experience termination of the transactions. Such requirements and terminations could adversely affect our business, our consolidated results of operations in a reporting period or our liquidity. In the event of a further downgrade of AIG's long-term senior debt ratings, AIGFP and certain other AIG entities would be required to post additional collateral, and certain of the counterparties of AIGFP or of such other AIG entities would be permitted to terminate their contracts early.

The actual amount of collateral that we would be required to post to counterparties in the event of such downgrades, or the aggregate amount of payments that we could be required to make, depends on market conditions, the fair value of outstanding affected transactions and other factors prevailing at the time of the downgrade.

For a discussion of the effects of downgrades in the financial strength ratings of our insurance companies or our credit ratings, see Note 9 to the Condensed Consolidated Financial Statements herein and Part I, Item 1A. Risk Factors – Liquidity, Capital and Credit in our 2014 Annual Report.

[Regulation and Supervision](#)

For a discussion of our regulation and supervision by different regulatory authorities in the United States and abroad, including with respect to our liquidity and capital resources, see Item 1. Business — Regulation and Item 1A. Risk Factors — Regulation in our 2014 Annual Report and Item 2. MD&A – Regulatory Environment in this Quarterly Report on Form 10-Q.

[Dividends and Repurchases of AIG Common Stock](#)

On February 12, 2015, our Board of Directors declared a cash dividend on AIG Common Stock of \$0.125 per share, payable on March 26, 2015 to shareholders of record on March 12, 2015. On April 30, 2015, our Board of Directors declared a cash dividend on AIG Common Stock of \$0.125 per share, payable on June 25, 2015 to shareholders of record on June 11, 2015. On August 3, 2015, our Board of Directors declared a cash dividend on AIG Common Stock of \$0.28 per share, payable on September 28, 2015 to shareholders of record on September 14, 2015. On November 2, 2015, our Board of Directors declared a cash dividend on AIG Common Stock of \$0.28 per share, payable on December 21, 2015 to shareholders of record on December 7, 2015. The payment of any future dividends will be at the discretion of our Board of Directors and will depend on various factors, including the regulatory framework applicable to us, as discussed further in Note 17 to the Consolidated Financial Statements in the 2014 Annual Report.

Our Board of Directors has authorized the repurchase of shares of AIG Common Stock through a series of actions. On August 3, 2015, our Board of Directors authorized an additional increase of \$5.0 billion to the share repurchase authorization. As of October 31, 2015, approximately \$2.9 billion remained under the share repurchase authorization. Shares may be repurchased from time to time in the open market, private purchases, through forward, derivative, accelerated repurchase or automatic repurchase transactions or otherwise. Certain of our share repurchases have been and may from time to time be effected through Exchange Act Rule 10b5-1 repurchase plans. The timing of any future share repurchases will depend on market conditions, our financial condition, results of operations, liquidity and other factors, including the regulatory framework applicable to us.

During the nine-month period ended September 30, 2015, we repurchased approximately 129 million shares of AIG Common Stock for an aggregate purchase price of approximately \$7.5 billion pursuant to this authorization. The total number of shares of AIG Common Stock repurchased in the nine-month period ended September 30, 2015 includes (but the aggregate purchase price does not include) approximately 3.5 million shares of AIG Common Stock received in January 2015 upon the settlement of an ASR agreement executed in the fourth quarter of 2014. Pursuant to an Exchange Act Rule 10b5-1 plan, from October 1 to October 31, 2015, we have repurchased approximately \$602 million of additional shares of AIG Common Stock.

Dividend Restrictions

Payments of dividends to AIG by its insurance subsidiaries are subject to certain restrictions imposed by regulatory authorities. See Note 20 to the Consolidated Financial Statements in the 2014 Annual Report for a discussion of restrictions on payments of dividends by our subsidiaries.

ENTERPRISE RISK MANAGEMENT

Risk management includes the identification and measurement of various forms of risk, the establishment of risk thresholds and the creation of processes intended to maintain risks within these thresholds while optimizing returns. We consider risk management an integral part of managing our core businesses and a key element of our approach to corporate governance.

Overview

We have an integrated process for managing risks throughout our organization in accordance with our firm-wide risk appetite. Our Board of Directors has oversight responsibility for the management of risk. Our Enterprise Risk Management (ERM) Department supervises and integrates the risk management functions in each of our business units, providing senior management with a consolidated view of the firm's major risk positions. Within each business unit, senior leaders and executives approve risk-taking policies and targeted risk tolerance within the framework provided by ERM. ERM supports our businesses and management in the embedding of enterprise risk management in our key day-to-day business processes and in identifying, assessing, quantifying, managing and mitigating the risks taken by us and our businesses. Nevertheless, our risk management efforts may not always be successful and material adverse effects on our business, results of operations, cash flows, liquidity or financial condition may occur.

For a further discussion of AIG's risk management program, see Part II, Item 7. MD&A — Enterprise Risk Management in the 2014 Annual Report.

Credit Risk Management

Overview

Credit risk is defined as the risk that our customers or counterparties are unable or unwilling to repay their contractual obligations when they become due. Credit risk may also result from a downgrade of a counterparty's credit ratings or a widening of its credit spreads.

We devote considerable resources to managing our direct and indirect credit exposures. These exposures may arise from, but are not limited to, fixed income investments, equity securities, deposits, commercial paper investments, reverse repurchase agreements and repurchase agreements, corporate and consumer loans, leases, reinsurance recoverables, counterparty risk arising from derivatives activities, collateral extended to counterparties, insurance risk cessions to third parties, financial guarantees and letters of credit.

We monitor and control our company-wide credit risk concentrations and attempt to avoid unwanted or excessive risk accumulations, whether funded or unfunded. To minimize the level of credit risk in some circumstances, we may require mitigants, such as third-party guarantees, reinsurance or collateral, including commercial bank-issued letters of credit and trust collateral accounts. We treat these guarantees, reinsurance recoverables, letters of credit and trust collateral accounts as credit exposure and include them in our risk concentration exposure data.

See Investments – Available for Sale Investments herein for further information on our credit concentrations and credit exposures.

Market Risk Management

Market risk is defined as the risk of adverse impact due to systemic movements in one or more of the following market risk drivers: equity and commodity prices, residential and commercial real estate values, interest rates, credit spreads, foreign exchange, inflation, and their levels of volatility.

We are engaged in a variety of insurance, investment and other financial services businesses that generate market risk, directly and indirectly. We are exposed to market risks primarily within our insurance and capital markets activities, on both the asset and liability side of our balance sheet through on and off-balance sheet exposures. The chief risk officer within each business is responsible for properly identifying these risks, then ensuring that they are appropriately measured, monitored and managed in accordance with the risk governance framework established by the Chief Market Risk Officer (CMRO).

The scope and magnitude of our market risk exposures is managed under a robust framework that contains documented risk-taking authorities, defined risk limits and minimum standards for managing market risk in a manner consistent with our Risk Appetite Statement. Our market risk management framework focuses on quantifying the financial repercussions of changes in these broad market observables, distinct from the idiosyncratic risks associated with individual assets that are addressed through our credit risk management function.

Risk Identification

Market risk focuses on quantifying the financial repercussions of changes in broad, external, predominantly market observable risks. Financial repercussions can include an adverse impact on results of operations, financial condition, liquidity and capital.

Each of the following systemic risks is considered a market risk:

Equity prices. We are exposed to changes in equity market prices affecting a variety of instruments. Changes in equity prices can affect the valuation of publicly-traded equity shares, investments in private equity, hedge funds and mutual funds, exchange-traded funds, and other equity-linked capital market instruments as well as equity-linked insurance products, including but not limited to index annuities, variable annuities, universal life insurance and variable universal life insurance.

Residential and commercial real estate values. Our investment portfolios are exposed to the risk of changing values in a variety of residential and commercial real estate investments. Changes in residential/commercial real estate prices can affect the valuation of residential/commercial mortgages, residential/commercial mortgage-backed securities and other structured securities with underlying assets that include residential/commercial mortgages: trusts that include residential/commercial real estate and/or mortgages, and residential mortgage insurance contracts and commercial real estate investments.

Interest rates. Interest rate risk can arise from a mismatch in the interest rate exposure of assets versus liabilities. Lower interest rates generally result in lower investment income and resulting product changes will generally reduce the attractiveness of our insurance products in the marketplace. Conversely, higher interest rates are typically beneficial for the opposite reasons. However, when rates rise quickly, there can be a temporary asymmetric U.S. GAAP accounting effect where the existing securities lose market value, which is largely reported in Other comprehensive income, and the offsetting decrease in the value of related liabilities may not be recognized. Changes in interest rates can affect the valuation of fixed maturity securities, financial liabilities, insurance contracts including but not limited to fixed rate annuities, variable annuities and derivative contracts.

Credit spreads. Credit spreads measure an instrument's risk premium or yield relative to that of a comparable duration, default-free instrument. Changes in credit spreads can affect the valuation of fixed maturity securities, including but not limited to corporate bonds, ABS, mortgage-backed securities, AIG-issued debt obligations, credit derivatives and derivative credit valuation adjustments. Much like higher interest rates, wider credit spreads mean more investment income in the long-term. In

the short term, quickly rising spreads will cause a loss in the value of existing fixed maturity securities, which is largely reported in Other comprehensive income. A precipitous rise in credit spreads may also signal a fundamental weakness in the credit-worthiness of bond obligors, potentially resulting in default losses.

Foreign exchange (FX) rates. We are a globally diversified enterprise with significant income, assets and liabilities denominated in, and significant capital deployed in, a variety of currencies. Changes in FX rates can affect the valuation of a broad range of balance sheet and income statement items as well as the settlement of cash flows exchanged in specific transactions.

Commodity Prices. Changes in commodity prices (the value of commodities) can affect the valuation of publicly-traded commodities, commodity indices and derivatives on commodities and commodity indices.

Inflation. Changes in inflation can affect the valuation of fixed maturity securities, including AIG-issued debt obligations, derivatives and other contracts explicitly linked to inflation indices, and insurance contracts where the claims are linked to inflation either explicitly, via indexing, or implicitly, through medical costs or wage levels.

Risk Measurement

Our market risk measurement framework was developed with the main objective of communicating the range and scale of our market risk exposures. At the firm-wide level market risk is measured in a manner that is consistent with AIG's Risk Appetite Statement. This is designed to ensure that we remain within our stated risk tolerance levels and can determine how much additional market risk taking capacity is available within our framework. Our risk appetite is currently defined in terms of capital and liquidity levels under specific stress tests. At the market risk level, the framework measures our overall exposure to each systemic market risk change on an economic basis.

In addition, we continue to enhance economic, U.S. GAAP accounting and statutory capital-based risk measures at the market risk level, business-unit level and firm-wide levels. This process aims to ensure that we have a comprehensive view of the impact of our market risk exposures.

We use a number of approaches to measure our market risk exposure, including:

Sensitivity analysis. Sensitivity analysis measures the impact from a unit change in a market risk input. Examples of such sensitivities include a one basis point increase in yield on fixed maturity securities, a one basis point increase in credit spreads on fixed maturity securities, and a one percent increase in price on equity securities.

Scenario analysis. Scenario analysis uses historical, hypothetical, or forward-looking macroeconomic scenarios to assess and report exposures. Examples of hypothetical scenarios include a 100 basis point parallel shift in the yield curve or a 20 percent immediate and simultaneous decrease in world-wide equity markets. Scenarios may also utilize a stochastic framework to arrive at a probability distribution of losses.

Stress testing. Stress testing is a special form of scenario analysis in which the scenarios are designed to lead to a material adverse outcome. Examples of such scenarios include the stock market crash of October 1987 or the widening of yields or spreads of RMBS or CMBS during 2008.

Market Risk Sensitivities

The following table provides estimates of our sensitivity to changes in yield curves, equity prices and foreign currency exchange rates:

	Balance Sheet Exposure		Balance Sheet Effect	
	September 30, 2015	December 31, 2014	September 30, 2015	December 31, 2014
<i>(dollars in millions)</i>				
Sensitivity factor			100 bps parallel increase in all yield curves	
Interest rate sensitive assets:				
Fixed maturity securities	264,795	273,885	(14,567)	(15,107)
Mortgage and other loans receivable	18,313	16,594	(1,024)	(921)
Preferred stock	21	19	(3)	(1)
Total interest rate sensitive assets	\$ 283,129 (a)	\$ 290,498 (a)	\$ (15,594)	\$ (16,029)
Sensitivity factor			20% decline in stock prices and value of alternative investments	
Equity and alternative investments exposure:				
Hedge funds	11,180	10,798	(2,236)	(2,160)
Private equity	8,016	8,858	(1,603)	(1,772)
Real estate investments	6,570	3,612	(1,314)	(722)
PICC ^(b)	2,897	3,375	(579)	(675)
Common equity	1,938	2,044	(388)	(409)
Aircraft asset investments	583	651	(117)	(130)
AerCap ^(c)	-	4,972	-	(994)
Other investments	492	1,331	(98)	(266)
Total equity and alternative investments exposure	\$ 31,676	\$ 35,641	\$ (6,335)	\$ (7,128)
Sensitivity factor			10% depreciation of all foreign currency exchange rates against the U.S. dollar	
Foreign currency-denominated net asset position ^(d)	\$ 13,008	\$ 12,005	\$ (1,301)	\$ (1,201)

(a) At September 30, 2015, the analysis covered \$283.1 billion of \$302.3 billion interest-rate sensitive assets. Excluded were \$9.9 billion of loans and \$3.8 billion of investments in life settlements. In addition, \$5.5 billion of assets across various asset categories were excluded due to modeling limitations. At December 31, 2014, the analysis covered \$290.4 billion of \$308.9 billion interest-rate sensitive assets. Excluded were \$8.4 billion of loans and \$3.8 billion of investments in life settlements. In addition, \$6.3 billion of assets across various asset categories were excluded due to modeling limitations.

(b) Includes our investments in PICC Group and PICC P&C.

(c) In September 2015, we sold the remainder of our ordinary shares of AerCap. Our 2014 sensitivity calculation for AerCap was based on our carrying value rather than the stock price as of the applicable date, as we applied the equity method of accounting prior to the sale.

(d) The majority of the foreign currency exposure is reported on a one quarter lag.

Foreign currency-denominated net asset position reflects our consolidated non-U.S. dollar assets less our consolidated non-U.S. dollar liabilities on a U.S. GAAP basis. We use a bottom-up approach in managing our foreign currency exchange rate exposures with the objective of protecting statutory capital at the regulated insurance entity level. We manage cash flow risk on our foreign currency-denominated debt issued by AIG Parent and use a variety of techniques to mitigate this risk, including but not limited to the execution of cross-currency swaps and the issuance of new foreign currency-denominated debt to replace equivalent maturing debt. At the AIG Parent level, we monitor our foreign currency exposures against single currency and aggregate currency portfolio limits. As a matter of general practice, we do not typically hedge our foreign currency exposures to net investments in subsidiaries. However, we may utilize either cross-currency swaps or our foreign currency-denominated debt as a net investment hedge of our capital in subsidiaries.

At September 30, 2015, our five largest foreign currency net asset positions were denominated in British pounds, Canadian dollars, euro, Hong Kong dollars and Japanese yen. Our foreign currency-denominated net asset position at September 30, 2015, increased by \$1.0 billion, or 8.4 percent, compared to December 31, 2014. The increase was mostly due to a \$1.5 billion increase in our euro position, primarily resulting from debt repurchases and hedging; a \$671 million increase in our Japanese

yen position, primarily resulting from debt hedging and unrealized appreciation of investments; a \$593 million increase in our Hong Kong dollar position primarily resulting from the Non-Life Insurance Companies' investment in PICC P&C; and a \$186 million increase in our Swiss franc position, primarily resulting from debt repurchases and hedging. These increases were partially offset by a \$1.5 billion decrease in our British pound position, primarily resulting from the unwinding of a cross-currency swap; and a \$448 million decrease in our Canadian dollar position, primarily resulting from dividend hedging.

For illustrative purposes, we modeled our sensitivities based on a 100 basis point increase in yield curves, a 20 percent decline in equities and alternative assets, and a 10 percent depreciation of all foreign currency exchange rates against the U.S. dollar. The estimated results presented in the table above should not be taken as a prediction, but only as a demonstration of the potential effects of such events.

[Liquidity Risk Management](#)

Liquidity risk is defined as the risk that our financial condition will be adversely affected by the inability or perceived inability to meet our short-term cash, collateral or other financial obligations. Failure to appropriately manage liquidity risk can result in insolvency, reduced operating flexibility, increased costs, reputational harm and regulatory action.

AIG and its legal entities seek to maintain sufficient liquidity during both the normal course of business and under defined liquidity stress scenarios to ensure that sufficient cash can be generated to meet the obligations as they come due.

AIG Parent liquidity risk tolerance levels are established for base and stress scenarios over a time horizon covering a period of up to one year. We maintain a liquidity buffer designed to ensure that funding needs are met under varying market conditions. If we project that we will breach the tolerance, we will assess and determine appropriate liquidity management actions. However, the market conditions in effect at that time may not permit us to achieve an increase in liquidity sources or a reduction in liquidity requirements.

[Risk Identification](#)

The following sources of liquidity and funding risks could impact our ability to meet short-term financial obligations as they come due.

- **Market/Monetization Risk:** Assets cannot be readily transformed into cash due to unfavorable market conditions. Market liquidity risk may limit our ability to sell assets at reasonable values to meet liquidity needs.
- **Cash Flow Mismatch Risk:** Discrete and cumulative cash flow mismatches or gaps over short-term horizons under both expected and adverse business conditions may create future liquidity shortfalls.
- **Event Funding Risk:** Additional funding is required as the result of a trigger event. Event funding risk comes in many forms and may result from a downgrade in credit ratings, a market event, or some other event that creates a funding obligation or limits existing funding options.
- **Financing Risk:** We are unable to raise additional cash on a secured or unsecured basis due to unfavorable market conditions, AIG-specific issues, or any other issue that impedes access to additional funding.

[Risk Measurement](#)

Comprehensive cash flow projections under normal conditions are the primary component for identifying and measuring liquidity risk. We produce comprehensive liquidity projections over varying time horizons that incorporate all relevant liquidity sources and uses and include known and likely cash inflows and outflows. In addition, we perform stress testing by identifying liquidity stress scenarios and assessing the effects of these scenarios on our cash flow and liquidity.

We use a number of approaches to measure our liquidity risk exposure, including:

Coverage Ratios: Coverage Ratios measure the adequacy of a portfolio of assets to meet the forecasted net cash flow over a specified time horizon. The portfolio of assets is selected based on our ability to convert those assets into cash under the assumed market conditions and within the specified time horizon.

Asset Ratios: Asset Ratios measure and track the quality of an entity's assets that can be used to raise liquidity over a specified period of time.

Cash Flow Forecasts: Cash Flow Forecasts measure the liquidity needed for a specific legal entity over a specified time horizon.

Stress Testing: Coverage Ratios and Asset Ratios are re-measured under defined liquidity stress scenarios that will impact net cash flows, liquid assets and/or other funding sources.

Relevant liquidity reporting is produced and reported regularly to AIG Parent and business unit risk committees. The frequency, content, and nature of reporting will vary for each business unit and legal entity, based on its complexity, risk profile, activities and size.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with U.S. GAAP requires the application of accounting policies that often involve a significant degree of judgment.

The accounting policies that we believe are most dependent on the application of estimates and assumptions, which are critical accounting estimates, are related to the determination of:

- income tax assets and liabilities, including recoverability of our net deferred tax asset and the predictability of future tax operating profitability of the character necessary to realize the net deferred tax asset;
- liability for unpaid losses and loss adjustment expenses;
- reinsurance assets;
- valuation of future policy benefit liabilities and timing and extent of loss recognition;
- valuation of liabilities for guaranteed benefit features of variable annuity products;
- estimated gross profits to value deferred acquisition costs for investment-oriented products;
- impairment charges, including other-than-temporary impairments on available for sale securities, impairments on investments in life settlements and goodwill impairment;
- liability for legal contingencies; and
- fair value measurements of certain financial assets and liabilities.

These accounting estimates require the use of assumptions about matters, some of which are highly uncertain at the time of estimation. To the extent actual experience differs from the assumptions used, our consolidated financial condition, results of operations and cash flows could be materially affected. For a complete discussion of our critical accounting estimates, you should read Part II, Item 7. MD&A — Critical Accounting Estimates in the 2014 Annual Report.

REGULATORY ENVIRONMENT

Our operations around the world are subject to regulation by many different types of regulatory authorities, including insurance, securities, derivatives, investment advisory and thrift regulators in the United States and abroad.

Our insurance subsidiaries are subject to regulation and supervision by the states and jurisdictions in which they do business. The insurance and financial services industries generally have been subject to heightened regulatory scrutiny and supervision in recent years.

AIG is regulated and supervised by the Board of Governors of the Federal Reserve System (FRB) due to its designation by the Financial Stability Oversight Council as a nonbank SIFI. As a nonbank SIFI, AIG is required each year to submit to the FRB and the Federal Deposit Insurance Corporation (FDIC) a plan for its rapid and orderly resolution in the event of material financial distress or failure, which must meet several specific requirements, including identifying material entities and core business lines, setting forth a detailed resolution strategy, and providing detailed information regarding its organizational structure, interconnections and interdependencies, global cooperation, adequate funding and liquidity, and management information systems, among other elements. On March 26, 2015, the FRB and the FDIC permanently adjusted the annual resolution plan filing deadline for designated nonbank SIFIs, including AIG, from July 1 to December 31 of each year beginning in 2016. The agencies previously granted a temporary extension of the 2015 resolution plan deadline for designated nonbank SIFIs, including AIG, from July 1 to December 31, 2015. The FRB has yet to complete the regulatory and capital framework that will be applicable to AIG as a nonbank SIFI.

In October 2015, the International Association of Insurance Supervisors (IAIS) announced that it had concluded initial development of the Higher Loss Absorbency (HLA) requirements for global systemically important insurers. The HLA standards, which when fully developed are scheduled to come into effect in January 2019, have been endorsed by the Financial Stability Board and are expected to be formally adopted by the IAIS and endorsed by G-20 leaders in November 2015. Other related IAIS initiatives, including final development of the HLA standards, are pending. Standards issued by the IAIS are not binding on U.S. insurers or insurance groups unless and until U.S. federal or state regulators adopt appropriate regulations. At this time it is not known how the HLA requirements might be implemented in the U.S. or how they might apply to AIG.

In addition to the information set forth in this Quarterly Report on Form 10-Q, our regulatory status is also discussed in Part I, Item 1. Business – Regulation, Part I, Item 1A. Risk Factors – Regulation and Note 20 to the Consolidated Financial Statements in the 2014 Annual Report.

GLOSSARY

Accident year The annual calendar accounting period in which loss events occurred, regardless of when the losses are actually reported, booked or paid.

Accident year combined ratio, as adjusted The combined ratio excluding catastrophe losses and related reinstatement premiums, prior year development, net of premium adjustments, and the impact of reserve discounting.

Accident year loss ratio, as adjusted The loss ratio excluding catastrophe losses and related reinstatement premiums, prior year development, net of premium adjustments, and the impact of reserve discounting.

Acquisition ratio Acquisition costs divided by net premiums earned. Acquisition costs are those costs incurred to acquire new and renewal insurance contracts and also include the amortization of VOBA and DAC. Acquisition costs vary with sales and include, but are not limited to, commissions, premium taxes, direct marketing costs, certain costs of personnel engaged in sales support activities such as underwriting, and the change in DAC. Acquisition costs that are incremental and directly related to successful sales efforts are deferred and recognized over the coverage periods of related insurance contracts. Acquisition costs that are not incremental and directly related to successful sales efforts are recognized as incurred.

Base Spread Net investment income excluding income from alternative investments and enhancements, less interest credited excluding amortization of sales inducement assets.

Base Yield Net investment income excluding income from alternative investments and enhancements, as a percentage of average base invested asset portfolio, which excludes alternative investments, other bond securities and certain other investments for which the fair value option has been elected.

BET *Binomial Expansion Technique* A model that generates expected loss estimates for CDO tranches and derives a credit rating for those tranches.

Book Value Per Common Share, Excluding AOCI and Book Value Per Share Excluding AOCI and DTA are non-GAAP measures and are used to show the amount of our net worth on a per-share basis. Book Value Per Common Share, Excluding AOCI is derived by dividing Total AIG shareholders' equity, excluding AOCI, by Total common shares outstanding. Book Value Per Share, Excluding AOCI and DTA is derived by dividing Total AIG shareholders' equity, excluding AOCI and DTA, by Total common shares outstanding.

Casualty insurance Insurance that is primarily associated with the losses caused by injuries to third persons, i.e., not the insured, and the legal liability imposed on the insured as a result.

Catastrophe losses are generally weather or seismic events having a net impact on AIG in excess of \$10 million each.

Combined ratio Sum of the loss ratio and the acquisition and general operating expense ratios.

CSA *Credit Support Annex* A legal document generally associated with an ISDA Master Agreement that provides for collateral postings which could vary depending on ratings and threshold levels.

CVA *Credit Valuation Adjustment* The CVA adjusts the valuation of derivatives to account for nonperformance risk of our counterparty with respect to all net derivative assets positions. Also, the CVA reflects the fair value movement in AIGFP's asset portfolio that is attributable to credit movements only without the impact of other market factors such as interest rates and foreign exchange rates. Finally, the CVA also accounts for our own credit risk, in the fair value measurement of all net derivative liabilities positions and liabilities where AIG has elected the fair value option, when appropriate.

DAC *Deferred Policy Acquisition Costs* Deferred costs that are incremental and directly related to the successful acquisition of new business or renewal of existing business.

DAC Related to Unrealized Appreciation (Depreciation) of Investments An adjustment to DAC for investment-oriented products, equal to the change in DAC amortization that would have been recorded if fixed maturity and equity securities available for sale had been sold at their stated aggregate fair value and the proceeds reinvested at current yields (also referred to as "shadow DAC"). The change in this adjustment, net of tax, is included with the change in net unrealized appreciation (depreciation) of investments that is credited or charged directly to Other comprehensive income (loss).

Deferred Gain on Retroactive Reinsurance Retroactive reinsurance is a reinsurance contract in which an assuming entity agrees to reimburse a ceding entity for liabilities incurred as a result of past insurable events. If the amount of premium paid by

the ceding reinsurer is less than the related ceded loss reserves, the resulting gain is deferred and amortized over the settlement period of the reserves. Any related development on the ceded loss reserves recoverable under the contract would increase the deferred gain if unfavorable, or decrease the deferred gain if favorable.

Expense ratio Sum of acquisition expenses and general operating expenses, divided by net premiums earned.

First-Lien Priority over all other liens or claims on a property in the event of default on a mortgage.

General operating expense ratio General operating expenses divided by net premiums earned. General operating expenses are those costs that are generally attributed to the support infrastructure of the organization and include but are not limited to personnel costs, projects and bad debt expenses. General operating expenses exclude losses and loss adjustment expenses incurred, acquisition expenses, and investment expenses.

GIC/GIA *Guaranteed Investment Contract/Guaranteed Investment Agreement* A contract whereby the seller provides a guaranteed repayment of principal and a fixed or floating interest rate for a predetermined period of time.

G-SII *Global Systemically Important Insurer* An insurer that is deemed globally systemically important (that is, of such size, market importance and global interconnectedness that the distress or failure of the insurer would cause significant dislocation in the global financial system and adverse economic consequences across a range of countries) by the Financial Stability Board, in consultation with and based on a methodology developed by the International Association of Insurance Supervisors.

IBNR *Incurred But Not Reported* Estimates of claims that have been incurred but not reported to us.

ISDA Master Agreement An agreement between two counterparties, which may have multiple derivative transactions with each other governed by such agreement, that generally provides for the net settlement of all or a specified group of these derivative transactions, as well as pledged collateral, through a single payment, in a single currency, in the event of a default on, or affecting any, one derivative transaction or a termination event affecting all, or a specified group of, derivative transactions.

LAE *Loss Adjustment Expenses* The expenses of settling claims, including legal and other fees and the portion of general expenses allocated to claim settlement costs.

Loss Ratio Losses and loss adjustment expenses incurred divided by net premiums earned. Loss adjustment expenses are directly attributed to settling and paying claims of insureds and include, but are not limited to, legal fees, adjuster's fees, and claims department personnel costs.

Loss reserve development The increase or decrease in incurred losses and loss adjustment expenses as a result of the re-estimation of liability for unpaid losses and loss adjustment expenses at successive valuation dates for a given group of claims.

Loss reserves Liability for unpaid losses and loss adjustment expenses. The estimated ultimate cost of settling claims relating to insured events that have occurred on or before the balance sheet date, whether or not reported to the insurer at that date.

LTV *Loan-to-Value Ratio* Principal amount of loan amount divided by appraised value of collateral securing the loan.

Master netting agreement An agreement between two counterparties who have multiple derivative contracts with each other that provides for the net settlement of all contracts covered by such agreement, as well as pledged collateral, through a single payment, in a single currency, in the event of default on or upon termination of any one such contract.

Net premiums written Represent the sales of an insurer, adjusted for reinsurance premiums assumed and ceded, during a given period. Net premiums earned are the revenue of an insurer for covering risk during a given period. Net premiums written are a measure of performance for a sales period while Net premiums earned are a measure of performance for a coverage period. From the period in which the premiums are written until the period in which they are earned, the amount is presented as Unearned premium reserves in the Consolidated Balance Sheets.

Nonbank SIFI *Nonbank Systemically Important Financial Institutions* Financial institutions are deemed nonbank systemically important (that is, the failure of the financial institution could pose a threat to the financial stability of the United States) by the Financial Stability Oversight Council based on a three-stage analytical process.

Noncontrolling interest The portion of equity ownership in a consolidated subsidiary not attributable to the controlling parent company.

Policy fees An amount added to a policy premium, or deducted from a policy cash value or contract holder account, to reflect the cost of issuing a policy, establishing the required records, sending premium notices and other related expenses.

Pool A reinsurance arrangement whereby all of the underwriting results of the pool members are combined and then shared by each member in accordance with its pool participation percentage. Prior to January 1, 2014, AIG maintained two pools, the admitted lines pool and the surplus lines pool. Effective January 1, 2014, these two pools were merged into one combined pool (the combined pool).

Premiums and deposits – Institutional Markets include direct and assumed amounts received and earned on group benefit policies and life-contingent payout annuities and deposits received on investment-type annuity contracts including GICs.

Premiums and deposits – Retirement and – Life include direct and assumed amounts received on traditional life insurance policies, group benefit policies and deposits on life-contingent payout annuities, as well as deposits received on universal life, investment-type annuity contracts and mutual funds.

Prior year development Increase (referred to as unfavorable or adverse development or reserve strengthening) or decrease (referred to as favorable development) in estimates of losses and loss expenses for prior years that is included in earnings.

RBC Risk-Based Capital A formula designed to measure the adequacy of an insurer's statutory surplus compared to the risks inherent in its business.

Reinstatement premium Additional premiums payable to reinsurers to restore coverage limits that have been exhausted as a result of reinsured losses under certain excess of loss reinsurance treaties.

Reinsurance The practice whereby one insurer, the reinsurer, in consideration of a premium paid to that insurer, agrees to indemnify another insurer, the ceding company, for part or all of the liability of the ceding company under one or more policies or contracts of insurance which it has issued.

Rescission Denial of claims and termination of coverage on loans related to fraudulent or undocumented claims, underwriting guideline violations and other deviations from contractual terms.

Retroactive Reinsurance See Deferred Gain on Retroactive Reinsurance.

Return on Equity – After-tax Operating Income Excluding AOCI and Return on Equity – After-tax Operating Income Excluding AOCI and DTA are non-GAAP measures and are used to show the rate of return on shareholders' equity. Return on Equity – After-tax Operating Income Excluding AOCI is derived by dividing actual or annualized after-tax operating income attributable to AIG by average AIG shareholders' equity, excluding average AOCI. Return on Equity – After-tax Operating Income Excluding AOCI and DTA is derived by dividing actual or annualized after-tax operating income attributable to AIG by average AIG shareholders' equity, excluding average AOCI and DTA.

Salvage The amount that can be recovered by us for the sale of damaged goods for which our policyholder has been indemnified (and to which title was transferred to us).

Second-lien Subordinate in ranking to the first-lien holder claims on a property in the event of default on a mortgage.

Severe losses Individual non-catastrophe first party losses and surety losses greater than \$10 million, net of related reinsurance and salvage and subrogation. Severe losses include claims related to satellite explosions, plane crashes, and shipwrecks.

SIA Sales Inducement Asset Represents amounts that are credited to policyholder account balances related to the enhanced crediting rates that a seller offers on certain of its annuity products.

Solvency II Legislation in the European Union which reforms the insurance industry's solvency framework, including minimum capital and solvency requirements, governance requirements, risk management and public reporting standards. The Solvency II Directive (2009/138/EEC), was adopted on November 25, 2009 and is expected to become effective on January 1, 2016.

Subrogation The amount of recovery for claims we have paid our policyholders, generally from a negligent third party or such party's insurer.

Surrender charge A charge levied against an investor for the early withdrawal of funds from a life insurance or annuity contract, or for the cancellation of the agreement.

Surrender rate represents annualized surrenders and withdrawals as a percentage of average account value.

Unearned premium reserve Liabilities established by insurers and reinsurers to reflect unearned premiums which are usually refundable to policyholders if an insurance or reinsurance contract is canceled prior to expiration of the contract term.

VOBA Value of Business Acquired Present value of projected future gross profits from in-force policies from acquired businesses.

ACRONYMS

A&H Accident and Health Insurance	GMIB Guaranteed Minimum Income Benefits
ABS Asset-Backed Securities	GMWB Guaranteed Minimum Withdrawal Benefits
CDO Collateralized Debt Obligations	ISDA International Swaps and Derivatives Association, Inc.
CDS Credit Default Swap	Moody's Moody's Corporation
CLO Collateralized Loan Obligations	NAIC National Association of Insurance Commissioners
CMA Capital Maintenance Agreement	NM Not Meaningful
CMBS Commercial Mortgage-Backed Securities	OTC Over-the-Counter
EGPs Estimated gross profits	OTTI Other-Than-Temporary Impairment
FASB Financial Accounting Standards Board	RMBS Residential Mortgage-Backed Securities
FRBNY Federal Reserve Bank of New York	S&P Standard & Poor's Financial Services LLC
GAAP Accounting principles generally accepted in the United States of America	SEC Securities and Exchange Commission
GMAV Guaranteed Minimum Account Value Benefits	URR Unearned revenue reserve
GMDB Guaranteed Minimum Death Benefits	VIE Variable Interest Entity

ITEM 3. / QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Included in Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations – Enterprise Risk Management.

ITEM 4. / CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to ensure that information required to be disclosed in reports filed or submitted under the Securities Exchange Act of 1934 (the Exchange Act) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures. In connection with the preparation of this Quarterly Report on Form 10-Q, an evaluation was carried out by AIG's management, with the participation of AIG's Chief Executive Officer and Chief Financial Officer, of the effectiveness of AIG's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on that evaluation, AIG's Chief Executive Officer and Chief Financial Officer have concluded that AIG's disclosure controls and procedures were effective as of September 30, 2015.

There has been no change in AIG's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the quarter ended September 30, 2015, that has materially affected, or is reasonably likely to materially affect, AIG's internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1 / LEGAL PROCEEDINGS

For a discussion of legal proceedings, see Note 9 to the Condensed Consolidated Financial Statements, which is incorporated herein by reference.

ITEM 1A./ RISK FACTORS

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the following risk factor as well as the other factors discussed in Part I, Item 1A. Risk Factors in our 2014 Annual Report.

Our restructuring initiatives may not yield our expected reductions in expenses and improvements in operational and organizational efficiency.

We may not be able to fully realize the anticipated expense reductions and operational and organizational efficiency improvements we expect to result from our restructuring initiatives. Actual costs to implement these initiatives may exceed our estimates or we may be unable to fully implement them. The successful implementation of these initiatives will require us to effect workforce reductions, business rationalizations, systems enhancements and business dispositions, which depend on a number of factors, some of which are beyond our control. If we are unable to realize these anticipated expense reductions and efficiency improvements, our businesses and results of operations may be adversely affected.

ITEM 2 / UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table provides the information with respect to purchases made by or on behalf of AIG or any “affiliated purchaser” (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934) of AIG Common Stock during the three months ended September 30, 2015:

Period	Total Number of Shares Repurchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in millions)
July 1 - 31	15,321,500	\$ 63.00	15,321,500	\$ 1,291
August 1 - 31	25,450,243	61.98	25,450,243	4,714
September 1 - 30	20,210,840	58.72	20,210,840	3,527
Total*	60,982,583	\$ 61.15	60,982,583	\$ 3,527

* On August 3, 2015, our Board of Directors authorized an additional increase to its previous share repurchase authorization of \$5.0 billion. As of October 31, 2015, approximately \$2.9 billion remains under our share repurchase authorization. Shares may be repurchased from time to time in the open market, private purchases, through forward, derivative, accelerated repurchase or automatic repurchase transactions or otherwise. Certain of our share repurchases have been and may from time to time be effected through Exchange Act Rule 10b5-1 repurchase plans. The timing of any future share repurchases will depend on market conditions, our financial condition, results of operations, liquidity and other factors.

During the three-month period ended September 30, 2015, we repurchased approximately 61 million shares of AIG Common Stock under this authorization for an aggregate purchase price of approximately \$3.7 billion. Pursuant to an Exchange Act Rule 10b5-1 plan, from October 1 to October 31, 2015, we have repurchased approximately \$602 million of additional shares of AIG Common Stock.

ITEM 4 / MINE SAFETY DISCLOSURES

Not applicable.

ITEM 6 / EXHIBITS

See accompanying Exhibit Index.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AMERICAN INTERNATIONAL GROUP, INC.

(Registrant)

/S/ DAVID L. HERZOG

David L. Herzog
Executive Vice President
Chief Financial Officer
Principal Financial Officer

/S/ ELIAS F. HABAYEB

Elias F. Habayeb
Senior Vice President
Deputy Chief Financial Officer and
Group Controller
Principal Accounting Officer

Dated: November 2, 2015

EXHIBIT INDEX

Exhibit Number	Description	Location
4	Instruments defining the rights of security holders, including indentures	
	(1) Twenty-Sixth Supplemental Indenture, dated as of July 10, 2015, between AIG and The Bank of New York Mellon, as Trustee	Incorporated by reference to Exhibit 4.1 to AIG's Current Report on Form 8-K filed with the SEC on July 10, 2015 (File No. 1-8787).
	(2) Twenty-Seventh Supplemental Indenture, dated as of July 10, 2015, between AIG and The Bank of New York Mellon, as Trustee	Incorporated by reference to Exhibit 4.2 to AIG's Current Report on Form 8-K filed with the SEC on July 10, 2015 (File No. 1-8787).
	(3) Twenty-Eighth Supplemental Indenture, dated as of July 10, 2015, between AIG and The Bank of New York Mellon, as Trustee	Incorporated by reference to Exhibit 4.3 to AIG's Current Report on Form 8-K filed with the SEC on July 10, 2015 (File No. 1-8787).
	(4) Twenty-Ninth Supplemental Indenture, dated as of July 17, 2015, between AIG and The Bank of New York Mellon, as Trustee	Incorporated by reference to Exhibit 4.4 to AIG's Quarterly Report on Form 10-Q filed with the SEC on August 3, 2015 (File No. 1-8787).
	(5) Thirtieth Supplemental Indenture, dated as of September 25, 2015, between AIG and the Bank of New York Mellon, as Trustee	Filed herewith.
	(6) Form of the 2025 Notes (included in Exhibit 4(1))	
	(7) Form of the 2035 Notes (included in Exhibit 4(2))	
	(8) Form of the 2045 Notes (included in Exhibit 4(3))	
	(9) Form of the 2045 Callable Notes (included in Exhibit 4(4))	
	(10) Form of the 2045 Callable Notes (included in Exhibit 4(5))	
10	(1) American International Group, Inc. Non-Qualified Retirement Income Plan (as amended)*	Filed herewith.
	(2) American International Group, Inc. Supplemental Executive Retirement Plan (as amended)*	Filed herewith.
11	Statement re: Computation of Per Share Earnings	Included in Note 13 to the Condensed Consolidated Financial Statements.
12	Computation of Ratios of Earnings to Fixed Charges	Filed herewith.
31	Rule 13a-14(a)/15d-14(a) Certifications	Filed herewith.
32	Section 1350 Certifications**	Filed herewith.
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Condensed Consolidated Balance Sheets as of September 30, 2015 and December 31, 2014, (ii) the Condensed Consolidated Statements of Income (Loss) for the three and nine months ended September 30, 2015 and 2014, (iii) the Condensed Consolidated Statements of Equity for the nine months ended September 30, 2015 and 2014, (iv) the Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2015 and 2014, (v) the Condensed Consolidated Statements of Comprehensive Loss for the three and nine months ended September 30, 2015 and 2014 and (vi) the Notes to the Condensed Consolidated Financial Statements.	Filed herewith.

* This exhibit is a management contract or a compensatory plan or arrangement.

** This information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

AMERICAN INTERNATIONAL GROUP, INC.

Thirtieth Supplemental

Indenture

Dated as of September 25, 2015

(Supplemental to Indenture Dated as of October 12, 2006)

THE BANK OF NEW YORK MELLON,
as Trustee

THIRTIETH SUPPLEMENTAL INDENTURE, dated as of September 25, 2015 (the “Thirtieth Supplemental Indenture”), between American International Group, Inc., a corporation duly organized and existing under the laws of the State of Delaware (herein called the “Company”), and The Bank of New York Mellon, a New York banking corporation, as Trustee (herein called “Trustee”);

R E C I T A L S:

WHEREAS, the Company has heretofore executed and delivered to The Bank of New York Mellon, as trustee, an Indenture, dated as of October 12, 2006 (the “Base Indenture”), as supplemented by the Fourth Supplemental Indenture, dated as of April 18, 2007 (the “Fourth Supplemental Indenture”), and the Eighth Supplemental Indenture, dated as of December 3, 2010 (the “Eighth Supplemental Indenture”, and, together with the Base Indenture and the Fourth Supplemental Indenture, the “Existing Indenture”), providing for the issuance from time to time of the Company’s unsecured debentures, notes or other evidences of indebtedness (herein and therein called the “Securities”), to be issued in one or more series; and the Existing Indenture, as may be amended or supplemented from time to time, including by this Thirtieth Supplemental Indenture, is hereinafter referred to as the “Indenture”;

WHEREAS, Section 901 of the Existing Indenture permits the Company and the Trustee to enter into an indenture supplemental to the Existing Indenture to establish the form and terms of additional series of Securities;

WHEREAS, Sections 201, 301 and 901 of the Existing Indenture permit the form and the terms of Securities of any additional series of Securities to be established pursuant to an indenture supplemental to the Existing Indenture;

WHEREAS, the Company has authorized the issuance of \$420,000,000 in aggregate principal amount of its 4.90% Callable Notes due 2045 (the “Notes”), which are assigned with ISIN XS1293631187;

WHEREAS, the Notes will be established as a series of Securities under the Indenture;

WHEREAS, pursuant to resolutions of (i) the Board of Directors of the Company adopted at a meeting duly called on September 14, 2010, approving certain additional covenants made by the Company, and (ii) the Risk and Capital Committee of the Board of Directors of the Company adopted at a meeting duly called on March 10, 2015, the Company has duly authorized the execution and delivery of this Thirtieth Supplemental Indenture to establish the form and terms of the Notes; and

WHEREAS, all things necessary to make this Thirtieth Supplemental Indenture a valid agreement according to its terms have been done;

NOW, THEREFORE, THIS THIRTIETH SUPPLEMENTAL INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Notes by the Holders thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the Notes, as follows:

ARTICLE ONE

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.1 Relation to Existing Indenture

This Thirtieth Supplemental Indenture constitutes a part of the Indenture (the provisions of which, as modified by this Thirtieth Supplemental Indenture, shall apply to the Notes) in respect of the Notes, and shall not modify, amend or otherwise affect the Existing Indenture insofar as it relates to any other series of Securities or affects in any manner the terms and conditions of the Securities of any other series.

Section 1.2 Definitions

For all purposes of this Thirtieth Supplemental Indenture, the capitalized terms used herein (i) which are defined in this Section 1.2 have the respective meanings assigned thereto in this Section 1.2, and (ii) which are defined in the Existing Indenture (and which are not defined in this Section 1.2) have the respective meanings assigned thereto in the Existing Indenture. For all purposes of this Thirtieth Supplemental Indenture:

- (a) All references herein to Articles and Sections, unless otherwise specified, refer to the corresponding Articles and Sections of this Thirtieth Supplemental Indenture; and
- (b) The terms “herein”, “hereof”, and “hereunder” and words of similar import refer to this Thirtieth Supplemental Indenture.
- (c) The following terms, as used herein, have the following meanings:

“**Base Indenture**” has the meaning set forth in the recitals of this Thirtieth Supplemental Indenture.

“**Clearstream**” means Clearstream Banking, société anonyme, Luxembourg (or any successor securities clearing agency).

“**Closing Date**” means September 25, 2015.

“**Company**” has the meaning set forth in the introductory paragraph of this Thirtieth Supplemental Indenture.

“**Depository**” means, with respect to Notes issuable or issued in whole or in part in the form of one or more Global Notes, The Bank of New York Mellon (London Branch), which is the common depository for Euroclear and Clearstream, or such successor as the Company shall designate from time to time in an Officers’ Certificate delivered to the Trustee.

“**Eighth Supplemental Indenture**” has the meaning set forth in the recitals of this Thirtieth Supplemental Indenture.

“**Euroclear**” means Euroclear Bank S.A./N.V. (or any successor securities clearing agency), as operator of the Euroclear system.

“**Existing Indenture**” has the meaning set forth in the recitals of this Thirtieth Supplemental Indenture.

“**Fourth Supplemental Indenture**” has the meaning set forth in the recitals of this Thirtieth Supplemental Indenture.

“**Global Note**” means a Note that evidences all or part of the Notes and bears the Global Note legend specified in Annex A.

“**Indenture**” has the meaning set forth in the recitals of this Thirtieth Supplemental Indenture.

“**Notes**” has the meaning stated in the recitals of this Thirtieth Supplemental Indenture.

“**Regulation S**” means Regulation S under the Securities Act (or any successor provision), as it may be amended from time to time.

“**Regulation S Legend**” means a legend substantially in the form of the Regulation S legend required in the form of Note set forth in Annex A to be placed upon each Note.

“**Restricted Period**” means the period of 41 consecutive days beginning on and including the later of (i) the day on which the Notes are first offered to persons other than distributors (as defined in Regulation S) in reliance on Regulation S and (ii) the Closing Date, except that any offer or sale by a distributor (as defined in Regulation S) of an unsold allotment shall be deemed to be made during the Restricted Period.

“**Securities**” has the meaning specified in the recitals of this Thirtieth Supplemental Indenture.

“**Securities Act**” means the Securities Act of 1933, as amended from time to time.

“**Trustee**” has the meaning set forth in the introductory paragraph of this Thirtieth Supplemental Indenture.

“**Thirtieth Supplemental Indenture**” has the meaning set forth in the introductory paragraph hereof.

ARTICLE TWO

GENERAL TERMS AND CONDITIONS OF THE NOTES

Section 2.1 Forms of Notes Generally

The Notes shall be in substantially the forms set forth in this Article with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by the Existing Indenture and this Thirtieth Supplemental Indenture and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or Depository thereto, or as may, consistent with the Existing Indenture and this Thirtieth Supplemental Indenture, be determined by the officers executing such Notes, as evidenced by their execution of such Notes.

The Notes shall be issued initially in the form of the Global Notes, registered in the name of the Depository or its nominee and deposited with the Trustee, as custodian for the Depository, for credit by the Depository to the respective accounts of beneficial owners of the Notes represented thereby (or such other accounts as they may direct). Each such Global Note will constitute a single Security for all purposes of the Indenture.

Section 2.2 Form of Notes

The Notes shall be in substantially the form of Annex A to this Thirtieth Supplemental Indenture.

Section 2.3 Form of Trustee’s Certificate of Authentication of the Notes

The Trustee’s certificates of authentication shall be in substantially the following form:

This is one of the Notes of the series designated therein referred to in the within-mentioned Indenture.

Dated:

By: _____
Authorized Signatory

Section 2.4 Title and Terms

Pursuant to Sections 201 and 301 of the Indenture, there is hereby established a series of Securities, the terms of which shall be as follows:

- (a) *Designation.* The Notes shall be known and designated as the “4.90% Callable Notes due 2045,” and shall constitute a different series of Securities under the Indenture than the Securities designated the same title with ISIN XS1257785938, which were initially issued in July 2015.
- (b) *Aggregate Principal Amount.* The aggregate principal amount of the Notes that may be authenticated and delivered under this Thirtieth Supplemental Indenture is initially limited to \$420,000,000, except for Notes authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Notes issued pursuant to Section 304, 305, 306 or 906 of the Existing Indenture. The Company may, without the consent of the Holders of the Notes, issue additional notes of this series in an unlimited amount having the same ranking, interest rate, Stated Maturity, ISIN numbers and terms as to status, redemption or otherwise as the Notes (other than dates as to issuance and the initial accrual of interest), in which event such notes and the Notes shall constitute one series for all purposes under the Indenture, including without limitation, amendments, waivers and redemptions.
- (c) *Interest and Maturity.* The Stated Maturity of the Notes shall be September 25, 2045 and the Notes shall bear interest and have such other terms as are described in the form of Note attached as Annex A to this Thirtieth Supplemental Indenture.
- (d) *Additional Amounts.* The Company will pay as additional interest on the Notes such additional amounts at such time and in such amount as set forth in the form of Note attached as Annex A to this Thirtieth Supplemental Indenture, subject to the exceptions and limitations set forth therein.
- (e) *Redemption.* The Company shall have no obligation to redeem or purchase the Notes pursuant to any sinking fund or analogous provision, or at the option of a Holder thereof. The Notes shall be redeemable at the election of the Company from time to time, in whole but not in part, at the times and at the prices specified in the form of Note attached as Annex A to this Thirtieth Supplemental Indenture. Notice of redemption shall be given by first-class mail, postage prepaid, mailed (or otherwise transmitted in accordance with applicable procedures of Euroclear or Clearstream, if the Notes are in the form of the Global Notes registered in the name of Euroclear or

Clearstream, their common depositary (or any nominee thereof) or their nominee) not less than 30 nor more than 60 or 90 days, as the case may be (as provided in the form of Note attached as Annex A to this Thirtieth Supplemental Indenture), prior to the Redemption Date, to each Holder of Notes to be redeemed at his address appearing in the Security Register. The Company shall calculate the Redemption Price.

(f) *Defeasance.* The Notes shall be subject to the defeasance and discharge provisions of Section 1302 of the Existing Indenture and the defeasance of certain obligations and certain events of default provisions of Section 1303 of the Existing Indenture.

(g) *Denominations.* The Notes shall be issuable only in fully registered form without coupons and only in denominations of \$200,000 and integral multiples of \$1,000 in excess thereof.

(h) *Authentication and Delivery.* The Notes shall be executed, authenticated, delivered and dated in accordance with Section 303 of the Existing Indenture.

(i) *Additional Covenant and Amendment to the Base Indenture.* The additional covenant of the Company and amendment to the Base Indenture, each as set forth in Article III of the Eighth Supplemental Indenture, shall apply to the Notes.

(j) *Depositary.* With respect to Notes issuable or issued in whole or in part in the form of one or more Global Notes, the Depositary shall be The Bank of New York Mellon (London Branch), which is the common depositary for Euroclear and Clearstream, or such successor as the Company shall designate from time to time in an Officers' Certificate delivered to the Trustee.

(k) *Paying Agent; Transfer Agent; Security Registrar.* The Bank of New York (London Branch) is the initial Paying Agent, at the London office of which the Notes may be presented or surrendered for payment, registration of transfer or exchange and notices and demands to or upon the Company in respect to the Notes and the Indenture may be served. The Trustee shall be an additional Paying Agent and shall be the Security Registrar, and the Notes may be presented or surrendered for payment, registration of transfer or exchange, and notices and demands to or upon the Company in respect to the Notes and the Indenture may be served, at the Corporate Trust Office of the Trustee in the Borough of Manhattan, The City of New York. Any designation and appointment of any transfer or paying agencies may be changed or terminated from time to time by the Company, and the Company may appoint additional transfer or paying agencies.

(l) *Other Terms.*

(1) *Business Day.* For the purposes of the Notes and this Thirtieth Supplemental Indenture, "Business Day" means each Monday, Tuesday, Wednesday, Thursday or Friday that is not a day on which banking institutions in

The City of New York, London or Taipei, Taiwan are authorized or obligated by law or executive order to close.

(2) *Time Zone.* All payment dates with respect to the Notes, whether at maturity, upon earlier redemption or on any interest payment date, shall be determined in accordance with the time zone applicable to The City of New York.

Section 2.5 Exchanges of Global Note for Non-Global Note

Notwithstanding any other provision in this Indenture, no Global Note may be exchanged in whole or in part for Notes registered, and no transfer of a Global Note in whole or in part may be registered, in the name of any Person other than the Depositary for such Global Note or a nominee thereof unless (A) such Depositary has notified the Company that it is unwilling or unable or no longer permitted under applicable law to continue as Depositary for such Global Note and the Company does not appoint another institution to act as Depositary within 90 days, (B) there shall have occurred and be continuing an Event of Default with respect to such Global Note, or (C) the Company so directs the Trustee by a Company Order.

Section 2.6 Securities Act Legend; Transfer During the Restricted Period

(a) *Legends.* Each Note shall bear the Regulation S Legend.

(b) *Global Note to be Held Through Euroclear or Clearstream During The Restricted Period.* Until the expiration of the Restricted Period, beneficial interests in the Global Note shall be held only in or through the account(s) of The Bank of New York Mellon (London Branch), which is the common depositary for Euroclear and Clearstream, in its capacity as the Depositary, at Euroclear or Clearstream, and no person shall be entitled to effect any transfer or exchange that would result in any such interest being held otherwise than in or through such an account.

ARTICLE THREE

MISCELLANEOUS

Section 3.1 Relationship to Existing Indenture

This Thirtieth Supplemental Indenture is a supplemental indenture within the meaning of the Existing Indenture. The Existing Indenture, as supplemented and amended by this Thirtieth Supplemental Indenture, is in all respects ratified, confirmed and approved and, with respect to the Notes, the Existing Indenture, as supplemented and amended by this Thirtieth Supplemental Indenture, shall be read, taken and construed as one and the same instrument.

Section 3.2 Modification of the Existing Indenture

Except as expressly modified by this Thirtieth Supplemental Indenture, the provisions of the Existing Indenture shall govern the terms and conditions of the Notes.

Section 3.3 Governing Law

This instrument shall be governed by and construed in accordance with the laws of the State of New York.

Section 3.4 Counterparts

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 3.5 Trustee Makes No Representation

The recitals contained herein are made by the Company and not by the Trustee, and the Trustee assumes no responsibility for the correctness thereof. The Trustee makes no representation as to the validity or sufficiency of this Thirtieth Supplemental Indenture other than its certificates of authentication.

IN WITNESS WHEREOF, the parties hereto have caused this Thirtieth Supplemental Indenture to be duly executed all as of the day and year first above written.

AMERICAN INTERNATIONAL GROUP, INC.

By: /s/ Monika M. Machon
Name: Monika M. Machon
Title: Senior Vice President and Treasurer

Attest:

/s/ Christopher B. Chorenge

THE BANK OF NEW YORK MELLON,
as Trustee

By: /s/ Laurence J. O'Brien
Name: Laurence J. O'Brien
Title: Vice President

[Signature Page to Supplemental Indenture]

ANNEX A
FORM OF THE NOTES

[Global Note legend –]

THIS NOTE IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE OF A DEPOSITARY. THIS NOTE MAY NOT BE EXCHANGED IN WHOLE OR IN PART FOR A NOTE REGISTERED, AND NO TRANSFER OF THIS NOTE IN WHOLE OR IN PART MAY BE REGISTERED, IN THE NAME OF ANY PERSON OTHER THAN SUCH DEPOSITARY OR A NOMINEE THEREOF, EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE.

[Regulation S Legend –]

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND, PRIOR TO THE EXPIRATION OF FORTY DAYS FROM THE LATER OF (1) THE DATE ON WHICH THESE NOTES WERE FIRST OFFERED AND (2) THE DATE OF ISSUANCE OF THESE NOTES, MAY NOT BE OFFERED, SOLD OR DELIVERED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON EXCEPT (A) TO THE ISSUER, OR (B) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR 904 OF REGULATION S. THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, REPRESENTS AND AGREES FOR THE BENEFIT OF THE ISSUER THAT IT WILL NOTIFY ANY PURCHASER OF THIS SECURITY FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE.

EACH PURCHASER AND TRANSFEREE OF THIS NOTE BY ITS ACCEPTANCE HEREOF REPRESENTS THAT EITHER (A) IT IS NOT ACQUIRING THE NOTE WITH THE ASSETS OF (1) ANY “EMPLOYEE BENEFIT PLAN” (SUBJECT TO TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”)), INDIVIDUAL RETIREMENT ACCOUNT OR OTHER ARRANGEMENT THAT IS SUBJECT TO SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”), OR ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE “PLAN ASSETS” WITHIN THE MEANING OF ERISA BY REASON OF THE INVESTMENT BY SUCH PLANS OR ACCOUNTS THEREIN OR (2) ANY GOVERNMENTAL OR NON-U.S. PLAN SUBJECT TO ANY FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAWS OR REGULATIONS THAT ARE SIMILAR TO SUCH PROVISIONS OF THE CODE OR ERISA (COLLECTIVELY, “SIMILAR LAWS”) OR (B) THE ACQUISITION AND

HOLDING OF SUCH NOTE DOES NOT CONSTITUTE A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA, THE CODE, OR ANY SIMILAR LAWS. SUCH HOLDER FURTHER REPRESENTS AND COVENANTS THAT THROUGHOUT THE PERIOD IT HOLDS NOTES, THE FOREGOING REPRESENTATIONS SHALL BE TRUE.

THIS NOTE AND ANY RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON REALES AND OTHER TRANSFERS OF THIS NOTE TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO THE RESALE OR TRANSFER OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS NOTE SHALL BE DEEMED BY THE ACCEPTANCE OF THIS NOTE TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT.

AMERICAN INTERNATIONAL GROUP, INC.

4.90% CALLABLE NOTES DUE 2045

No. [●]
ISIN No.: XS1293631187

\$(●)

AMERICAN INTERNATIONAL GROUP, INC., a corporation duly organized and existing under the laws of Delaware (herein called the “Company,” which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to The Bank of New York Depository (Nominees) Limited, or its registered assigns, the principal sum of [●] Dollars (\$(●)) on September 25, 2045, and to pay interest thereon from September 25, 2015, or from the most recent Interest Payment Date (as defined below) to which interest has been paid or duly provided for, semiannually in arrears on each March 25 and September 25 (each such date, an “Interest Payment Date”), commencing on March 25, 2016 at the rate of 4.90% per annum, until the principal hereof is paid or made available for payment. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Note (or one or more Predecessor Notes) is registered at the close of business on the Regular Record Date for such interest, which shall be March 15 or September 15 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Note (or one or more Predecessor Notes) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof which shall be given to Holders of Notes of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Notes may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture.

Interest shall be computed on the basis of a 360-day year comprised of twelve 30-day months.

In the event that an Interest Payment Date is not a Business Day, the Company shall pay interest on the next succeeding Business Day, with the same force and effect as if made on the Interest Payment Date, and without any interest or other payment with respect to the delay. If the Stated Maturity or earlier Redemption Date falls on a day that is not a Business Day, the payment of principal, premium, if any, and interest need not be made on such date, but may be made on the next succeeding Business Day, with the same force and effect as if made on the Stated Maturity or earlier Redemption Date, provided that no interest shall accrue for the period from and after

such Stated Maturity or earlier Redemption Date. For the purposes of this Note, "Business Day" means each Monday, Tuesday, Wednesday, Thursday or Friday that is not a day on which banking institutions in The City of New York, London or Taipei, Taiwan are authorized or obligated by law or executive order to close.

Payment of the principal of and premium, if any, and interest on this Note will be made at the office or agency of the Company maintained for that purpose in the City of London, which is initially the London office of The Bank of New York Mellon (London Branch), in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

All record dates and payment dates with respect to the Notes, whether at maturity, upon earlier redemption or on any interest payment date, shall be determined in accordance with the time zone applicable to The City of New York.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Dated:

AMERICAN INTERNATIONAL GROUP, INC.

By: _____

Name: Monika M. Machon
Title: Senior Vice President and

Treasurer

Attest:

This is one of the Notes of the series designated therein referred to in the within-mentioned Indenture.

Dated:

THE BANK OF NEW YORK MELLON
As Trustee

By: _____
Authorized Signatory

This Note is one of a duly authorized issue of securities of the Company (herein called the “Notes”), designated as its 4.90% Callable Notes due 2045 (which are assigned with ISIN XS1293631187), issued and to be issued in one or more series under an Indenture, dated as of October 12, 2006, as supplemented by the Fourth Supplemental Indenture, dated as of April 18, 2007, the Eighth Supplemental Indenture, dated as of December 3, 2010, and the Thirtieth Supplemental Indenture, dated as of September 25, 2015 (as so supplemented, the “Indenture,” which term shall have the meaning assigned to it in such instrument), between the Company and The Bank of New York Mellon, as Trustee (herein called the “Trustee,” which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Notes and of the terms upon which the Notes are, and are to be, authenticated and delivered. This Note is one of the series designated on the face hereof, but shall constitute a different series than the Securities designated the same title with ISIN XS1257785938, which were initially issued in July 2015.

Additional Amounts

The Company will, subject to the exceptions and limitations set forth below, pay as additional interest on the Notes such additional amounts (the “Additional Amounts”) as are necessary so that the net payment by the Company or a paying agent of the principal of and interest on the Notes to a person that is a United States Alien Holder (as defined below), after deduction for any present or future tax, assessment or governmental charge of the United States or a political subdivision or taxing authority thereof or therein, imposed by withholding on such payment, will not be less than the amount that would have been payable in respect of the Notes had no withholding or deduction been required. “United States Alien Holder” means any person that, for United States federal income tax purposes, is a nonresident alien individual, a foreign corporation, or an estate or trust that in either case is not subject to United States federal income tax on a net income basis on income or gain on the Notes, or a foreign partnership one or more members of which is such a nonresident alien individual, foreign corporation, or estate or trust.

The Company’s obligation to pay Additional Amounts shall not apply:

(1) to any tax, assessment or governmental charge that is imposed or withheld solely because the beneficial owner, or a fiduciary, settlor, beneficiary or member of the beneficial owner if the beneficial owner is an estate, trust or partnership, or a person holding a power over an estate or trust administered by a fiduciary holder that:

- (i) is or was present or engaged in trade or business in the United States, has or had a permanent establishment or fixed base in the United States, or has any other present or former connection (other than the mere fact of being a holder of the Notes) with the United States or any political subdivision or taxing authority thereof or therein;
- (ii) is or was a citizen or resident or is or was treated as a resident of the United States;
- (iii) with respect to the United States, is or was a foreign or domestic personal holding company, a passive foreign investment company, a controlled foreign corporation or a foreign private foundation or other foreign tax-exempt organization, or is or was a corporation that has accumulated earnings to avoid United States federal income tax;
- (iv) is or was a bank receiving interest described in Section 881(c)(3)(A) of the Internal Revenue Code of 1986, as amended (the "Code"); or
- (v) is or was an actual or constructive owner of 10% or more of the total combined voting power of all classes of the Company's stock entitled to vote;

(2) to any holder that is not the sole beneficial owner of the Notes, or a portion thereof, or that is a fiduciary or partnership, but only to the extent that the beneficial owner, a beneficiary or settlor with respect to the fiduciary, or a member of the partnership would not have been entitled to the payment of an additional amount had such beneficial owner, beneficiary, settlor or member received directly its beneficial or distributive share of the payment;

(3) to any tax, assessment or governmental charge that is imposed or withheld solely because the beneficial owner or any other person failed to comply with certification, identification or information reporting requirements concerning the nationality, residence, identity or connection with the United States of the holder or beneficial owner of the Notes, if compliance is required by statute, by regulation of the United States Treasury Department or by an applicable income tax treaty to which the United States is a party as a precondition to a reduction in the rate of, or exemption from such tax, assessment or other governmental charge;

(4) to any tax, assessment or governmental charge that is imposed other than by deduction or withholding by the Company or a paying agent from the payment;

(5) to any tax, assessment or governmental charge that is imposed or withheld solely because of a change in law, regulation, or administrative or judicial interpretation that is announced or becomes effective after the day on which the payment becomes due or is duly provided for, whichever occurs later;

(6) to an estate, inheritance, gift, sales, excise, transfer, wealth or personal property tax or any similar tax, assessment or governmental charge;

(7) to any tax, assessment or other governmental charge any paying agent (which term may include the Company) must withhold from any payment of principal of or interest on any Note, if such payment can be made without such withholding by any other paying agent; or

(8) in the case of any combination of the above items.

Any amounts to be paid on the Notes will be paid net of any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the Code and any amended or successor versions thereof, any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code, and no additional amounts will be required to be paid on account of any such deduction or withholding.

Any reference in the terms of the Notes to any amounts in respect of the Notes shall be deemed also to refer to any Additional Amounts which may be payable under this section "Additional Amounts".

Optional Redemption

The Notes of this series are subject to redemption on each September 25 on or after September 25, 2017, in whole but not in part, at the election of the Company, upon not less than 30 nor more than 60 days' notice given as provided in the Indenture, at a Redemption Price equal to 100% of the principal amount of the Notes being redeemed plus accrued and unpaid interest to, but excluding, the Redemption Date. The Company shall calculate the Redemption Price.

Redemption Upon a Tax Event

If (a) the Company becomes or will become obligated to pay Additional Amounts with respect to any Notes pursuant to the section "Additional Amounts" set forth above as a result of any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of the United States (or any political subdivision or taxing authority thereof or therein), or any change in, or amendment to, any official

position regarding the application or interpretation of such laws, regulations or rulings, which change or amendment is announced or becomes effective, on or after September 14, 2015 or (b) a taxing authority of the United States takes any action on or after September 14, 2015, whether or not with respect to the Company or any of its affiliates, that results in a substantial probability that the Company will or may be required to pay such Additional Amounts, then the Company will have the right to redeem, in whole and not in part, the Notes of this series at any time on not less than 30 nor more than 90 days' notice, at a Redemption Price equal to 100% of the principal amount of the Notes being redeemed plus accrued and unpaid interest to, but excluding, the Redemption Date. No redemption pursuant to (b) above may be made unless the Company shall have received an opinion of independent counsel of recognized standing to the effect that an act taken by a taxing authority of the United States results in a substantial probability that the Company may be required to pay the Additional Amounts pursuant to the section "Additional Amounts" set forth above and the Company shall have delivered to the Trustee a copy of such opinion and a certificate, signed by two of officers of the Company, stating that based on such opinion the Company is entitled to redeem the Notes pursuant to their terms.

Other Terms

The Notes of this series do not have the benefit of any sinking fund obligation and are not subject to repurchase at the option of the Holders.

The Indenture contains provisions for defeasance at any time of the entire indebtedness of this Note or certain restrictive covenants and Events of Default with respect to this Note, in each case upon compliance with certain conditions set forth in the Indenture.

If an Event of Default with respect to Notes of this series shall occur and be continuing, the principal of the Notes of this series may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in principal amount of the Securities at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Note shall be conclusive and binding upon such Holder and upon all future Holders of this

Note and of any Note issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Note.

As provided in and subject to the provisions of the Indenture, the Holder of this Note shall not have the right to institute any proceeding with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy thereunder, unless such Holder shall have previously given the Trustee written notice of a continuing Event of Default with respect to the Notes of this series, the Holders of not less than 25% in principal amount of the Notes of this series at the time Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity, and the Trustee shall not have received from the Holders of a majority in principal amount of Notes of this series at the time Outstanding a direction inconsistent with such request, and shall have failed to institute any such proceeding, for 60 days after receipt of such notice, request and offer of indemnity. The foregoing shall not apply to any suit instituted by the Holder of this Note for the enforcement of any payment of principal hereof or premium, if any, or interest hereon on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and premium, if any, or interest on this Note at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Note is registrable in the Security Register, upon surrender of this Note for registration of transfer at the office or agency of the Company in any place where the principal of and premium, if any, or interest on this Note are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Notes of this series and of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Notes of this series are issuable only in fully registered form without coupons in denominations of \$200,000 and any integral multiples of \$1,000 in excess thereof. As provided in the Indenture and subject to certain limitations therein set forth, the Notes of this series are exchangeable for a like aggregate principal amount of Notes of this series and of like tenor of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Note for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Note is registered as the owner hereof for all purposes, whether or not this Note be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

All terms used in this Note which are defined in the Indenture shall have the meaning assigned to them in the Indenture.

AMERICAN INTERNATIONAL GROUP, INC.

NON-QUALIFIED RETIREMENT INCOME PLAN

(Amended through August 25, 2015, effective December 31, 2015)

TABLE OF CONTENTS

		Page
ARTICLE 1	DEFINITIONS	A-1
ARTICLE 2	PARTICIPATION	A-6
ARTICLE 3	RETIREMENT AND OTHER BENEFITS	A-7
ARTICLE 4	EXCESS RETIREMENT INCOME	A-10
ARTICLE 5	VESTING	A-16
ARTICLE 6	MODES OF BENEFIT PAYMENT	A-17
ARTICLE 7	DEATH BENEFITS	A-20
ARTICLE 8	LIABILITY OF THE COMPANY	A-23
ARTICLE 9	ADMINISTRATION OF THE PLAN	A-24
ARTICLE 10	AMENDMENT OR TERMINATION OF THE PLAN	A-30
ARTICLE 11	GENERAL PROVISIONS	A-31
APPENDIX A	RESTORATION OF RETIREMENT INCOME PLAN FOR CERTAIN EMPLOYEES PARTICIPATING IN THE RESTATED AMERICAN GENERAL RETIREMENT PLAN	A-33
APPENDIX B	THE HARTFORD STEAM BOILER EXCESS RETIREMENT BENEFIT PLAN	B-1
APPENDIX C	20TH CENTURY INDUSTRIES SUPPLEMENTAL PENSION PLAN (RESTATEMENT NO. 1)	C-1

PREAMBLE

The American International Group, Inc. Non-Qualified Retirement Income Plan (hereinafter referred to as the "Plan") shall become effective on April 1, 2012 and shall constitute an amendment, restatement and continuation of the "American International Group, Inc. Excess Retirement Income Plan", as amended and in effect on March 31, 2012.

The purpose of the Plan is to permit certain Employees of the Employer to receive additional retirement income benefits from the Employer when benefits cannot be paid from the American International Group, Inc. Retirement Plan due to the limitations of Sections 401(a)(17) and, prior to April 1, 2012, 415 of the Internal Revenue Code.

The Plan is intended to comply with Section 409A of the Internal Revenue Code. Effective as of the end of the business day on December 31, 2015, the Plan is frozen and no benefits shall increase thereafter, except for amounts related to Interest Credits (as defined in the American International Group, Inc. Retirement Plan) that are reflected under the American International Group, Inc. Retirement Plan or this Plan. Service will be recognized after that date only for purposes of vesting and eligibility for early retirement benefits.

ARTICLE 1

DEFINITIONS

The following words and phrases as used herein shall have the following meanings, and the masculine, feminine and neuter gender shall be deemed to include the others and the singular shall include the plural, and vice versa, when appropriate, unless a different meaning is plainly required by the context:

1.1 "Account" means the Account as defined in the Qualified Plan for a Cash Balance Participant as defined thereunder.

1.2 "Affiliated Employer" means any member of the same controlled group of corporations as the Company or an Employer as determined under Section 414(b) or (c) of the Code.

1.3 "AG Offset" means the monthly amount payable at Normal, Early, Postponed, or Disability Retirement Date, as applicable, in the form of a single life annuity under the Restoration Income Plan for Certain Employees Participating in the Restated American General Retirement Plan which was cashed out to the Participant from the American General Corporation Supplemental Executive Retirement Plan (sometimes referred to as the "AG SERP") or a Supplemental Executive Retirement Agreement (sometimes referred to as an "AG SERA").

1.4 "Average Final Compensation" means the amount determined by dividing (i) the average annual Compensation of the Participant during the three consecutive years in the last ten years of his Credited Service (as defined under the Qualified Plan) affording the highest such average, or during all the years of his Credited Service if less than three years, by (ii) twelve (12). For purposes of determining Average Final Compensation for a Participant listed on Schedule A, the Freeze Period as defined in Section 4.6 shall be disregarded for purposes of determining whether years are consecutive Average Final Compensation shall not increase after December 31, 2015. Effective December 31, 2015, Average Final Compensation means the amount determined by dividing (i) the average annual Compensation of the Participant during the three consecutive years during the ten year period of his or her Credited Service (as defined in the Qualified Plan) prior to December 31, 2015, or during all the years of his Credited Service prior to December 31, 2015 if less than three years, by (ii) twelve (12).

1.5 "Code" means the Internal Revenue Code of 1986, as amended from time to time.

1.6 "Committee" means the Compensation and Management Resources Committee of the Board of Directors of American International Group, Inc. or any successor thereto.

1.7 "Company" means American International Group, Inc.

1.8 "Compensation" means, for amounts other than amounts determined under Section 1.15, the Participant's Compensation as determined under the Qualified Plan, excluding any sales commissions payable to an Employee for services rendered to the Company. Effective as of April 1, 2012, Compensation for purposes of determining the amount under Section 1.15 means the Participant's Compensation as determined under the Qualified Plan for purposes of

determining Pay Credits (as defined in the Qualified Plan), provided that Compensation for any Plan Year shall be limited to \$1,000,000 (one million dollars), adjusted annually in the same manner that the limitation under Section 401(a)(17) of the Code is adjusted to reflect cost-of-living increases, pursuant to rules established by the Plan Administrator in its sole discretion. Compensation for any purpose under the Plan, including for periods prior to April 1, 2012, shall not include severance payments and other amounts paid after a Participant's Separation from Service. No Compensation paid after December 31, 2015 shall be taken into account under the Plan for any purpose.

1.9 "Designated Beneficiary" means the beneficiary designated by the Participant pursuant to rules established by the Plan Administrator. In the event that a Participant fails to designate a beneficiary under the Plan, such Participant's Designated Beneficiary shall be deemed to be the beneficiary with respect to such Participant's Qualified Plan pre-retirement death benefit.

1.10 "Disability" means the Participant is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Company or an Employer, including the Company's short-term disability program.

1.11 "Early Retirement Date" means the date as of which benefits commence for a Participant eligible for a benefit under Section 3.2.

1.12 "Effective Date" of this Plan means April 1, 2012. The original effective date of the Plan is July 1, 1986.

1.13 "Employee" means a person who is classified as an employee on the payroll records of an Employer. Individuals not classified as employees on the payroll records of an Employer for a particular period shall not be considered Employees for such period even if a court of administrative agency subsequently determines that such individuals were common law employees of the Employer during such period.

1.14 "Employer" means the Company and any other company as defined in Sections 2.06 and 8.01 of the American International Group, Inc. Retirement Plan.

1.15 "Excess Account" means the difference between (a) and (b) as stated below:

(a) the Account to which the Participant would have been entitled under the Qualified Plan, if such benefit were calculated under the Qualified Plan without giving effect to the limitations imposed by the application of Code Sections 401(a)(17) and if such Account were calculated using Compensation as defined herein including, where provided for a Participant pursuant to a written agreement with the Company, compensation paid after Separation from Service;

(b) the Account payable to the Participant under the Qualified Plan and any predecessor thereof after the limitations imposed by the application of Code

Sections 401(a)(17) disregarding, except as provided otherwise for a Participant pursuant to a written agreement with the Company, compensation (as defined in the Qualified Plan) paid after the Participant's Separation from Service.

Effective December 31, 2015, the Excess Account is frozen and shall not increase thereafter, nor shall there be any increase in the offset amounts that are applied in determining the Excess Account, other than any increase related to Interest Credits (as defined in the Qualified Plan).

1.16 "Excess Normal Retirement Income" means the amount determined under Section 4.1.

1.17 "Excess Opening Account Balance" means the difference between (i) the Opening Account Balance (as defined in the Qualified Plan), increased by Interest Credits applicable as of the determination date, to which the Participant would have been entitled under the Qualified Plan, if such Opening Balance, increased by Interest Credits applicable as of the determination date, were calculated under the Qualified Plan without giving effect to the limitations imposed by the application of Code Sections 401(a)(17) and 415 and if such Opening Balance, increased by Interest Credits applicable as of the determination date, were calculated using Average Final Compensation as defined herein, and (ii) the Opening Balance (as defined in the Qualified Plan), increased by Interest Credits applicable as of the determination date, to which the Participant is entitled, taking into account the limitations imposed by the application of Code Sections 401(a)(17) and 415.

1.18 "Executive" means any person, including an officer, employed on a regular, full-time, salaried basis by an Employer.

1.19 "Frozen Accrued Benefit" means a Participant's accrued benefit under the Plan as of March 31, 2012, determined as provided under Section 4.1

1.20 "Grandfathered Accrued Benefit" means the accrued benefit that would be determined under Section 4.1, taking into account all Credited Service (as defined in the Qualified Plan), Compensation (as defined in the Qualified Plan, but excluding amounts paid after Separation from Service), and Covered Compensation until a Participant's Separation from Service or death, applying the benefit formula that applied under the Qualified Plan on March 31, 2012. Effective December 31, 2015, the Grandfathered Accrued Benefit is frozen. After that date, Credited Service, Compensation (as defined in the prior sentence), and Covered Compensation shall not increase, nor shall there be any increase in the offset amounts that are applied in determining the amount of the Grandfathered Accrued Benefit.

1.21 "Grandfathered Transition Benefit" means the benefit provided in Section 4.2(c) for a Participant who is a Grandfathered Transition Participant as defined in the Qualified Plan. Effective December 31, 2015, the Grandfathered Transition Benefit is frozen and shall not increase thereafter, nor shall there be any increase in the offset amounts that are applied in

determining the amount of the Grandfathered Transition Benefit, other than any increase related to Interest Credits (as defined in the Qualified Plan).

1.22 “Non-Grandfathered Transition Benefit” means the benefit provided in Section 4.2(b) for a Participant who is a Non-Grandfathered Transition Participant as defined in the Qualified Plan. Effective December 31, 2015, the Non-Grandfathered Transition Benefit is frozen and shall not increase thereafter, nor shall there be any increase in the offset amounts that are applied in determining the amount of the Non-Grandfathered Transition Benefit, other than any increase related to Interest Credits (as defined in the Qualified Plan).

1.23 “Normal Form” means a single life annuity payable for the life of the Participant and ending with the last monthly payment made prior to the Participant’s death.

1.24 “Normal Retirement Date” means the Participant’s Normal Retirement Date as determined under the terms of the Qualified Plan.

1.25 “Participant” means an Employee who has become a Participant pursuant to Article 2 of the Plan.

1.26 “Plan” means the American International Group, Inc. Non-Qualified Retirement Income Plan, as herein set forth, and as it may hereafter be amended from time to time.

1.27 “Postponed Retirement Date” means the date as of which the Participant commences his Postponed Retirement Benefit after his Normal Retirement Date as determined under the terms of the Qualified Plan.

1.28 “Qualified Plan” means the American International Group, Inc. Retirement Plan, as amended from time to time.

1.29 “Qualified Plan Pre-Retirement Survivor Annuity” means the benefit paid to a Participant’s beneficiary under the Qualified Plan upon the Participant’s death prior to his annuity commencement date.

1.30 “Qualified Plan Retirement Income” means the benefit paid to a Participant under the Qualified Plan and includes retirement income payable upon Normal Retirement, Early Retirement or Postponed Retirement, by reason of disability or to an Employee who terminates employment with a vested interest in his Qualified Plan retirement income.

1.31 “Retirement Board” has the meaning provided under the Qualified Plan.

1.32 “Retirement Income” means the retirement benefits provided to Participants and their joint or contingent annuitants in accordance with the applicable provisions of this Plan and shall include the Excess Retirement Income payable pursuant to Article 4. Effective December 31, 2015, Retirement Income is frozen and shall not increase thereafter, nor shall there be any increase in the offset amounts that are applied in determining the amount of the Retirement Income, other than any increase related to Interest Credits (as defined in the Qualified Plan).

1.33 “Separation from Service” means the Participant has terminated employment (other than by death or Disability) with the Company and each Affiliated Employer, subject to the following:

(a) For this purpose, the employment relationship is treated as continuing intact while the individual is on military leave, sick leave, or other bona fide leave of absence (such as temporary employment by the government) if the period of such leave does not exceed six (6) months or, if longer, so long as the individual’s right to reemployment with the Company or an Affiliated Employer is provided either by statute or by contract. If the period of leave exceeds six (6) months and the individual’s right to reemployment is not provided either by statute or by contract, the employment relationship is deemed to terminate on the first date immediately following such six-month period.

(b) The determination of whether a Participant has terminated employment shall be determined based on the facts and circumstances in accordance with the rules set forth in Code Section 409A and the regulations thereunder.

1.34 “Specified Employee” means a Participant who, as of the date of the Participant’s Separation from Service, is a key employee of the Company or an Employer. For purposes of this Plan, a Participant is a key employee if the Participant meets the requirements of Code Section 416(i)(1)(A)(i), (ii), or (iii) applied in accordance with the regulations thereunder and disregarding section 416(i)(5)) at any time during the 12-month period ending on the December 31st of a Plan Year. If a Participant is a key employee as of such December 31st, the Participant is treated as a key employee for purposes of this Plan for the entire 12-month period beginning on the next following April 1st.

1.35 “Surviving Spouse” means a spouse to whom the Participant is lawfully married on the date of the Participant’s death, for purposes of determining the individual entitled to a benefit under Article 7 with respect to a death occurring prior to April 1, 2012.

1.36 “Years of Service or Fraction Thereof” means a continuous 12-month period or fraction thereof for each full day of active employment commencing on the Participant’s date of hire or on the anniversary thereof. After December 31, 2015, additional Years of Service or Fraction Thereof are taken into account only for purposes of determining a Participant’s Early Retirement Date (if any) and to determine the applicable reduction factors for a benefit commencing prior to Normal Retirement Date.

ARTICLE 2

PARTICIPATION

Effective as of April 1, 2012, Employees who are members of the Qualified Plan and whose benefits under the Qualified Plan are limited by reason of the application of the limitations imposed by Section 401(a)(17) of the Code shall become Participants in this Plan. Prior to April 1, 2012, Employees who are members of the Qualified Plan and whose benefits under the Qualified Plan are limited by reason of the application of the limitations imposed by Section 401(a)(17) of the Code or Section 415 of the Code shall become Participants in this Plan. A Participant who, prior to April 1, 2012, became a Participant in the Plan solely by reason of the application of the limitations imposed by Section 415 of the Code and who, on and after April 1, 2012, no longer meets the eligibility requirements of the Plan, shall not accrue a benefit under the Plan on and after April 1, 2012 until such time (if ever) that he again meets the eligibility requirements under the Plan.

Unless otherwise specified in an applicable stock or asset purchase or sales agreement between the Company and another entity, the accruals for any Participant who is an Employee or former Employee of an entity divested by or sold by the Company or any of its subsidiaries shall cease, and such individual shall not accrue additional benefits, or additional service for determining eligibility for any normal or early retirement benefit under Article 4, thereafter, unless he shall later become eligible upon rehire to participate in the Plan.

For clarity, effective April 1, 2012, an individual employed by VALIC as a Field Sales Employee, Regional Manager (including Assistant Regional Manager, Associate Regional Manager, District Manager, Branch Manager, and Unit Manager) or Client Services Specialist became eligible to participate in the Qualified Plan and therefore became eligible to participate in the Plan, subject to the additional participation requirements of this Article 2 and the Plan.

No individual shall become a Participant after December 31, 2015.

ARTICLE 3

RETIREMENT AND OTHER BENEFITS

3.1 Normal Retirement, Postponed Retirement and Disability Retirement. A Participant in the Plan who has a Separation from Service on his Normal or Postponed Retirement Date shall be entitled to receive the Excess Normal or Postponed Retirement Income, as applicable, as described in Article 4. If a Participant incurs a Disability, the Participant shall be entitled to receive the Excess Disability Retirement Income described in Section 4.5.

3.2 Early Retirement. For a Separation from Service occurring on or after April 1, 2012, if a Participant has a Separation from Service prior to Normal Retirement (other than by death or by incurring a Disability) on or after age 60 and with 5 Years of Service or Fraction Thereof or on or after age 55 with 10 or more Years of Service or Fraction Thereof (in each case referred to as “Early Retirement”), an Excess Retirement Income will be payable in accordance with Section 4.3. For a Separation from Service occurring prior to April 1, 2012, (i) if a Participant has a Separation from Service prior to Normal Retirement (other than by death or by incurring a Disability) on or after age 60 and with 5 Years of Service or Fraction Thereof, an Excess Early Retirement Income will be payable in accordance with Section 4.3, and (ii) if a Participant has a Separation from Service prior to Normal Retirement (other than by death or incurring a Disability), on or after age 55 with 10 or more years of Credited Service (as defined in the Qualified Plan), an Excess Retirement Income will be payable in accordance with Section 4.3 unless, in its sole discretion, the Committee determines that a benefit shall not be payable to the Participant. In determining the number of years of Credited Service (as defined in the Qualified Plan) and the number of Years of Service or Fraction Thereof for a Participant listed in Schedule A, for purposes of this Section 3.2, the number of years of Credited Service (as defined in the Qualified Plan) and the number of Years of Service or Fraction Thereof occurring during the Freeze Period as defined in Section 4.6 shall be included. With respect to a Separation from Service occurring on or after July 14, 2015, in determining the number of Years of Service or Fraction Thereof for a Participant, who is not covered by the American International Group, Inc. 2012 Executive Severance Plan (the “ESP”), solely for purposes of this Section 3.2 and Section 5, the period of time, if any, during which a Participant is to receive severance in the form of salary continuation (not to exceed one year) shall be included. With respect to Participants who are covered under the ESP, solely for purposes of this Section 3.2 and Section 5, Years of Service or Fraction Thereof shall include the period of time of that the ESP specifies shall be included.

3.3 Death. If such a Participant dies prior to the commencement of benefits such that a death benefit is payable under the terms of the Qualified Plan, a death benefit shall be payable in accordance with Section 7.1; provided, however, that, except as hereinafter provided, no death benefit is payable if the Participant dies after termination of employment prior to his Early, Normal, Postponed or Disability Retirement Date. Notwithstanding the foregoing, in the case of an individual who (i) is a Participant in the Plan by reason of the merger of The Hartford Steam Boiler Excess Retirement Benefit Plan (the “HSB Excess Plan”), the Restoration of Retirement Income Plan for Certain Employees Participating in the Restated American General Retirement Plan (the “AG Restoration Plan”) or the 20th Century Industries Supplemental Pension Plan (the “20th Century Supplemental Plan”) into this Plan, (ii) terminates employment with a vested

interest in his or her accrued benefit under the HSB Excess Plan, the AG Restoration Plan or the 20th Century Supplemental Plan, as applicable, prior to eligibility for Early, Normal, Postponed or Disability Retirement under this Plan, and (iii) dies prior to the commencement of Excess Retirement Income, a death benefit shall be payable to the Participant's surviving spouse to the extent provided in the HSB Excess Plan as set forth in Appendix B, the AG Restoration Plan as set forth in Appendix A or the 20th Century Supplemental Plan as set forth in Appendix C, to the extent applicable to a Participant, with such benefit to commence within 90 days of the later of the date the Participant would have attained age 55 or the Participant's date of death.

3.4 Merger of the AG Restoration Plan. Effective as of July 1, 2005, the AG Restoration Plan was merged into this Plan. Any benefit a Participant had accrued as of the date of such merger under the AG Restoration Plan shall be payable in accordance with the terms of the Plan as set forth herein.

The AG Restoration Plan is attached as Appendix A to the Plan. Appendix A is only operational to the extent referenced in the Plan (exclusive of Appendix A) or incorporated by reference in the Plan (exclusive of Appendix A).

Notwithstanding the foregoing or Article 5, a Participant shall be vested in his benefit accrued under the AG Restoration Plan to the extent provided in the AG Restoration Plan as set forth in Appendix A.

3.5 Merger of the HSB Excess Plan. Effective as of January 1, 2005, the HSB Excess Plan was merged into this Plan. Any benefit a Participant had accrued as of the date of such merger under the HSB Excess Plan shall be payable in accordance with the terms of the Plan as set forth herein.

The HSB Excess Plan is attached as Appendix B to the Plan. Appendix B is only operational to the extent referenced in the Plan (exclusive of Appendix B) or incorporated by reference in the Plan (exclusive of Appendix B).

Notwithstanding the foregoing or Article 5, a Participant shall be vested in his benefit accrued under the HSB Excess Plan to the extent provided in the HSB Excess Plan as set forth in Appendix B.

3.6 Merger of the 20th Century Supplemental Plan. Effective as of January 1, 2008, the 20th Century Supplemental Plan was merged into this Plan. Any benefit a Participant had accrued as of the date of such merger under the 20th Century Supplemental Plan shall be payable in accordance with the terms of the Plan as set forth herein.

The 20th Century Supplemental Plan is attached as Appendix C to the Plan. Appendix C is only operational to the extent referenced in the Plan (exclusive of Appendix C) or incorporated by reference in the Plan (exclusive of Appendix C).

Notwithstanding the foregoing or Article 5, a Participant shall be vested in his benefit accrued under the 20th Century Supplemental Plan to the extent provided in the 20th Century Supplemental Plan as set forth in Appendix C.

3.7 Frozen Accrued Benefits for Certain Employees employed by ALICO Holdings LLC and its subsidiaries (“ALICO”). The accrued benefit (including eligibility for any early retirement subsidy) of each Participant who is an employee of ALICO as of November 1, 2010, the date the transactions described in the Stock Purchase Agreement entered into among the Company, ALICO Holdings LLC and MetLife, Inc. dated as of March 7, 2010 closed (the “Closing Date”), other than a Participant who is absent from work on such date due to a long-term disability or an unpaid medical leave of absence or leave due to a workplace injury covered by a workers’ compensation policy or program incurred more than six months prior to the sale (“ALICO Employee”), shall be frozen as of the Closing Date. The liability for the frozen accrued benefit of each ALICO Employee shall be transferred to a similar nonqualified deferred compensation plan maintained by MetLife, Inc. or one of its subsidiaries, effective as of the Closing Date.

ARTICLE 4

EXCESS RETIREMENT INCOME

4.1 For a Participant who incurs a Separation from Service prior to April 1, 2012, subject to Section 6.3, the Excess Normal Retirement Income payable to an eligible Participant in the Normal Form shall, commencing as of his Normal Retirement Date, be equal to the difference between (a) and (b) as stated below:

(a) the monthly amount of the Qualified Plan Retirement Income payable upon his Normal Retirement Date to which the Participant would have been entitled under the Qualified Plan, if such benefit were calculated under the Qualified Plan without giving effect to the limitations imposed by the application of Code Sections 401(a)(17) and 415 and if such Qualified Plan Retirement Income were calculated using Average Final Compensation as defined herein;

(b) the sum of (i) the monthly amount of Qualified Plan Retirement Income payable upon his Normal Retirement Date to the Participant under the Qualified Plan and any predecessor thereof after the limitations imposed by the application of Code Sections 401(a)(17) and 415 (whether or not such benefits are actually paid at such date) and (ii) the AG Offset, if any.

4.2 Effective April 1, 2012, subject to Section 6.3, the Excess Normal Retirement Income payable to an eligible Participant in the form provided under Article 6, shall, commencing as of his Normal Retirement Date, be equal to the amount determined in (a), (b), or (c) below, as applicable. Effective December 31, 2015, the Plan is frozen; consequently, such amount shall not increase after December 31, 2015, nor shall there be any increase in the offset amounts that are applied in determining such amount, other than any increase related to Interest Credits (as defined in the Qualified Plan).

(a) The Excess Normal Retirement Income payable to an eligible Participant (other than a Participant eligible for a Non-Grandfathered Transition Benefit or a Grandfathered Transition Benefit) shall be equal to the Participant's Excess Account.

(b) The Excess Normal Retirement Income payable to a Participant eligible for a Non-Grandfathered Transition Benefit shall be equal to the greater of (A) or (B), where:

(A) equals the Excess Account, reduced by the AG Offset, if any, and

(B) the sum of the Excess Account, disregarding the Excess Opening Balance, and the Frozen Accrued Benefit,

(c) The Excess Normal Retirement Income payable to a Participant eligible for a Grandfathered Transition Benefit shall be equal to the greatest of (A), (B), or (C), where:

(A) equals the Excess Account, reduced by the AG Offset, if any, and

(B) equals the sum of the Excess Account, disregarding the Excess Opening Balance, and the Frozen Accrued Benefit, and

(C) equals the Grandfathered Accrued Benefit.

4.3 A Participant who is eligible for Early Retirement under Section 3.2 shall be entitled to the benefit determined in this Section 4.3. Effective December 31, 2015, the Plan is frozen; consequently, such benefit shall not increase after December 31, 2015, nor shall there be any increase in the offset amounts that are applied in determining such benefit, other than any increase related to Interest Credits (as defined in the Qualified Plan).

(a) For a Separation from Service prior to April 1, 2012, subject to Section 6.3, if a Participant who is eligible for Early Retirement under Section 3.2 incurs a Separation from Service prior to Normal Retirement Date (other than by death or Disability), an amount shall be payable under this Plan commencing as of such Early Retirement Date (the "Excess Early Retirement Income"). Such Excess Early Retirement Income payable in the Normal Form shall be equal to the difference between (i) and (ii) as stated below:

(i) the monthly amount of the Qualified Plan Retirement Income payable upon his Early Retirement Date to which the Participant would have been entitled under the Qualified Plan, if such benefit were calculated under the Qualified Plan without giving effect to the limitations imposed by the application of Code Sections 401(a)(17) and 415 and if such Qualified Plan Retirement Income were calculated using Average Final Compensation as defined herein;

(ii) the sum of (A) the monthly amount of Qualified Plan Retirement Income payable upon his Early Retirement Date to the Participant under the Qualified Plan and any predecessor thereof after the limitations imposed by the application of Code Sections 401(a)(17) and 415 (whether or not such benefits are actually paid at such date) and (B) the AG Offset.

If the Participant is not eligible for Early Retirement under the Qualified Plan, the amounts computed under (i) and (ii) shall be the amounts that would be payable at Normal Retirement Date under those sections, but reduced by 6-2/3% for each year (and a fraction thereof for each full month) that retirement precedes age 65.

(b) Effective April 1, 2012, the Excess Early Retirement Income payable to an eligible Participant (other than a Participant Eligible for a Non-Grandfathered Transition Benefit or a Grandfathered Transition Benefit) in the form provided under Article 6 shall be equal to the Excess Account.

(c) Effective April 1, 2012, the Excess Early Retirement Income payable to a Participant eligible for a Non-Grandfathered Transition Benefit shall be equal to the greater of (A) or (B), where:

(A) equals the Excess Account reduced by the AG Offset, if any, and

(B) equals the sum of the Excess Account, disregarding the Excess Opening Balance, and the Frozen Accrued Benefit.

(d) Effective April 1, 2012, the Excess Early Retirement Income payable to a Participant eligible for a Grandfathered Transition Benefit shall be equal to the greatest of (A), (B), or (C), where:

(A) equals the Excess Account, reduced by the AG Offset, if any, and

(B) equals the sum of the Excess Account, disregarding the Excess Opening Balance, and the Frozen Accrued Benefit, and

(C) equals the Grandfathered Accrued Benefit.

(e) The Frozen Accrued Benefit and the Grandfathered Accrued Benefit shall be reduced to reflect early commencement by applying the early retirement factors set forth in the Qualified Plan.

(f) If the Participant is not eligible for Early Retirement under the Qualified Plan, the Frozen Accrued Benefit and the Grandfathered Accrued Benefit shall be the amounts that would be payable at Normal Retirement Date, but reduced by 6-2/3% for each of the first 5 years (and a fraction thereof for each full month) that retirement precedes age 65 and 3-1/3% for each year (and a fraction thereof for each full month) that retirement precedes age 60.

(g) For a Participant listed on Schedule A whose benefit is determined under Section 4.6(a), for purposes of determining what reduction factors apply under this Section 4.3, the number of years of Credited Service (as defined in the Qualified Plan) occurring during the Freeze Period shall be disregarded.

4.4 A Participant who is eligible for a benefit commencing on his Postponed Retirement Date under Section 3.1 shall be entitled to the benefit determined in this Section 4.4. Effective December 31, 2015, the Plan is frozen; consequently, such benefit shall not increase after December 31, 2015, nor shall there be any increase in the offset amounts that are applied in determining such benefit, other than any increase related to Interest Credits (as defined in the Qualified Plan).

(a) For a Participant who incurs a Separation from Service prior to April 1, 2012, subject to Section 6.3, the amount payable to an eligible Participant in the Normal Form, commencing as of his Postponed Retirement Date (the "Excess Postponed Retirement Income"), shall be equal to the difference between (i) and (ii) as stated below:

(i) the monthly amount of the Qualified Plan Retirement Income payable upon his Postponed Retirement Date to which the Participant would have been entitled under the Qualified Plan, if such benefit were calculated under the Qualified Plan without giving effect to the limitations imposed by the application of Code Sections 401(a)(17) and 415 and if such Qualified Plan Retirement Income were calculated using Average Final Compensation as defined herein;

(ii) the sum of (A) the monthly amount of Qualified Plan Retirement Income payable upon his Postponed Retirement Date to the Participant under the Qualified Plan and any predecessor thereof after the limitations imposed by the application of Code Sections 401(a)(17) and 415 (whether or not such benefits are actually paid at such date) and (B) the AG Offset.

(b) Effective April 1, 2012, the Excess Postponed Retirement Income payable to an eligible Participant (other than a Participant eligible for a Non-Grandfathered Transition Benefit or a Grandfathered Transition Benefit) in the form provided under Article 6 shall be equal to the Excess Account, subject to Section 4.4(f).

(c) Effective April 1, 2012, the Excess Postponed Retirement Income payable to a Participant eligible for a Non-Grandfathered Transition Benefit shall be equal to the greater of (A) or (B), subject to Section 4.4(f), where:

(A) equals the Excess Account reduced by the AG Offset, and

(B) equals the sum of the Excess Account, disregarding the Excess Opening Balance, and the Frozen Accrued Benefit.

(d) Effective April 1, 2012, the Excess Postponed Retirement Income payable to a Participant eligible for a Grandfathered Transition Benefit shall be equal to the greatest of (A), (B), or (C), subject to Section 4.4(f), where:

(A) equals the Excess Account reduced by the AG Offset, and

(B) equals the sum of the Excess Account, disregarding the Excess Opening Balance, and the Frozen Accrued Benefit, and

(C) equals the Grandfathered Accrued Benefit.

(e) For clarity, if the late retirement factors set forth in the Qualified Plan apply in determining the monthly amount of the Qualified Plan Retirement Income payable upon a Participant's Postponed Retirement referred to in Sections 4.4(a)(i) and (ii), 4.4(c) (B), and 4.4(d)(B) and (C), such late retirement factors shall apply in determining the amount of the Excess Postponed Retirement Income payable hereunder for a Participant listed on Schedule A whose benefit is determined under Section 4.6(a) or 4.6(b).

(f) The Excess Accounts for purposes of determining the amounts in Sections 4.4(b), 4.4(c), and 4.4(d) shall be increased by the excess (if any) of (i) the Excess Account at Normal Retirement Date increased by the late retirement factors set forth in the Qualified Plan in Section 2.14(b)(iii) over (ii) the Excess Account at the Postponed Retirement Date. The Grandfathered Accrued Benefit and the Frozen Accrued Benefit shall be increased after Normal Retirement Date by applying the late retirement factors set forth in Appendix C of the Qualified Plan.

4.5 A Participant who is eligible for Disability Retirement under Section 3.1 shall be entitled to the benefit determined in this Section 4.5. Effective December 31, 2015, the

Retirement Income for a Participant who is eligible for Disability Retirement shall not increase after December 31, 2015, nor shall there be any increase in the offset amounts that are applied in determining the amount of the Disability Retirement benefit, except for amounts related to Interest Credits (as defined in the Qualified Plan). For clarity, a Participant who incurs a Disability, regardless of the date of Disability, shall cease receiving further accruals as of December 31, 2015, and any Participant who incurs a Disability after that date shall be entitled only to his frozen accrued benefit as of December 31, 2015 (increased, if applicable, by any amount attributable to Interest Credits, as defined in the Qualified Plan).

(a) For a Participant who is determined to have incurred a Disability prior to April 1, 2012 and prior to his Normal Retirement Date (including a Participant who is determined to have incurred a Disability prior to his Early Retirement Date), subject to Section 6.3, an amount shall be payable in accordance with the terms of this Plan on such Participant's Normal Retirement Date (the "Excess Disability Retirement Income"). The Excess Disability Retirement Income payable in the Normal Form shall be equal to the difference between (i) and (ii) as stated below:

(i) the monthly amount of the Qualified Plan Retirement Income payable by reason of disability to which the Participant would have been entitled under the Qualified Plan, if such benefit were calculated under the Qualified Plan without giving effect to the limitations imposed by the application of Code Sections 401(a)(17) and 415 and if such Qualified Plan Retirement Income were calculated using Average Final Compensation as defined herein;

(ii) the sum of (X) the monthly amount of Qualified Plan Retirement Income payable by reason of disability to the Participant under the Qualified Plan and any predecessor thereof as of such Participant's Normal Retirement Date after the limitations imposed by the application of Code Sections 401(a)(17) and 415 (whether or not such benefits are actually paid at such date) and (Y) the AG Offset.

(b) The Excess Disability Retirement Income payable to an eligible Participant incurring a Disability on or after April 1, 2012 (other than a Participant Eligible for a Non-Grandfathered Transition Benefit or a Grandfathered Transition Benefit) shall be equal to the Excess Account.

(c) The Excess Disability Retirement Income payable to a Participant incurring a Disability on or after April 1, 2012 eligible for a Non-Grandfathered Transition Benefit shall be equal to the greater of (A) or (B), where:

(A) equals the Excess Account reduced by the AG Offset, and

(B) equals the sum of the Excess Account, disregarding the Excess Opening Balance and the Frozen Accrued Benefit.

(d) The Excess Disability Retirement Income payable to a Participant incurring a Disability on or after April 1, 2012 eligible for a Grandfathered Transition Benefit shall be equal to the greatest of (A), (B), or (C), where:

- (A) equals the Excess Account reduced by the AG Offset, and
- (B) equals the sum of the Excess Account, disregarding the Excess Opening Balance, and the Frozen Accrued Benefit, and
- (C) equals the Grandfathered Accrued Benefit.

4.6 Restriction on Benefit Accruals for Certain Participants.

(a) Notwithstanding anything in the Plan to the contrary, pursuant to rules established by the U.S. Treasury Department's special pay master ("Special Pay Master"), the benefit accruals of Participants listed in Schedule A shall freeze effective as of the date provided therein, and no benefit shall accrue under the Plan with respect to such Participants during the period set forth in Schedule A ("Freeze Period") as may be amended from time to time pursuant to rules established by the Special Pay Master. For purposes of determining the amounts described under Sections 4.1(a), 4.3(a), 4.4(a), and 4.5(a) for a Participant listed in Schedule A, the Freeze Period shall be disregarded in determining Credited Service as defined in the Qualified Plan and Average Final Compensation as defined herein. For purposes of determining the amounts described under Sections 4.1(b), 4.3(b), 4.4(b), and 4.5(b) for a Participant listed in Schedule A, the Freeze Period shall be disregarded in determining Credited Service and Average Final Compensation, each as defined in the Qualified Plan.

(b) Notwithstanding the foregoing paragraph, the benefit payable to a Participant listed on Schedule A shall be the lesser of the amount determined under Section 4.6(a) or the amount determined without regard to Section 4.6(a).

4.7 Actuarial equivalence. For purposes of determining the benefit payable under Sections 4.2(b) and (c), 4.3(c) and (d), 4.4(c) and (d), and 4.5(c) and (d), amounts payable as an annuity shall be converted to a lump-sum applying the factors that apply under the Qualified Plan for such purpose with respect to the Qualified Plan benefit.

ARTICLE 5

VESTING

A Participant shall have a nonforfeitable right to Excess Retirement Income under this Plan at such time that he attains his Normal Retirement Date. In addition, a Participant shall have a nonforfeitable right to Excess Retirement Income if he is eligible for Early Retirement pursuant to Section 3.2. Credited Service (as defined in the Qualified Plan), Years of Service or Fraction Thereof, and participation occurring during the Freeze Period as defined in Section 4.6 for a Participant listed on Schedule A shall be included in determining whether a Participant is vested, pursuant to this Article 5. Years of Service or Fraction Thereof occurring after December 31, 2015 shall also be included for determining whether a Participant is vested pursuant to this Article 5. Years of Service or Fraction Thereof with respect to the period of time, if any, during which a Participant who is not covered by the ESP is to receive severance in the form of salary continuation or during which the ESP specifies a Participant who is covered by the ESP must receive credit under this Article 5 shall be included in determining whether a Participant is vested pursuant to this Article 5.

A Participant who terminates employment prior to attaining his Early or Normal Retirement Date, other than by reason of Disability (as provided for in Section 4.5), shall have no rights or claims to Retirement Income under this Plan as of his date of termination. In the case of death, a Participant's Designated Beneficiary may have a claim for benefits in accordance with Article 3 and Article 7.

ARTICLE 6

MODES OF BENEFIT PAYMENT

6.1 Except as provided in Section 6.2, any Excess Retirement Income payable under this Plan accrued prior to April 1, 2012 shall be paid in the Normal Form, and any Excess Retirement Income payable under the Plan accrued on and after April 1, 2012 shall be paid in a lump sum. If a Participant dies prior to the commencement of benefits under the Plan, no benefits will be payable under the Plan except as specified in Article 7.

6.2 Only with respect to amounts accrued prior to April 1, 2012, in lieu of the Normal Form, a Participant may elect payment in an optional form of payment to the extent provided herein. The optional forms of benefits under the Plan shall include any of the annuity optional forms of benefits available under the Qualified Plan except for the Social Security Adjustment Option. Optional forms of benefit shall be actuarially equivalent to the Normal Form of benefit determined in accordance with the actuarial equivalent factors in effect under the Qualified Plan as of the date payment is to be made.

A Participant may elect an optional form of payment on a form provided by the Committee for such purpose. A Participant who has elected an annuity form of payment (or for whom the Normal Form of payment is in effect) may, at any time prior to Separation from Service or, in the case of Disability, prior to Normal Retirement Date, elect another form of annuity payment available under the Qualified Plan provided that such other form of payment is actuarially equivalent based on the actuarial equivalent factors in effect under the Qualified Plan as of the date payment is to be made. In the absence of any such an election, payment shall be made in the Normal Form.

6.3 Except as hereinafter provided or as provided in Section 6.4, payment of Excess Retirement Income under this Plan shall commence (or, for amounts accrued on and after April 1, 2012, shall be paid) within 90 days after the Participant incurs a Separation from Service with the Employer and each Affiliated Employer by reason of Normal, Early or Postponed Retirement. If the Participant terminates employment by reason of Disability Retirement, payment of Excess Retirement Income shall commence at the Participant's Normal Retirement Date. Provided further that if the Participant is a Specified Employee when such Participant incurs a Separation from Service, such Participant's Excess Retirement Income (except in the case of Disability Retirement) shall commence to be paid six months after the Participant separates from service. To the extent that monthly payments are delayed by reason of the foregoing six-month delay, such delayed monthly payments shall be paid to the Participant in a lump sum amount when his Excess Retirement Income commences adjusted with interest at an annual rate of 5%. To the extent that a lump sum payment is delayed by reason of the foregoing six month delay, such delayed payment shall be adjusted with interest at an annual rate of 5%.

6.4 Special Commencement Date Rules for Certain Participants. This Section 6.4 provides special rules for determining the commencement date of Excess Retirement Income benefits for certain participants, as follows:

(a) Except as described in (b), (c) or (d) below, in the case of a Participant who terminated employment with a vested right to Excess Retirement Income prior to January 1,

2008 (other than by reason of Disability Retirement) and who has not commenced receiving such Excess Retirement Income benefit by January 1, 2009, such Participant shall commence his or her Excess Retirement Income as of March 1, 2009.

(b) In the case of an individual who (i) is a Participant in the Plan by reason of the merger of the HSB Excess Plan into this Plan; (ii) has a vested interest in his or her accrued benefit under the HSB Excess Plan and (iii) terminates employment prior to eligibility for Early, Normal, Postponed or Disability Retirement under this Plan, such Participant shall commence payment of such HSB Excess Retirement Plan benefit within 90 days after the attainment of age 60 if such Participant terminated employment prior to age 55 or within 90 days after Separation from Service (but not earlier than six months after Separation from Service if the Participant is a Specified Employee) if such Participant terminates employment at or after age 55. To the extent that monthly payments are delayed by reason of the foregoing six-month delay, such delayed monthly payments shall be paid to the Participant in a lump sum amount when his Excess Retirement Income commences adjusted with interest at an annual rate of 5%.

If a Participant is described in (i) or (ii) above, but has, however, terminated employment after qualifying for Early, Normal, Postponed or Disability Retirement, such Participant's Excess Retirement Income shall be paid as specified in Section 6.3, subject to Section 6.4(e).

(c) In the case of an individual who (i) is a Participant in the Plan by reason of the merger of the AG Restoration Plan into this Plan; (ii) has a vested interest in his or her accrued benefit under the AG Restoration Plan and (iii) terminates employment prior to eligibility for Early, Normal, Postponed or Disability Retirement under this Plan, such Participant shall commence payment of such AG Restoration Plan benefit within 90 days after the attainment of age 55 if such Participant had earned 10 or more Years of Credited Service or within 90 days after the attainment of age 60 if such Participant had earned less than 10 Years of Credited Service (but not earlier than six months after Separation from Service if the Participant is a Specified Employee). To the extent that monthly payments are delayed by reason of the foregoing six-month delay, such delayed monthly payments shall be paid to the Participant in a lump sum amount when his Excess Retirement Income commences adjusted with interest at an annual rate of 5%.

If a Participant is described in (i) or (ii) above, but has, however, terminated employment after qualifying for Early, Normal, Postponed or Disability Retirement, such Participant's Excess Retirement Income shall be paid as specified in Section 6.3, subject to Section 6.4(e).

(d) In the case of an individual who (i) is a Participant in the Plan by reason of the merger of the 20th Century Supplemental Plan into this Plan; (ii) has a vested interest in his or her accrued benefit under the 20th Century Supplemental Plan and (iii) terminates employment prior to eligibility for Early, Normal, Postponed or Disability Retirement under this Plan, such Participant shall commence payment of such 20th Century Supplemental Plan benefit within 90 days of the attainment of age 55 if such Participant had earned 10 or more Years of Credited Service or within 90 days of the attainment of age 60 if such Participant had earned less than 10 Years of Credited Service (but not earlier than six months after Separation from Service)

if the Participant is a Specified Employee). To the extent that monthly payments are delayed by reason of the foregoing six-month delay, such delayed monthly payments shall be paid to the Participant in a lump sum amount when his Excess Retirement Income commences adjusted with interest at an annual rate of 5%.

If a Participant is described in (i) or (ii) above, but has, however, terminated employment after qualifying for Early, Normal, Postponed or Disability Retirement, such Participant's Excess Retirement Income shall be paid as specified in Section 6.3, subject to Section 6.4(e).

(e) Notwithstanding any other provision to the contrary, this Amendment shall not have the effect of accelerating payment of a benefit into the 2008 calendar year which, in the absence of this Amendment, would be paid after December 31, 2008. Any benefit which would be paid in 2008 (or earlier) as the result of this Amendment shall be paid instead as of March 1, 2009. This Amendment shall not have the effect of deferring payment of a benefit beyond 2008 if, in the absence of this Amendment, such benefit would be paid in 2008.

ARTICLE 7
DEATH BENEFITS

7.1 Effective December 31, 2015, the Plan is frozen; subsequently, the death benefits described in this Article 7 shall not increase after December 31, 2015, nor shall there be any increase in the offset amounts that are applied in determining the amount of the death benefits, other than any increase related to Interest Credits (as defined in the Qualified Plan). Upon the death of (i) a Participant who has not terminated from employment prior to his Normal, Early, or Postponed Retirement Date, or (ii) a Participant who terminates employment on a Normal, Early, or Postponed Retirement Date and dies prior to the date benefits commence under the Plan, if a Qualified Plan Pre-Retirement Survivor Annuity is payable under the Qualified Plan to the Surviving Spouse or, for deaths occurring on or after April 1, 2012, to the Participant's beneficiary under the Qualified Plan, an amount (the "Excess Pre-Retirement Survivor Annuity") shall be payable to the Surviving Spouse or, for deaths occurring on or after April 1, 2012, the Designated Beneficiary under this Plan.

(a) For deaths occurring prior to April 1, 2012, the monthly amount of the Excess Pre-Retirement Survivor Annuity payable to a Surviving Spouse shall be equal to (i) less (ii) less (iii) as stated below:

(i) the monthly amount of the Qualified Plan Pre-Retirement Survivor Annuity to which the Surviving Spouse would have been entitled under the Qualified Plan and any predecessor thereof as of the date of death or, if later, as of the first day of the calendar month coincident with or next following the date the Participant would have attained age 55, if such benefit were calculated under the Qualified Plan without giving effect to the limitations imposed by the application of Code Sections 401(a)(17) and 415 and if such Qualified Plan Pre-Retirement Survivor Annuity were calculated using Average Final Compensation as defined herein; less

(ii) the monthly amount of the Qualified Plan Pre-Retirement Survivor Annuity payable to the Surviving Spouse under the Qualified Plan and any predecessor thereof as of the date of death, or, if later, as of the first day of the calendar month coincident with or next following the date the Participant would have attained age 55 after the limitations imposed by the application of Code Sections 401(a)(17) and 415 (whether or not such benefits are actually paid as of such date); less

(iii) the AG Offset, if any.

For purposes of (ii) and (iii) above, if the Participant is not eligible for Early Retirement under the Qualified Plan, the amounts computed under (ii) and (iii) shall be the amounts that would be payable at Normal Retirement Date under those sections, but reduced by 6-2/3% for each of the first 5 years (and a fraction thereof for each full month) that payment precedes age 65 and 3-1/3% for each year (and a fraction thereof for each full month) that payment precedes age 60.

For a Participant listed on Schedule A whose benefit is determined under Section 7.4(a), for purposes of determining what reduction factors apply for purposes of this Section 7.1, the

number of years of Credited Service (as defined in the Qualified Plan) occurring during the Freeze Period shall be disregarded.

(b) For a death occurring on or after April 1, 2012, an Excess Pre-Retirement Survivor Annuity shall be payable to an eligible Participant's Designated Beneficiary.

(i) For the Designated Beneficiary of an eligible Participant (other than a Participant eligible for a Non-Grandfathered Transition Benefit or a Grandfathered Transition Benefit), the amount of the Excess Pre-Retirement Survivor Annuity shall be equal to the Excess Account.

(ii) For the Designated Beneficiary of an eligible Participant who is eligible for a Non-Grandfathered Transition Benefit, the amount of the Excess Pre-Retirement Survivor Annuity shall be equal to the Excess Account, reduced by the AG Offset.

(iii) For the Designated Beneficiary of an eligible Participant who is eligible for a Grandfathered Transition Benefit, the amount of the Excess Pre-Retirement Survivor Annuity shall be equal to the greater of (X) the Excess Account, reduced by the AG Offset, or (Y) the Grandfathered Accrued Benefit reduced to reflect early commencement, if applicable, by applying the early retirement factors set forth in the Qualified Plan, reduced by the AG Offset. If the participant is not eligible for Early Retirement under the Qualified Plan, the Grandfathered Accrued Benefit shall be the amounts that would be payable at Normal Retirement Date, but reduced by 6-2/3% for each of the first 5 years (and a fraction thereof for each full month) that payment preceded age 65 and 3-1/3% for each year (and a fraction thereof for each full month) that payment preceded age 60. For a Participant listed on Schedule A whose benefit is determined under Section 7.4(a), for purposes of determining what reduction factors apply for purposes of this Section 7.1, the number of years of Credited Service (as defined in the Qualified Plan) occurring during the Freeze Period shall be disregarded.

(c) Actuarial equivalence. For purposes of determining the benefit payable under Section 7.1(b)(iii), amounts payable as an annuity shall be converted to a lump-sum applying the factors that apply under the Qualified Plan for such purpose with respect to the Qualified Plan benefit at the time such benefit commences.

7.2 For a death occurring prior to April 1, 2012, any Excess Pre-Retirement Survivor Annuity shall be payable over the lifetime of the Surviving Spouse in monthly installments commencing after the Participant's date of death or, if later, within 90 days after the date the Participant would have attained age 55 and ceasing with the last monthly payment made prior to the Surviving Spouse's death. For a Participant other than a Participant eligible for a Non-Grandfathered Transition Benefit or a Grandfathered Transition Benefit, for a death occurring on and after April 1, 2012, any Excess Pre-Retirement Survivor Annuity shall be payable in a single lump sum to the Designated Beneficiary within 90 days after the death of the Participant. For a Participant eligible for a Non-Grandfathered Transition Benefit, for a death occurring on or after April 1, 2012, (i) the Excess Opening Account Balance shall be payable over the lifetime of the Designated Beneficiary in monthly installments commencing after the Participant's date of death

or, if later, within 90 days after the date the Participant would have attained age 55 and ceasing with the last monthly payment made prior to the Designated Beneficiary's death, and (ii) benefits accrued on or after April 1, 2012 shall be payable in a single lump sum to the Designated Beneficiary within 90 days after the death of the Participant. For a Participant eligible for a Grandfathered Transition Benefit, for a death occurring on or after April 1, 2012, (i) the Frozen Accrued Benefit shall be payable over the lifetime of the Designated Beneficiary in monthly installments commencing after the Participant's date of death or, if later, within 90 days after the date the Participant would have attained age 55 and ceasing with the last monthly payment made prior to the Designated Beneficiary's death, and (ii) benefits accrued on or after April 1, 2012 shall be payable in a single lump sum to the Designated Beneficiary within 90 days after the death of the Participant.

7.3 Except as provided in Section 3.3, upon the death of a Participant who terminated from employment prior to his Normal, Early, Postponed or Disability Retirement Date, no Excess Pre-Retirement Survivor Annuity shall be payable to such Participant's Surviving Spouse or Designated Beneficiary under this Plan. Except as provided in Article 6, with respect to a Participant who has retired and commenced receiving a benefit in a form that provides for continuation after the Participant's death, no other death benefits shall be payable from the Plan.

7.4 Restriction for Certain Participants.

(a) Notwithstanding anything in the Plan to the contrary, for purposes of determining the amount payable under Section 7.1 with respect to a Participant listed on Schedule A, the Freeze Period as defined in Section 4.6 shall be disregarded in determining (i) Credited Service as defined in the Qualified Plan and Average Final Compensation as defined herein, for purposes of determining the amount under Section 7.1(a), and (ii) Credited Service and Average Final Compensation, each as defined in the Qualified Plan, for purposes of determining the amount under Section 7.1(b).

(b) Notwithstanding the foregoing paragraph, the benefit payable to the Surviving Spouse or Designated Beneficiary of a Participant listed on Schedule A shall be the lesser of the amount determined under Section 7.4(a) or the amount determined under the Plan without regard to Section 7.4(a).

ARTICLE 8

LIABILITY OF THE COMPANY

8.1 The benefits of this Plan shall be paid by the Employer and shall not be funded prior to the time paid to the Participant, Designated Beneficiary, Surviving Spouse or joint or contingent annuitant designated by the Participant, unless and except as expressly provided otherwise by the Company. For clarity, the Company may, in its sole discretion, establish a grantor trust, escrow agreement or similar arrangement, subject to the claims of general creditors, to provide a source of funds to assist it in meeting its liabilities under the Plan.

8.2 A Participant who is vested in a benefit under this Plan shall be an unsecured creditor of the Employer as to the payment of any benefit under this Plan.

ARTICLE 9

ADMINISTRATION OF THE PLAN

9.1 Except for the functions reserved to the Company, the Retirement Board, or the Employee Benefits Department of the Company, [or the] the administration of the Plan shall be the responsibility of the Committee.

9.2 In its role as Plan Administrator, the Committee shall have the power and the duty to take all actions and to make all decisions necessary or proper to carry out the Plan. The determination of the Committee as to any question involving the general administration and interpretation of the Plan shall be final, conclusive and binding. Any discretionary actions to be taken under the Plan by the Committee shall be uniform in their nature and applicable to all persons similarly situated. Without limiting the generality of the foregoing, the Committee, in its role as Plan Administrator, shall have the following powers and duties:

- (a) To furnish to all Participants, upon request, copies of the Plan; and to require any person to furnish such information as it may request for the purpose of the proper administration of the Plan as a condition to receiving any benefits under the Plan;
- (b) To make and enforce such rules and regulations and prescribe the use of such forms as it shall deem necessary for the efficient administration of the Plan;
- (c) To interpret the Plan, and to resolve ambiguities, inconsistencies and omissions, which findings shall be binding, final and conclusive;
- (d) To decide on questions concerning the Plan in accordance with the provisions of the Plan;
- (e) The power to delegate its role as Plan Administrator to a person who may or may not be a member of the Committee for the purpose of ERISA; if the Committee does not so designate an Administrator, the Committee shall be the Plan Administrator;
- (f) To allocate any such powers and duties to or among individual members of the Committee; and
- (g) To designate persons other than Committee members to carry out any duty or power which would otherwise be a responsibility of the Committee or Administrator, under the terms of the Plan.

9.3 To the extent permitted by law, the Committee and any person to whom it may delegate any duty or power in connection with administering the Plan, the Employer, and the officers and directors thereof, shall be entitled to rely conclusively upon, and shall be fully protected in any action taken or suffered by them in good faith in the reliance upon, any actuary, counsel, accountant, other specialist, or other person selected by the Committee, or in reliance upon any tables, valuations, certificates, opinions or reports which shall be furnished by any of them. Further, to the extent permitted by law, no member of the Committee, nor the Employer, nor the officers or directors thereof, shall be liable for any neglect, omission or wrongdoing of

any other members of the Committee, agent, officer or employee of an Employer. Any person claiming under the Plan shall look solely to the Employer for redress.

9.4 All expenses incurred prior to the termination of the Plan that shall arise in connection with the administration of the Plan, including, but not limited to administrative expenses, proper charges and disbursements, compensation and other expenses and charges of any actuary, counsel, accountant, specialist, or other person who shall be employed by the Committee in connection with the administration thereof, shall be paid by the Employer.

9.5 Claims Procedure.

(a) In General

(i) Application. The claims procedures in Section 9.5(b) of the Plan apply to all claims for benefits of any kind other than claims related to disability benefits that are governed by the claims procedures in Section 9.5(c) of the Plan.

(ii) Filing of a Claim. A Participant, beneficiary, or other individual must file a claim for benefits under the Plan by filing a written claim, identified as a claim for benefits, with the Retirement Board (Employee Benefits Department in the case of a claim governed by Section 9.5(c)(i) of the Plan). In addition, the Retirement Board (Employee Benefits Department in the case of a claim governed by Section 9.5(c)(i) of the Plan) may treat any other written communication received by it as a claim for benefits, even if the writing or communication is not identified as a claim for benefits. In addition, a Participant, beneficiary, or other individuals alleging a violation of or seeking a remedy under any provision of the Act, other applicable law, the terms or the Plan, or asserting any other claims that arise under or in connection with the Plan shall also be subject to and must file any and all such claims under the claims procedure described in this Section 9.5 of the Plan.

(iii) Approval of a Claim. A claim is considered approved only if its approval is communicated in writing to a claimant. If a claimant does not receive a response to a claim for benefits within the applicable time period, the claimant may proceed with an appeal under the procedures described in Section 9.5(b) and (c), as applicable.

(iv) Claims Procedures Mandatory in All Cases. A claimant must follow the claims procedures (including both the initial determination and review processes) set forth in this Section 9.5 of the Plan before taking action in any other forum regarding a claim of any kind under or related to the Plan. Any such suit or action shall be filed within one year of the time the claim arises or it shall be deemed waived and abandoned. Also, any suit or action will be subject to such limitation period as applies under the Act or other applicable law, measured from the date a claim arises.

(v) Discretionary Acts. Benefits under this Plan will be paid only if the Retirement Board (Employee Benefits Department in the case of a claim governed by Section 9.5(c)(i) of the Plan) decides in its discretion that the applicant is entitled to them. In exercising its discretionary powers under the Plan, the Retirement Board (Employee

Benefits Department in the case of a claim governed by Section 9.5(c)(i) of the Plan) will have the broadest discretion permissible under the Act and any other applicable laws and its decisions will be final and binding upon all persons affected thereby.

(vi) Delegation of Authority. The Retirement Board (Employee Benefits Department in the case of a claim governed by Section 9.5(c)(i) of the Plan) may, in its sole discretion, delegate any and all authority under this Section 9.5 of the Plan, in any manner. Any delegation of some or all of the Retirement Board's (Employee Benefits Department's in the case of a claim governed by Section 9.5(c)(i) of the Plan) authority under this Section 9.5 of the Plan shall, unless otherwise provided in the Retirement Board's ((Employee Benefits Department's in the case of a claim governed by Section 9.5(c)(i) of the Plan) delegation, be empowered with the same discretion and authority as granted to the Retirement Board (Employee Benefits Department in the case of a claim governed by Section 9.5(c)(i) of the Plan) under this Section 9.5 of the Plan.

(b) Non-Disability Claims

(i) Initial Claims. The Retirement Board will decide a claim within 90 days of the date on which the claim is received by the Retirement Board, unless special circumstances require a longer period for adjudication and the claimant is notified in writing, prior to the expiration of the 90-day period, of the reasons for an extension of time and the expected decision date. If the Retirement Board fails to notify the claimant of its decision to grant or deny such claim within the time specified by this paragraph, the claimant may request the review of his or her claim pursuant to the claims review procedures set forth in Section 9.5(b)(ii) of the Plan. If a claim is denied, in whole or in part, the claimant must receive a written notice containing:

(A) the specific reason(s) for the adverse determination;

(B) a reference to the specific Plan provision(s) on which the adverse determination is based;

(C) a description of additional information necessary for the claimant to perfect his or her claim and an explanation of why such material is necessary; and

(D) an explanation of the procedure for review of the denied or partially denied claim set forth below, including the claimant's right to bring a civil action under Section 502(a) of the Act following an adverse benefit determination on review.

(ii) Review of Denied Claims. The claimant will have 60 days to request in writing a review of the denial of his or her claim by the Retirement Board (or, if the claimant has not received a response to the initial claim, within 150 days of the filing of the initial claim). The claimant or his duly authorized representative will have, upon request and free of charge, reasonable access to, and copies of all, documents, records, and other information relevant to the claimant's claim for benefits. If the claimant files a request for review, his request must include a description of the issues

and evidence he deems relevant. Failure to raise issues or present evidence on review will preclude those issues or evidence from being presented in any subsequent proceeding or judicial review of the claim. The review will take into account all available information, regardless of whether such information was submitted or considered in the initial benefit determination.

The Retirement Board must render its decision on the review of the claim no more than 60 days after the Retirement Board's receipt of the request for review, except that this period may be extended for an additional 60 days if the Retirement Board determines that special circumstances (including, but not limited to, a hearing) require such extension. If an extension of time is required, written notice of the expected decision date and the reasons for the extension will be furnished to the claimant before the end of the initial 60-day period. If a review of a claim is denied, in whole or in part, the claim must receive a written notice containing:

- (A) the specific reason(s) for the adverse determination;
- (B) a reference to specific Plan provision(s) on which the adverse determination is based;
- (C) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claimant's claim for benefits; and
- (D) a statement of the claimant's right to bring a civil action under Section 502(a) of the Act.

(c) Disability Claims.

(i) Initial Claims. The Employee Benefits Department will decide a claim within 45 days of the date on which the claim is received by the Employee Benefits Department. If the Employee Benefits Department determines that an extension is necessary for reasons beyond its control, the Employee Benefits Department may extend this period for an additional 30 days by notifying the claimant of the reasons for the extension and the date when the claimant can expect to receive a decision. The Employee Benefits Department may also extend this period for a second 30 day period by again complying with the requirements applicable to the initial 30-day extension. If an extension is provided in order to allow the claimant time to provide additional information necessary to review the claim, the response deadlines applicable to the Employee Benefits Department will be tolled until the earlier of the date 45 days after the date of the request for additional information or the date the Employee Benefits Department receives the additional information. If the Employee Benefits Department fails to notify the claimant of its decision to grant or deny such claim within the time specified by this paragraph, the claimant may request the review of his or her claim pursuant to the claims review procedures set forth in Section 9.5(c)(ii) of the Plan. If a claim is denied, in whole or in part, the claimant must receive a written notice containing:

- (A) the specific reason(s) for the adverse determination;

(B) a reference to the specific Plan provision(s) on which the adverse determination is based;

(C) a description of additional information necessary for the claimant to perfect his or her claim and an explanation of why such material is necessary;

(D) an explanation of the procedure for review of the denied or partially denied claim set forth below, including the claimant's right to bring a civil action under Section 502(a) of the Act following an adverse benefit determination on review;

(E) if applicable, any internal rule, guideline, protocol, or other similar criterion relied on in making the adverse benefit determination (or a statement that such information is available free of charge upon request); and

(F) if the adverse benefit determination is based on a scientific or clinical exclusion or limit, an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to the claimant's circumstances (or a statement that such explanation is available free of charge upon request).

(ii) **Review of Denied Claims.** The claimant will have 180 days to request in writing a review of the denial of his or her claim by the Retirement Board. The claimant or his duly authorized representative will have, upon request and free of charge, reasonable access to, and copies of all, documents, records, and other information relevant to the claimant's claim for benefits. If the claimant files a request for review, his request must include a description of the issues and evidence he deems relevant. Failure to raise issues or present evidence on review will preclude those issues or evidence from being presented in any subsequent proceeding or judicial review of the claim. The review will take into account all available information, regardless of whether such information was submitted or considered in the initial benefit determination and will not afford deference to the initial disability determination.

In no event will the review be conducted by the person who made the initial determination or by a subordinate of such person. If the initial adverse benefit determination was based in whole or in part on a medical judgment, including determinations with regard to whether a particular treatment, drug, or other item is experimental, investigational, or not medically necessary or appropriate, the Retirement Board shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment and who neither was consulted nor is the subordinate of an individual who was consulted in connection with the adverse benefit determination that is the subject of the claimant's request for review. In addition, the reviewer shall provide for the identification of medical or vocational experts whose advice was obtained on behalf of the plan in connection with a claimant's adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

The Retirement Board must render its decision on the review of the claim no more than 45 days after the Retirement Board's receipt of the request for review, except that this period may be extended for an additional 45 days if the Retirement Board determines that special circumstances (including, but not limited to, a hearing) require such extension. If an extension of time is required, written notice of the expected decision date and the reasons for the extension will be furnished to the claimant before the end of the initial 45-day period. If an extension is provided in order to allow the claimant time to provide additional information necessary to review the claim, the response deadlines applicable to the Retirement Board will be tolled until the earlier of the date 45 days after the date of the request for additional information or the date the Retirement Board receives the additional information. If a review of a claim is denied, in whole or in part, the claim must receive a written notice containing:

- (A) the specific reason(s) for the adverse determination;
- (B) a reference to specific Plan provision(s) on which the adverse determination is based;
- (C) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claimant's claim for benefits; and
- (D) a statement describing any voluntary appeal procedures offered by the Plan and the claimant's right to obtain the information about such procedures and a statement of the claimant's right to bring a civil action under Section 502(a) of the Act.
- (E) if applicable, any internal rule, guideline, protocol, or other similar criterion relied upon in making the adverse benefit determination (or a statement that such information will be provided free of charge upon request); and
- (F) if the adverse benefit determination is based on medical necessity or an experimental care exclusion or similar exclusion or limit, an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to the claimant's medical circumstances (or a statement that such explanation is available free of charge upon request).

ARTICLE 10

AMENDMENT OR TERMINATION OF THE PLAN

10.1 The Committee shall have the power to suspend or terminate this Plan in whole or in part at any time, and from time to time to extend, modify, amend, revise, or terminate this Plan in such respects as the Committee by resolution may deem advisable; provided that no such extension, modification, amendment, revision, or termination shall deprive a Participant or any beneficiary designated by a Participant of the vested portion of any benefit under this Plan.

ARTICLE 11

GENERAL PROVISIONS

11.1 This Plan shall not be deemed to constitute a contract between the Employer and any Employee or other person whether or not in the employ of the Employer, nor shall anything herein contained be deemed to give any Employee or other person whether or not in the employ of the Employer any right to be retained in the employ of the Employer, or to interfere with the right of the Employer to discharge any Employee at any time and to treat him without any regard to the effect which such treatment might have upon him as a Participant of the Plan.

11.2 Except as may otherwise be required by law, no distribution or payment under the Plan to any Participant, beneficiary, or joint or contingent annuitant, shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, whether voluntary or involuntary, and any attempt to so anticipate, alienate, sell, transfer, assign, pledge, encumber or charge the same shall be void; nor shall any such distribution or payment be in any way liable for or subject to the debts, contracts, liabilities, engagements or torts of any person entitled to such distribution or payment. If any Participant, beneficiary, or joint or contingent annuitant is adjudicated bankrupt or purports to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge any such distribution or payment, voluntarily or involuntarily, the Committee, in its discretion, may cancel such distribution or payment or may hold or cause to be held or applied such distribution or payment or any part thereof to or for the benefit of such Participant, beneficiary, or joint or contingent annuitant in such manner as the Committee shall direct.

11.3 If the Employer determines that any person entitled to payments under the Plan is an infant or incompetent by reason of physical or mental disability, it may cause all payments thereafter becoming due to such person to be made to any other person for his benefit, without responsibility to follow application of amounts so paid. Payments made pursuant to this provision shall completely discharge the Plan, the Employer and the Committee.

11.4 The Employer shall be the sole source of benefits under this Plan, and each Employee, Participant, joint or contingent annuitant, beneficiary, or any other person who shall claim the right to any payment or benefit under this Plan shall be entitled to look only to the Employer for payment of benefits.

11.5 If the Employer is unable to make payment to any Participant or other person to whom a payment is due under the Plan because it cannot ascertain the identity or whereabouts of such Participant or other person after reasonable efforts have been made to identify or locate such person (including a notice of the payment so due mailed to the last known address of such Participant or other person shown on the records of the Employer), such payment and all subsequent payments otherwise due to such Participant or other person shall be forfeited twenty-four (24) months after the date such payment first became due; provided, however, that such payment and any subsequent payments shall be reinstated retroactively, no later than sixty (60) days after the date on which the Participant or person is identified or located.

11.6 The Employer shall have the right to deduct from each payment made under the Plan any amount required to satisfy its obligation to withhold federal, state and local taxes, if any.

11.7 The provisions of the Plan shall be construed, administered and governed under applicable Federal laws and the laws of the State of New York.

Appendix A

Restoration of Retirement Income Plan For Certain Employees Participating in the Restated American General Retirement Plan

December 31, 1998 Restatement

(Incorporation November, 1991 Plan and Amendments thereof)

**RESTORATION OF RETIREMENT INCOME PLAN
FOR CERTAIN EMPLOYEES PARTICIPATING IN THE
RESTATED AMERICAN GENERAL RETIREMENT PLAN**

The RESTORATION OF RETIREMENT INCOME PLAN FOR CERTAIN EMPLOYEES PARTICIPATING IN THE RESTATED AMERICAN GENERAL RETIREMENT PLAN (hereinafter referred to as the "Restoration Plan") is hereby restated effective as of December 31, 1998 by AMERICAN GENERAL CORPORATION and its subsidiaries (hereinafter referred to as the "Employer," jointly and severally). The Restoration Plan has been established to provide for the payment of certain pension and pension-related benefits to certain employees who are participants in the AMERICAN GENERAL RETIREMENT PLAN (hereinafter referred to as the "Basic Plan"). The Employer intends and desires to recognize the value to the Employer of the past and present services of employees covered by the Restoration Plan and to encourage and assure their continued service to the Employer by making more adequate provision for their future retirement security. All terms used in this Restoration Plan shall have the meanings assigned to them under the provisions of the Basic Plan unless otherwise qualified by the context.

1. Incorporation of the Basic Plan

The Basic Plan, with any amendments thereto, shall be attached hereto as Exhibit I and is hereby incorporated by reference into and shall form a part of this Restoration Plan as fully as if set forth herein verbatim. Any amendment made to the Basic Plan by the Employer shall also be incorporated by reference into and form a part of this Restoration Plan, effective as of the effective date of such amendment. The Basic Plan, whenever referred to in this Restoration Plan, shall mean the Basic Plan, as amended, as it exists as of the date any determination is made of benefits payable under this Restoration Plan.

2. Administration

This Restoration Plan shall be administered by the administrative committee (hereinafter referred to as the "Committee") under the Basic Plan which shall administer it in a manner consistent with the administration of the Basic Plan, as from time to time amended and in effect, except that this Restoration Plan shall be administered as an unfunded plan that is not intended to meet the qualification requirements of section 401 of the Internal Revenue Code of 1986, as amended (the "Code"). The Committee shall have full power and authority to interpret, construe and administer this Restoration Plan. No member of the Committee shall be liable to any person for any action taken or omitted in connection with the interpretation and administration of this Restoration Plan unless attributable to his own willful misconduct or lack of good faith. Members of the Committee shall not participate in any action or determination regarding their own benefits hereunder.

3. Eligibility

Employees, excluding Career Agents, who are Highly Compensated Participants who are participating in the Basic Plan, and either (1) whose pension or pension-related benefits under the Basic Plan are limited pursuant to section 401(a)(17) or section 415 of the Code or (2) who are eligible to participate in the American General Corporation Deferred Compensation Plan, shall be eligible for benefits under this Restoration Plan. In no event shall an employee who is not eligible for benefits under the Basic Plan be eligible for a benefit under this Restoration Plan.

4. Amount of Benefit

The benefit payable to an eligible employee or his beneficiary under this Restoration Plan shall be the Actuarial Equivalent of the excess, if any, of (a) over (b):

(a) the benefit that would have been payable to such employee or on his behalf under the Basic Plan if such benefit were determined without regard to the maximum amount of benefit limitations of section 415 of the Code, without regard to the considered compensation limitations of section 401(a)(17) of the Code, as if the definition of Compensation under the Basic Plan as in effect on March 21, 1985 were applicable for the period January 1, 1985 through March 20, 1985 and as if the definition of Compensation included executive deferred compensation;

(b) the benefit which is in fact payable to such employee or on his behalf under the Basic Plan, as in effect from time to time.

5. Payment of Benefits

The benefit payable under this Restoration Plan on account of an eligible employee's death shall be paid to the same beneficiary or beneficiaries and in the same form and at the same time or times as the limited benefits are payable to the employee's beneficiary under the Basic Plan. The benefit payable under this Restoration Plan for any reason other than on account of an eligible employee's death shall be payable in the form of a benefit for the life of the employee, beginning at his age sixty-five or, if later, his termination of employment with the Employer. Notwithstanding the foregoing, however, the Committee may, in its sole discretion, direct that the benefit payable under this Restoration Plan shall be paid in the same form as, and coincident with, the payment of the limited benefit payments made to the eligible employee or on his behalf to his beneficiary or beneficiaries under the Basic Plan. Further, notwithstanding any of the foregoing provisions of this Section 5, if an eligible employee becomes entitled to a lump sum payment under Section 2.6 (or a successor section) of the American General Corporation Supplemental Executive Retirement Plan, the employee shall receive the benefit payable under this Restoration Plan in the form of a lump sum amount, in cash, equal to the actuarial equivalent of such benefit. Such lump sum amount shall be paid within the five (5) business days immediately following termination of the employee's employment.

6. Employee's Rights

Except as otherwise specifically provided, an employee's rights under this Restoration Plan, including his rights to vested benefits, shall be the same as his rights under the Basic Plan.

Benefits payable under this Restoration Plan shall be a general, unsecured obligation of the Employer to be paid by the Employer from its own funds, and such payments shall not (i) impose any obligation upon the Trust Fund under said Basic Plan; (ii) be paid from the Trust Fund under said Basic Plan; or (iii) have any effect whatsoever upon the Basic Plan or the payment of benefits from the Trust Fund under said Basic Plan. No employee or his beneficiary or beneficiaries shall have any title to or beneficial ownership in any assets which the Employer may earmark to pay benefits hereunder.

7. Amendment and Discontinuance

This Restoration Plan may be amended from time to time, or terminated and discontinued at any time, in each case at the discretion of the Board of Directors of American General Corporation. Notwithstanding the foregoing, no amendment shall be made, nor shall this Restoration Plan be terminated in a manner which would reduce the benefits or rights to benefits of any employee accrued under the Restoration Plan (determined on the basis of each employee's presumed termination of employment as of the date of such amendment or termination) prior to the later of the adoption or the effective date of such amendment or termination.

8. Restrictions on Assignment

The interest of an employee or his beneficiary or beneficiaries may not be sold, transferred, assigned, or encumbered in any manner, either voluntarily or involuntarily, and any attempt so to anticipate, alienate, sell, transfer, assign, pledge, encumber, or charge the same shall be null and void; neither shall the benefits hereunder be liable for or subject to the debts, contracts, liabilities, engagements, or torts of any person to whom such benefits or funds are payable, nor shall they be subject to garnishments, attachment, or other legal or equitable process nor shall they be an asset in bankruptcy.

9. Nature of Agreement

This Restoration Plan is intended to constitute an unfunded "excess benefit plan" within the meaning of sections 3(36) and 4(b)(5) of the Employee Retirement Income Security Act of 1974, as amended, with respect to a part of the Restoration Plan and an unfunded "deferred compensation plan" for a select group of management or highly-compensated employees within the meaning of sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974, as amended, with respect to the remainder of the Restoration Plan. The adoption of this Restoration Plan and any setting aside of amounts by the Employer with which to discharge its obligations hereunder shall not be deemed to create a trust; legal and equitable title to any funds so set aside shall remain in the Employer, and any recipient of benefits hereunder shall have no security or other interest in such funds. Any and all funds so set aside shall remain subject to the claims of the general creditors of the Employer, present and future. This provision shall not require the Employer to set aside any funds, but the Employer may set aside such funds if it chooses to do so. Notwithstanding the provisions of Sections 6 and 11 hereof and the foregoing provisions of this Section 9, American General Corporation may, in its discretion, establish a trust to pay amounts becoming payable pursuant to this Restoration Plan, which trust shall be subject to the claims of the general creditors of American General

Corporation in the event of its bankruptcy or insolvency. Notwithstanding any establishment of such a trust, the Employer shall remain responsible for the payment of any amounts so payable which are not so paid by such trust.

10. Continued Employment

Nothing contained herein shall be construed as conferring upon any employee the right to continue in the employ of the Employer in any capacity.

11. Binding on Employer, Employees and Their Successors

This Restoration Plan shall be binding upon and inure to the benefit of the Employer, its successors and assigns and the employee and his heirs, executors, administrators and legal representatives. The provisions of this Restoration Plan shall be applicable with respect to each Employer separately, and amounts payable hereunder shall be paid by the Employer of the particular employee.

12. Employment with More Than One Employer

If any employee shall be entitled to benefits under the Basic Plan on account of service with more than one Employer, the obligations under this Restoration Plan shall be apportioned among such Employers on the basis of time of service with each, except that an Employer from whose employ such employee was transferred prior to his retirement, death or disability shall be obligated with respect to employment prior to such transfer only to the extent of an amount based on assumed pay increases in accordance with the scale used for computing the actuarial cost under the Basic Plan for the year of the transfer. If obligations are so limited, the remaining obligations shall be borne by the last Employer.

13. Laws Governing

This Restoration Plan shall be construed in accordance with and governed by the laws of the State of Texas.

EXECUTED as of the 31st day of December, 1998.

AMERICAN GENERAL CORPORATION

By: _____
Mark S. Berg
Executive Vice President and General Counsel

Appendix B

**THE HARTFORD STEAM BOILER
Excess Retirement Benefit Plan**

As Amended and Restated October 23, 1989

TABLE OF CONTENTS

ARTICLE I PURPOSE	B-3
ARTICLE II ELIGIBILITY	B-3
ARTICLE III AMOUNT AND PAYMENT OF BENEFIT	B-3
ARTICLE IV UNFUNDED OBLIGATIONS, TRUST AGREEMENT	B-4
ARTICLE V TERMINATION AND MODIFICATION	B-4
ARTICLE VI EFFECTIVE DATE	B-4
ARTICLE VII CHANGE IN CONTROL	B-4
ARTICLE VIII ASSIGNMENT AND ALIENATION	B-5

ARTICLE I

PURPOSE

The purpose of the Plan is to provide benefits that would have been provided under The Hartford Steam Boiler Inspection and Insurance Company Retirement Plan (hereinafter the "Retirement Plan") but for the provisions of Section 415 of the Internal Revenue Code as referenced in Article IX of the Retirement Plan.

ARTICLE II

ELIGIBILITY

Eligibility to participate in this Plan shall be determined in accordance with the participation requirements contained in the Retirement Plan.

ARTICLE III

AMOUNT AND PAYMENT OF BENEFIT

The provisions of Articles I, II, III and VI of the Retirement Plan and any future amendments thereto are incorporated herein by reference and apply to the benefit provided herein insofar as they are not in conflict with the specific provisions contained under this Plan.

If a participant, except a Vested Terminated Participant (as defined under Section 1.36 of the Retirement Plan), has a spouse at the time benefit payments hereunder are scheduled to commence, benefits shall be paid to him in accordance with the Employee/Spouse Income Option described under Section 4.02(a) of the Retirement Plan.

If a Vested Terminated Participant has a spouse at the time benefit payments are scheduled to commence, benefits shall be paid to him in accordance with the Qualified Joint and Survivor Annuity described under Section 4.02(b) of the Retirement Plan.

If a participant, including a Vested Terminated Participant, does not have a spouse at the time benefit payments are scheduled to commence, benefits shall be paid to him in accordance with the Employee Only Income Option described under Section 4.03 of the Retirement Plan.

This Plan will provide a retirement benefit in an amount equal to the amount by which the retirement income, calculated in accordance with Article III of the Retirement Plan without regard to Article IX of the Retirement Plan, is reduced after applying the limitations of Article IX.

For a participant, other than a Vested Terminated Participant or a Disabled Participant, benefits shall commence on the first day of the month following participant's actual retirement date. For a Vested Terminated Participant or a Disabled Participant benefits shall commence on the first day of the month following such participant's Normal Retirement Date (as defined in the Plan).

ARTICLE IV

UNFUNDED OBLIGATIONS, TRUST AGREEMENT

The Company will pay from its general assets all payments to be made hereunder. However, the Company may in its discretion establish a trust, escrow agreement or similar arrangement in order to aid the Company in meeting its obligations hereunder.

Any assets transferred by the Company into any such arrangement shall remain at all times assets of the Company and subject to the claims of the Company's general creditors in the event of bankruptcy or insolvency of the Company. No security interest in such assets shall be created in a participant's favor and a participant's rights under this Plan and under any such arrangement shall be those of a general unsecured creditor of the Company.

ARTICLE V

TERMINATION AND MODIFICATION

The Board of Directors of the Company may at any time terminate or from time to time modify or suspend, and if suspended, may reinstate any or all of the provisions of this Plan except that no modification or termination of this Plan may reduce any benefit that has accrued under this Plan as of the date of modification or termination.

ARTICLE VI

EFFECTIVE DATE

The effective date of this Plan shall be January 1, 1984.

ARTICLE VII

CHANGE IN CONTROL

In the event of a Change in Control of the Company this Plan shall continue to be binding upon the Company, any successor in interest to the Company and all persons in control of the Company or any successor thereto and no transaction or series of transactions shall have the effect of reducing or eliminating the benefits payable to a participant that have not been distributed unless consented to in writing by such affected participant. A "Change in Control" as referred to under this Section shall be deemed to have occurred if:

- (a) any "person" (as defined in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing twenty-five percent (25%) or more of the combined voting power of the Company's then outstanding securities;

- (b) during any period within two (2) consecutive years there shall cease to be a majority of the Board of Directors comprised as follows: individuals who at the beginning of such period constitute the Board of Directors and any new director(s) whose election by the Board of Directors or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved; or
- (c) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation, other than (i) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 80% of the combined voting power of the voting securities of the Company (or such surviving entity) outstanding immediately after such merger or consolidation or (ii) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no "person" (as hereinabove defined) acquires more than 25% of the combined voting power of the Company's then outstanding securities; or
- (d) the shareholders of the Company approve (i) a plan of complete liquidation of the Company or (ii) the sale or other disposition of all or substantially all the Company assets.

ARTICLE VIII

ASSIGNMENT AND ALIENATION

Benefits under this Plan may not be anticipated, assigned (either at law or in equity), alienated, or subjected to attachment, garnishment, levy, execution or other legal or equitable process. If any participant or beneficiary under this Plan becomes bankrupt or attempts to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge any benefit under this Plan, such benefit shall, in the discretion of the Committee, cease and terminate, in which event the Committee may hold or apply the same or any part thereof for the benefit of such participant, his beneficiary, his spouse, children, other dependants or any of such individuals, in such manner and in such proportion as the Committee may deem proper.

Appendix C

20TH CENTURY INDUSTRIES Supplemental Pension Plan (RESTATEMENT NO. 1)

REV 5/1/98

TABLE OF CONTENTS

ARTICLE I PURPOSE	C-4
ARTICLE II DEFINITIONS	C-4
2.1 "Committee"	C-4
2.2 "Company"	C-4
2.3 "Compensation"	C-4
2.4 "Early Retirement Date"	C-5
2.5 "Effective Date"	C-5
2.6 "Eligible Employee"	C-5
2.7 "Normal Retirement Date"	C-5
2.8 "Participant"	C-5
2.9 "Plan"	C-5
2.10 "Plan Administrator"	C-5
2.11 "Plan Year"	C-5
2.12 "Qualified Pension Plan"	C-5
2.13 "Separation from Service"	C-5
ARTICLE III ELIGIBILITY AND PARTICIPATION	C-6
3.1 Eligibility to Participate	C-6
3.2 Certain Enrollment Procedures	C-6
ARTICLE IV CALCULATION OF BENEFITS	C-6
4.1 Benefits under this Plan	C-6
4.2 Benefit Formula	C-6
4.3 Offset of Benefit under the 20th Century Industries Supplemental Executive Retirement Plan	C-7
4.4 Benefit Commencement at Early Retirement Date	C-7
ARTICLE V VESTING OF BENEFITS	C-7
ARTICLE VI PAYMENT OF BENEFITS	C-7
6.1 Date of Payment	C-7
6.2 Form of Payment	C-8
ARTICLE VII DEATH AND DISABILITY BENEFITS	C-8
7.1 Death Benefit	C-8
7.2 Disability Benefit	C-9
ARTICLE VIII RIGHT TO TERMINATE OR MODIFY PLAN	C-9
ARTICLE IX NO ASSIGNMENT, ETC.	C-9
ARTICLE X THE COMMITTEE	C-10



ARTICLE XI RELEASE	C-10
ARTICLE XII NO CONTRACT OF EMPLOYMENT	C-11
ARTICLE XIII COMPANY'S OBLIGATION TO PAY BENEFITS	C-11
ARTICLE XIV CLAIM REVIEW PROCEDURE	C-11
ARTICLE XV ARBITRATION	C-12
ARTICLE XVI MISCELLANEOUS	C-13
16.1 Successor and Assigns	C-13
16.2 Notices	C-13
16.3 Limitations on Liability	C-13
16.4 Certain Small Benefits	C-13
16.5 Governing Law	C-13

ARTICLE I

PURPOSE

The purpose of the 20th Century Industries Supplemental Pension Plan (the "Plan") is to attract and retain valuable executive employees by making available certain benefits that otherwise would be unavailable under the Company's Qualified Pension Plan.

This Plan is designed to qualify as an unfunded plan of deferred compensation for a select group of management or highly compensated employees described in 29 CFR § 2520.104-23 and Sections 201(a), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). Further, this Plan is a plan described in 4 U.S.C. Section 114 and Section 3121(v)(2)(C) of the Internal Revenue Code ("Code"), established to pay retirement income after termination of employment, and maintained solely for the purpose of providing retirement benefits for employees in excess of the limitations imposed by one or more of Sections 401(a)(17), 401(k), 401(m), 402(g), 403(b), 408(k), or 415 of such Code or any other limitation on contributions or benefits in such Code on plans to which any of such Sections apply.

This instrument amends and restates the provisions of this Plan, this amendment and restatement to be effective as of January 1, 1996.

ARTICLE II

DEFINITIONS

The following terms shall have the meanings set forth below in this Article II, when capitalized:

2.1 "Committee"

means the committee appointed to administer the Plan in accordance with Article X.

2.2 "Company"

means 20th Century Industries, and shall include any corporation that is affiliated with 20th Century Industries, and which, by designation by the Chief Executive Officer of 20th Century Industries, is included within the meaning of the term "Company," with the result that otherwise eligible executives of such entity may participate herein.

2.3 "Compensation"

means compensation as defined in the Qualified Pension Plan determined, however, without regard to the limitations of Section 401(a)(17) and prior to any reduction for compensation deferrals under the 20th Century Industries 401(k) Supplemental Plan, the 20th Century Industries Savings and Security Plan and any salary reduction pursuant to Code Section 125 or 129.

2.4 "Early Retirement Date"

means Early Retirement Date as defined in the Qualified Pension Plan.

2.5 "Effective Date"

means January 1, 1996.

2.6 "Eligible Employee"

means an employee of the Company who on or after the Effective Date has Compensation for a Plan Year in excess of the applicable limit under Section 401(a)(17) of the Internal Revenue Code, except as provided in Section 3.2.

2.7 "Normal Retirement Date"

means Normal Retirement Date as defined in the Qualified Pension Plan.

2.8 "Participant"

means each Eligible Employee who has commenced to participate in this Plan in accordance with Article III.

2.9 "Plan"

means the 20th Century Industries Supplemental Pension Plan, as set forth herein.

2.10 "Plan Administrator"

means 20th Century Industries. For purposes of Section 3(16)(A) of ERISA, 20th Century Industries shall be the "plan administrator" and shall be responsible for compliance with any applicable reporting and disclosure requirements imposed by ERISA.

2.11 "Plan Year"

means the fiscal period commencing each January 1 and ending the following December 31.

2.12 "Qualified Pension Plan"

means the 20th Century Industries Pension Plan, as in effect from time to time.

2.13 "Separation from Service"

means any separation from service of the Company for any reason. In the case of a Participant on disability, Separation from Service shall be deemed to occur when long term disability coverage commences, unless otherwise determined by the Committee.

ARTICLE III
ELIGIBILITY AND PARTICIPATION

3.1 Eligibility to Participate

Subject to the provisions of Section 3.2 below, each Eligible Employee shall become a Participant as of the later of the Effective Date or the date on which person becomes an Eligible Employee.

3.2 Certain Enrollment Procedures

As a condition of participation or continued participation in this Plan the Committee may require an Eligible Employee to deliver to the Committee such properly completed enrollment forms and agreements as the Committee may require. Such forms or agreements may permit an Eligible employee to designate a form of payment applicable to all benefits payable hereunder. Such designation shall be irrevocable, unless the Committee, in its sole discretion, permits an Eligible Employee to change his or her election of payment method to a method providing payments over a longer period of time than originally elected by the Eligible Employee and which will not reasonably result in any increase in the amount otherwise payable in any taxable year of the Participant during which payment would have been made under the method of payment previously elected. No payment option shall be selected by a Participant which is not among a list of payment options generally made available to all Participants by the Committee at the time of such selection. No assurance regarding the tax effects of making such change is provided to a participant who elects to change a form of payment.

Commencement or recommencement of active participation or status as an Eligible Employee following any Separation from Service or other interruption of employment shall be on such terms and under such conditions as the Committee may, in its discretion, provide.

ARTICLE IV
CALCULATION OF BENEFITS

4.1 Benefits under this Plan

A Participant's benefits under this Plan shall be calculated as provided in this Article IV, provided, however, that a Participant's eligibility to receive a benefit hereunder shall be subject to succeeding provisions of this Plan.

4.2 Benefit Formula

A Participant's benefit payable under this Plan, expressed in the form of an annual benefit payable commencing at the Participant's Normal Retirement Age and payable for the lifetime of the Participant, shall be equal to (a) minus (b) below where

- (a) equals the benefit payable on the Participant's Normal Retirement Date determined in accordance with the terms of the Qualified Pension Plan (except that for purposes of this Subsection 4.2(a), the Participant's Compensation shall be determined under this Plan), and
- (b) equals the benefit payable on the Participant's Normal Retirement Date determined in accordance with the terms of the Qualified Pension Plan.

4.3 Offset of Benefit under the 20th Century Industries Supplemental Executive Retirement Plan

If a Participant under this Plan is entitled to receive benefits under the 20th Century Industries Supplemental Executive Retirement Plan (the "SERP"), such Participant's benefit under this Plan shall be offset, but not below zero (0) by an amount equal to the actuarial equivalent of the SERP benefit.

4.4 Benefit Commencement at Early Retirement Date

If a Participant's benefit under this Plan commences to be paid on a Participant's Early Retirement Date, the benefit calculated as provided in Section 4.2 shall be reduced to reflect the longer anticipated period of time that such benefit is to be paid, and such reduction shall be determined in the same manner as a reduction is computed under the Qualified Pension Plan in the case of a Participant who retires under such Qualified Pension Plan at an Early Retirement Date.

ARTICLE V

VESTING OF BENEFITS

A Participant's interest in his benefit under this Plan shall become vested and nonforfeitable in accordance with the provisions of the Qualified Pension Plan (including provisions of the Qualified Pension Plan relating to vesting upon termination, partial termination or other vesting event under such plan). Notwithstanding the preceding provisions of this Article V, in the event of a Participant's Separation of Service following a "Change in Control" as such term is defined from time to time in the 20th Century Industries Supplemental Executive Retirement Plan, a Participant's interest in his or her benefits under the Plan shall become fully vested and nonforfeitable.

ARTICLE VI

PAYMENT OF BENEFITS

6.1 Date of Payment

Except as otherwise provided in Article VII and subject to the provisions of Article V, a Participant's benefit hereunder, payable on account of a Separation from Service shall commence to be paid as soon as practicable following the later of (a) the date of such

Separation from Service or (b) the earlier of (i) the date on which the Participant attains (or would have attained if the Participant then were in active employment) Early Retirement Date, or (ii) the Participant's Normal Retirement Date.

6.2 Form of Payment

- (a) Single Life Annuity. The normal form of payment under the Plan for a Participant who is not married on the date of commencement of his or her benefits hereunder shall be a single life annuity providing monthly payments for the life of the Participant, and under which all benefit payments cease as of the date of death of the Participant.
- (b) Joint and Survivor Annuity. The normal form of benefit payable to a Participant who is lawfully married to a spouse on the date of commencement of his or her benefits hereunder shall be an actuarially equivalent fifty percent (50%) joint and survivor annuity, providing reduced monthly payments during such Participant's life, and providing continued monthly payments after the Participant's death to the spouse to whom the participant is married on the date of his or her commencement of benefits hereunder. Each such continued monthly payments payable to the surviving spouse shall be fifty percent (50%) of the monthly payment amount payable during the Participant's lifetime. The reduction in the Participant's monthly benefits shall be determined by application of the same reduction factors as are applied for purposes of determining such reduction under the Qualified Pension Plan. Continuing payments to a surviving spouse shall continue during the life of the surviving spouse and shall cease on the date of death of such surviving spouse.
- (c) Whenever, under this Plan it becomes necessary to determine the actuarial equivalence of one or more forms of benefits, such determination shall be made by application of such actuarial factors and rates as would then be applied for such purpose under the Qualified Pension Plan.

ARTICLE VII

DEATH AND DISABILITY BENEFITS

7.1 Death Benefit

In the event of the death of a Participant prior to commencement of benefit payments hereunder, a death benefit shall be payable to the spouse to whom such Participant is lawfully married on the date of the Participant's death. Such benefit shall consist of monthly payments, each of which is equal to the monthly amount that would have been paid to such spouse (a) had the Participant's Separation from Service occurred on the later of (i) the Participant's date of death, or (ii) the earlier of the Participant's Early Retirement Date or Normal Retirement Date, (b) had the Participant's benefit commenced to be paid as the joint and survivor annuity described in Section 6.2, and (c) had the Participant's death occurred immediately after such commencement of benefits. Such death benefit

shall begin to be paid as soon as practicable after the latest of (a) the Participant's date of death, (b) the earlier of the Participant's Early Retirement Date or Normal Retirement Date, and (c) the date on which such benefit applications, releases, and other documents as the Committee may require to be given are received by the Committee in form and manner satisfactory to the Committee. Death benefit payments shall cease as of the date of death of the spouse receiving such payments. No benefit shall be payable to any person other than a spouse described in the first sentence of this Section 7.1. This Plan shall not be required to give effect to disclaimers, whether made under state or federal law. This Section 7.1 shall not apply in the case of the death of a Participant after payments have commenced to be made with respect to such Participant.

7.2 Disability Benefit

If a Participant incurs a Total and Permanent Disability, as such term is defined from time to time under Qualified Pension Plan, prior to commencement of benefits hereunder and such Participant at the date of the occurrence of such Total and Permanent Disability is an Eligible Employee, such Participant shall continue to accrue benefits under this Plan in the same manner as provided in the Qualified Plan during the continuation of such Total and Permanent Disability, but not beyond the date determined under the Qualified Pension Plan. Such Participant shall be entitled to receive his/her benefit under this Plan upon attaining his/her Normal Retirement Date.

ARTICLE VIII

RIGHT TO TERMINATE OR MODIFY PLAN

By action of its Board of Directors, 20th Century Industries may modify or terminate this Plan without further liability to any Eligible Employee or former employee or any other person. Notwithstanding the preceding provisions of this Article VIII, except as expressly required by law, this Plan may not be modified or terminated as to any Participant in a manner that adversely affects the payment of benefits theretofore accrued by such Participant to the extent such benefits have become vested, except that in the event of the termination of the Plan as to all Participants, this Plan may in the sole discretion of the Board of Directors be modified to accelerate payment of benefits to Participants.

ARTICLE IX

NO ASSIGNMENT, ETC.

Benefits under this Plan may not be assigned or alienated and shall not be subject to the claims of any creditor. A Participant shall not be permitted to borrow under the Plan, nor shall a Participant be permitted to pledge or otherwise use his benefits hereunder as security for any loan or other obligation. No payments shall be made to any person or persons other than expressly provided herein, or on any date or dates other than as expressly provided herein.

It is each Participant's sole responsibility to obtain such consents, and to take such other actions as may be necessary or appropriate in connection with participation in this Plan, including but not limited to obtaining spousal or other consents, as may be necessary or appropriate to reflect marital property, support, or other obligations arising under contract, order or by operation of law.

ARTICLE X

THE COMMITTEE

- (a) The appointment, removal and resignation of members of the Committee shall be governed by the Board of Directors of 20th Century Industries. Subject to change by the said Board, the membership of the Committee shall be the same as the membership of the Committee of the Qualified Pension Plan.
- (b) The Committee shall have authority to oversee the management and administration of the Plan, and in connection therewith is authorized in its sole discretion to make, amend and rescind such rules as it deems necessary for the proper administration of the Plan, to make all other determinations necessary or advisable for the administration of the Plan and to correct any defect or supply any omission or reconcile any inconsistency in the Plan in the manner and to the extent that the Committee deems desirable to carry the Plan into effect. The powers and duties of the Committee shall include without limitation, the following:
 - (i) Resolving all questions relating to the eligibility of select management and highly compensated employees to become Participants; and
 - (ii) Resolving all questions regarding payment of benefits under the Plan and other questions regarding plan participation.

Any action taken or determination made by the Committee shall be conclusive on all parties. The exercise of or failure to exercise any discretion reserved to the Committee to grant or deny any benefit to a Participant or other person under the Plan shall in no way require the Committee or any person acting on behalf thereof, to similarly exercise or fail to exercise such discretion with respect to any other Participant.

ARTICLE XI

RELEASE

As a condition to making any payment under the Plan, or to giving effect to any election or other action under the Plan by any Participant or any other person, the Plan Administrator may require such consents or releases as it determines to be appropriate, and further may require any such designation, election or other action to be in writing, in a prescribed form and to be filed with the Committee in a manner prescribed by the Committee. In the event the Committee determines, in

its discretion, that multiple conflicting claims may be made as to all or a part of a benefit accrued hereunder by a Participant, the Committee may delay the making of any payment until such conflict or multiplicity of claims is resolved.

ARTICLE XII

NO CONTRACT OF EMPLOYMENT

This Plan shall not be deemed to give any employee the right to be retained in the employ of the Company or to interfere with the right of the Company to discharge or retire any employee at any time, nor shall this Plan interfere with the right of the Company to establish the terms and conditions of employment of any employee.

ARTICLE XIII

COMPANY'S OBLIGATION TO PAY BENEFITS

Nothing contained in this Plan and no action taken pursuant to the provisions of this Plan shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company, and any Employee, an Employee's spouse or former spouse or any other person. Funds to provide benefits under the provisions of this Plan shall continue for all purposes to be a part of the general funds of the Company. To the extent that any person acquires a right to receive payments from the Company under this Plan such right shall be no greater than the right of any unsecured general creditor of the Company. Notwithstanding the preceding provisions of this Article XIII, assets may be transferred by the Company to a trust constituting a "rabbi trust," for the purpose of providing benefits described herein.

ARTICLE XIV

CLAIM REVIEW PROCEDURE

- (a) A person who believes that he or she has not received all payments to which he or she is entitled under the terms of this Plan may submit a claim therefor. Within ninety (90) days following receipt of a claim for benefits under this Plan, and all necessary documents and information, the Committee or its authorized delegate reviewing the claim shall, if the claim is not approved, furnish the claimant with written notice of the decision rendered with respect to the application.
- (b) The written notice contemplated in (a) above shall set forth:
 - (i) the specific reasons for the denial, with reference to the Plan provisions upon which the denial is based;
 - (ii) a description of any additional information or material necessary for perfection of the application (together with an explanation why the material or information is necessary); and

- (iii) an explanation of the Plan's claim review procedure.
- (c) A claimant who wishes to contest the denial of his claim for benefits or to contest the amount of benefits payable to him shall follow the procedures for an appeal of benefits as set forth below, and shall exhaust such administrative procedures prior to seeking any other form of relief.
- (d) A claimant who does not agree with the decision rendered as provided above in this Article XIV with respect to his application may appeal the decision to the Committee. The appeal shall be made, in writing, within sixty (60) days after the date of notice of such decision with respect to the application. If the application has neither been approved nor denied within the ninety-day (90) period provided in (a) above, then the appeal shall be made within sixty (60) days after the expiration of the ninety-day (90) period.
- (e) The claimant may request that his application be given full and fair review by the Committee. The claimant may review all pertinent documents and submit issues and comments in writing in connection with the appeal. The decision of the Committee shall be made promptly, and not later than sixty (60) days after the Committee's receipt of a request for review, unless special circumstances require an extension of time for processing, in which case a decision shall be rendered as soon as possible, but not later than one hundred twenty (120) days after receipt of a request for review. The decision by the Committee on review shall be in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant with specific reference to the pertinent Plan provisions upon which the decision is based.

ARTICLE XV

ARBITRATION

A claimant may contest the Committee's denial of his or her appeal only by submitting the matter to arbitration. In such event, the claimant and the Committee shall select an arbitrator from a list of names supplied by the American Arbitration Association in accordance with such Association's procedures for selection of arbitrators, and the arbitration shall be conducted in accordance with the rules of such Association. The arbitrator's authority shall be limited to the affirmance or reversal of the Committee's denial of the appeal, and the arbitrator shall have no power to alter, add to or subtract from any provision of this Plan. Except as otherwise required by the Employee Retirement Income Security Act of 1974, the arbitrator's decision shall be final and binding on all parties, if warranted on the record and reasonably based on applicable law and the provisions of this Plan.

ARTICLE XVI
MISCELLANEOUS

16.1 Successor and Assigns

The Plan shall be binding upon and shall inure to the benefit of the Company, its successors and assigns, and all Participants.

16.2 Notices

Any notice or other communication required or permitted under the Plan shall be in writing, and if directed to the Company shall be sent to the Committee or its authorized delegate, and if directed to a Participant shall be sent to such Participant at his last known address as it appears on the records of the Company.

16.3 Limitations on Liability

- (a) The Company does not warrant any tax benefit nor any financial benefit under the Plan. Without limitation to the foregoing, the Company and its officers, employees and agents shall be held harmless by the Participant or Beneficiary from, and shall not be subject to any liability on account of, the federal or state or local income tax consequences, or any other consequences of any deferrals or credits with respect to Participants under the Plan.
- (b) The Company, its officers, employees, and agents shall be held harmless by the Participant from, and shall not be subject to any liability hereunder for, all acts performed in good faith.

16.4 Certain Small Benefits

Notwithstanding any other provision of this Plan to the contrary, in the case of a Participant whose annual benefit hereunder is not in excess of \$2,000, the Committee may, in its sole discretion, distribute an amount equal to the actuarial equivalent value of future anticipated benefits, determined in accordance with such actuarial factors and interest rate assumptions utilized from time to time under the Qualified Pension Plan for purposes of making lump sum payments thereunder.

16.5 Governing Law

This Plan is subject to the laws of the State of California, to the extent not preempted by ERISA.

IN WITNESS WHEREOF, 20th Century Industries has caused this instrument to be executed by its duly authorized officers, effective as of the Effective Date set forth hereinabove.

20TH CENTURY INDUSTRIES

By: _____

By: _____

AMERICAN INTERNATIONAL GROUP, INC.

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

(Amended through August 25, 2015, effective December 31, 2015)

TABLE OF CONTENTS

		<u>Page</u>
Article 1	Definitions	1
Article 2	Participation	5
Article 3	Retirement and Other Benefits	6
Article 4	Supplemental Retirement Income	7
Article 5	Vesting	13
Article 6	Modes of Benefit Payment	14
Article 7	Death Benefits	15
Article 8	Liability of the Company	18
Article 9	Administration of the Plan	19
Article 10	Amendment or Termination of the Plan	25
Article 11	General Provisions	26

PREAMBLE

The American International Group, Inc. Supplemental Executive Retirement Plan (hereinafter referred to as the “Plan”) shall become effective on January 1, 2008, and shall constitute an amendment, restatement and continuation of the “American International Group, Inc. Supplemental Executive Retirement Plan” as amended and in effect on December 31, 2007.

The purpose of the Plan is to provide supplemental retirement income benefits to designated executives and key employees of the Employers.

The Plan is intended to comply with Section 409A of the Internal Revenue Code.

Effective as of the end of the business day on December 31, 2015, the Plan is frozen and no further benefits will accrue. Service will be recognized after that date only for purposes of vesting and eligibility for early retirement benefits.

ARTICLE 1

DEFINITIONS

The following words and phrases as used herein shall have the following meanings, and the masculine, feminine and neuter gender shall be deemed to include the others and the singular shall include the plural, and vice versa, when appropriate, unless a different meaning is plainly required by the context:

1.1 "Affiliated Employer" means any member of the same controlled group of corporations as the Company or an Employer as determined under Section 414(b) or (c) of the Code.

1.2 "Average Final Compensation" means the Participant's Average Final Compensation as determined under the Qualified Plan divided by twelve (12). For purposes of determining the amount payable under Section 4.5(a), the Freeze Period as defined in Section 4.5 shall be disregarded in determining whether years are consecutive for purposes of determining Average Final Compensation. Effective December 31, 2015, Average Final Compensation is frozen and shall not increase after that date.

1.3 "Board of Directors" means the Board of Directors of the Company, as constituted from time to time.

1.4 "Code" means the Internal Revenue Code of 1986, as amended from time to time.

1.5 "Committee" means the Stock Option and Compensation Committee of the Board of Directors of American International Group, Inc.

1.6 "Company" means American International Group, Inc.

1.7 "Disability" means a period of medically determined physical or mental impairment that is expected to result in death or last for a period of not less than 12 months during which a Participant qualifies for income replacement benefits under the Participating Employer's long-term disability plan for at least 3 months, or, if a Participant does not participate in such a plan, a period of disability during which the Participant is unable to engage in any substantial gainful activity by reason of any medically determined physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

1.8 "Early Retirement Date" means the Participant's termination of employment (i) after attaining age 60 and earning 5 or more Years of Service or Fraction Thereof or (ii) unless the Committee determines otherwise in its sole discretion, after attaining age 55 with 10 or more years of Credited Service (as defined in the Qualified Plan). For purposes of this Section 1.8, in determining the number of years of Credited Service and the number of Years of Service or Fraction Thereof for a Participant listed in Schedule A, the number of Years of Service or Fraction Thereof and Credited Service occurring during the Freeze Period as defined in Section 4.5 shall be included.

- 1.9 “Effective Date” of this amended and restated Plan means [January 1, 2008]. The original effective date of the Plan is July 1, 1986.
- 1.10 “Employee” means a person who is classified as an employee on the payroll records of an Employer. Individuals not classified as employees on the payroll records of an Employer for a particular period shall not be considered Employees for such period even if a court of administrative agency subsequently determines that such individuals were common law employees of the Employer during such period.
- 1.11 “Employer” means the Company and any other company as defined in Sections 2.06 and 8.01 of the American International Group, Inc. Retirement Plan.
- 1.12 “Non-Qualified Retirement Income” means the benefit provided under the American International Group, Inc. Non-Qualified Retirement Income Plan, as may be amended from time to time. And all references in the Plan to the Excess Retirement Income Plan are hereby replaced with the words “Non-Qualified Retirement Income Plan.”
- 1.13 “Excess Retirement Income Plan Pre-Retirement Survivor Annuity” means the benefit payable to the Participant’s Surviving Spouse under the Excess Retirement Income Plan.
- 1.14 “Executive” means any person, including an officer, employed on a regular, full-time, salaried basis by an Employer.
- 1.15 “Normal Form” means a single life annuity payable for the life of the Participant and ending with the last monthly payment made prior to the Participant’s death.
- 1.16 “Normal Retirement Date” means the Participant’s Normal Retirement Date as determined under the terms of the Qualified Plan.
- 1.17 “Participant” means an Employee who has become a Participant pursuant to Article 2 of the Plan.
- 1.18 “Plan” means the American International Group, Inc. Supplemental Executive Retirement Plan, as herein set forth, and as it may hereafter be amended from time to time.
- 1.19 “Postponed Retirement Date” means the date the Participant retires after his Normal Retirement Date as determined under the terms of the Qualified Plan.
- 1.20 “Qualified Plan” means the American International Group, Inc. Retirement Plan, as amended from time to time.
- 1.21 “Qualified Plan Pre-Retirement Survivor Annuity” means the benefit paid to a Participant’s surviving spouse under the Qualified Plan upon the Participant’s death prior to his annuity commencement date.
- 1.22 “Qualified Plan Retirement Income” means the benefit paid to a Participant under the Qualified Plan and includes retirement income payable upon Normal Retirement, Early

Retirement or Postponed Retirement, by reason of disability or to an Employee who terminates employment with a vested interest in his Qualified Plan retirement income.

1.23 “Retirement Income” means the retirement benefits provided to Participants and their joint or contingent annuitants in accordance with the applicable provisions of this Plan and shall include the Supplemental Retirement Income payable pursuant to Article 4. Effective December 31, 2015, the amount of Retirement Income is frozen, and the amount of Retirement Income shall not increase thereafter, nor shall there be any increase in the offset amounts that are applied in determining the amount of the Retirement Income, other than any increase related to Interest Credits (as defined in the Qualified Plan).

1.24 “Separation from Service” means the Participant has terminated employment (other than by death or Disability) with the Company and each Affiliated Employer, subject to the following:

(a) For this purpose, the employment relationship is treated as continuing intact while the individual is on military leave, sick leave, or other bona fide leave of absence (such as temporary employment by the government) if the period of such leave does not exceed six (6) months or, if longer, so long as the individual’s right to reemployment with the Company or an Affiliated Employer is provided either by statute or by contract. If the period of leave exceeds six (6) months and the individual’s right to reemployment is not provided either by statute or by contract, the employment relationship is deemed to terminate on the first date immediately following such six-month period.

(b) The determination of whether a Participant has terminated employment shall be determined based on the facts and circumstances in accordance with the rules set forth in Code Section 409A and the regulations thereunder.

1.25 “Social Security Benefit” shall mean the primary insurance benefit which the Participant is entitled to receive under Title II of the Social Security Act as in effect on the date he retires or otherwise terminates employment, or would be entitled to receive if he did not disqualify himself from receiving the same by entering into covered employment or otherwise, but excluding any increase in the benefit levels payable under Title II of the Social Security Act or any increase in the wage base under such Title if such increase takes place after such Participant’s retirement or other termination of employment. If the Participant has not reached age 65, his Social Security Benefit will be computed assuming he has reached age 65 on the date of his retirement or other termination of employment and assuming that his salary remained level to age 65 at his last rate of salary. Effective December 31, 2015, the Social Security Benefit is frozen, and no increase in the benefit level payable under Title II of the Social Security Act or any increase in the wage base under such Title shall be recognized.

1.26 “Specified Employee” means a Participant who, as of the date of the Participant’s Separation from Service, is a key employee of the Company or an Employer. For purposes of this Plan, a Participant is a key employee if the Participant meets the requirements of Code Section 416(i)(1)(A)(i), (ii), or (iii) applied in accordance with the regulations thereunder and disregarding section 416(i)(5) at any time during the 12-month period ending on the December 31st of a Plan Year. If a Participant is a key employee as of such December 31st, the

Participant is treated as a key employee for purposes of this Plan for the entire 12-month period beginning on the next following April 1st.

1.27 “Surviving Spouse” means a spouse to whom the Participant is lawfully married on the date of the Participant’s death.

1.28 “Years of Service or Fraction Thereof” means a continuous 12-month period or fraction thereof for each full month of active employment commencing on the Participant’s date of hire or on the anniversary thereof. In the case of a Participant who was employed by HSB Group, Inc., American General Corporation or 21st Century Industries, as applicable, as of the date of acquisition of such corporation by American International Group, Inc., such Participant’s Years of Service or Fractions Thereof shall be measured from the Participant’s initial date of hire with the acquired corporation excluding any periods while not an employee of the acquired corporation. After December 31, 2015, additional Years of Service or Fraction Thereof are taken into account only for purposes of determining a Participant’s Early Retirement Date (if any) and to determine the applicable reduction factors for a benefit commencing prior to Normal Retirement Date.

ARTICLE 2

PARTICIPATION

The Company shall designate from time to time the Executives who shall become Participants in the Plan upon giving consideration to the recommendations of the President and Chief Executive Officer. Executives who were Participants in the Plan prior to January 1, 2008 shall continue in the Plan as Participants as of the Effective Date. No individual shall become a Participant after December 31, 2015.

ARTICLE 3

RETIREMENT AND OTHER BENEFITS

3.1 Normal Retirement, Postponed Retirement and Disability Retirement. A Participant in the Plan who has a Separation from Service on his Normal or Postponed Retirement Date shall be entitled to receive the Supplemental Normal or Postponed Retirement Income, as applicable, as described in Article 4. If a Participant incurs a Disability, the Participant shall be entitled to receive the Supplemental Disability Retirement Income described in Section 4.4.

3.2 Early Retirement. If a Participant has a Separation from Service prior to Normal Retirement (other than by death or by incurring a Disability) on or after age 60 and with 5 Years of Service or Fraction Thereof, a Supplemental Early Retirement Income will be payable in accordance with Section 4.2. If a Participant has a Separation from Service prior to Normal Retirement (other than by death or incurring a Disability), on or after age 55 with 10 or more years of Credited Service (as defined in the Qualified Plan), a Supplemental Retirement Income will be payable in accordance with Section 4.2 only if the Committee approves the payment of such benefit for such Participant. In determining the number of years of Credited Service and the number of Years of Service or Fraction Thereof for a Participant listed in Schedule A, for purposes of this Section 3.2, the number of Years of Credited Service or Fraction Thereof and Credited Service occurring during the Freeze Period as defined in Section 4.5 shall be included.

3.3 Death. If such a Participant dies prior to the commencement of benefits such that a death benefit is payable under the terms of the Qualified Plan to his surviving Spouse, a death benefit shall be payable in accordance with Section 7.1; provided, however, that no death benefit is payable if the Participant dies after termination of employment prior to his Early, Normal, Postponed or Disability Retirement Date.

3.4 Frozen Accrued Benefits for Certain Employees employed by ALICO Holdings LLC and its subsidiaries ("ALICO"). The accrued benefit (including eligibility for any early retirement subsidy) of each Participant who is an employee of ALICO as of November 1, 2010, the date the transactions described in the Stock Purchase Agreement entered into among the Company, ALICO Holdings LLC and MetLife, Inc. dated as of March 7, 2010 closed (the "Closing Date), other than a Participant who is absent from work on such date due to a long-term disability or an unpaid medical leave of absence or leave due to a workplace injury covered by a workers' compensation policy or program incurred more than six months prior to the sale ("ALICO Employee"), shall be frozen as of the Closing Date. The liability for the frozen accrued benefit of each ALICO Employee shall be transferred to a similar nonqualified deferred compensation plan maintained by MetLife Inc. or one of its subsidiaries, effective as of the Closing Date.

ARTICLE 4

SUPPLEMENTAL RETIREMENT INCOME

4.1 Subject to Section 6.3, the Supplemental Retirement Income payable to an eligible Participant, commencing on his Normal Retirement Date in the form of a life annuity, shall be equal to the difference between (a) and (b) as stated below:

- (a) 2.4% of Average Final Compensation for each Year of Service or Fraction Thereof for each full month of active employment, not in excess of 60% of Average Final Compensation;
- (b)
 - (i) the monthly benefit payable at Normal Retirement Date under the Qualified Plan and any predecessor thereof in the form of a single life annuity;
 - (ii) the monthly Excess Retirement Income benefit payable at Normal Retirement Date in the form of a single life annuity;
 - (iii) the monthly Social Security Benefit;
 - (iv) the monthly amount payable at Normal Retirement Date in the form of a single life annuity under the Restoration Income Plan for Certain Employees Participating in the Restated American General Retirement Plan (the "AG Restoration Plan") which was cashed out to the Participant from the American General Corporation Supplemental Executive Retirement Plan (the "AG SERP") or a Supplemental Executive Retirement Agreement (an "AG SERA"), if any;
 - (v) the monthly amount payable at Normal Retirement Date in the form of a 10 year certain and life annuity (converted, for purposes of this Section 4.1(b)(v), to a life annuity using the actuarial equivalent factors in effect under the Qualified Plan) under the AG SERP or an AG SERA whether or not such benefits are actually paid at such date, including an amount which was cashed out to the Participant from the AG SERP or AG SERA, if any;
 - (vi) the monthly amount payable at Normal Retirement Date in the form of a 15 year certain annuity under the 21st Century Insurance Group Supplemental Executive Retirement Plan ("21st Century SERP") (converted, for purposes of this Section 4.1(b)(vi), to a life annuity using the actuarial equivalent factors in effect under the Qualified Plan) which was cashed out to a Participant from the 21st Century SERP, if any; and
 - (vii) in accordance with procedures established by the Committee, any benefits accrued under a foreign deferred compensation plan sponsored by the Employer provided that such benefits are not subject to Code Section 409A (whether or not such benefits are actually paid at such date).

Notwithstanding the forgoing, effective December 31, 2015, the Plan is frozen, and no increase in Average Final Compensation or Years of Service or Fraction thereof shall be taken into account after that date in determining the benefits payable hereunder. Further, the amounts in (b) reducing the amounts in (a) of this Section 4.2 shall be frozen effective as of December 31, 2015,

and such amounts shall not increase after that date, other than any increase related to Interest Credits (as defined in the Qualified Plan).

4.2 Subject to Section 6.3, if a Participant who is eligible for Early Retirement under Section 3.2 has a Separation from Service prior to his Normal Retirement Date (other than by death or disability), a Supplemental Early Retirement Income shall be payable under this Plan at such Early Retirement Date. Such Supplemental Early Retirement Income payable in the form of a life annuity shall be equal to the difference between (a) and (b) as stated below:

(a) 2.4% of Average Final Compensation for each Year of Service or Fraction Thereof, not in excess of 60% of Average Final Compensation and reduced:

(i) for Participants who have attained age 60 and have 30 or more Years of Service, by 3% for each year (and a fraction thereof for each full month) that retirement precedes age 65;

(ii) for Participants who have attained age 60 with at least 25 but not 30 or more Years of Service, by 4% for each year (and a fraction thereof for each full month) that retirement precedes age 65;

(iii) for all other Participants who have 10 or more Years of Credited Service (as defined under the Qualified Plan), by 5% for each year (and a fraction thereof for each full month) that retirement precedes age 65; or

(iv) for all other Participants who have less than 10 Years of Credited Service (as defined under the Qualified Plan), by 6 2/3% for each year (and a fraction thereof for each full month) that retirement precedes age 65.

(b) (i) the monthly benefit payable at Early Retirement Date under the Qualified Plan and any predecessor thereof in the form of a single life annuity;

(ii) the monthly Excess Retirement Income benefit payable at Early Retirement Date in the form of a single life annuity;

(iii) the monthly Social Security Benefit;

(iv) the monthly amount payable at Normal Retirement Date in the form of a single life annuity under the Restoration Income Plan for Certain Employees Participating in the Restated American General Retirement Plan (the "AG Restoration Plan") (reduced, if necessary, by the early retirement factors under the Qualified Plan) which was cashed out to the Participant from the American General Corporation Supplemental Executive Retirement Plan (the "AG SERP") or a Supplemental Executive Retirement Agreement ("AG SERA"), if any;

(v) the monthly amount payable at Normal Retirement Date in the form of a 10 year certain and life annuity (converted, for purposes of this Section 4.2(b)(v), to a

life annuity using the actuarial equivalent factors in effect under the Qualified Plan and reduced, if necessary, by the early retirement factors under the Qualified Plan) under the AG SERP or an AG SERA whether or not such benefits are actually paid at such date, including an amount which was cashed out to the Participant from the AG SERP or AG SERA, if any;

(vi) the monthly amount payable at Normal Retirement Date in the form of a 15 year certain annuity under the 21st Century Insurance Group Supplemental Executive Retirement Plan (“21st Century SERP”) (converted, for purposes of this Section 4.2(b)(vi), to a life annuity using the actuarial equivalent factors in effect under the Qualified Plan and reduced, if necessary, by the early retirement factors under the Qualified Plan) which was cashed out to a Participant from the 21st Century SERP, if any; and

(vii) in accordance with procedures established by the Committee, any benefits accrued under a foreign deferred compensation plan sponsored by the Employer provided that such benefits are not subject to Code Section 409A (whether or not such benefits are actually paid at such Early Retirement Date).

For purposes of (b)(i), (b)(ii), (b)(iv), (b)(v) and (b)(vi) above, if the Participant is not eligible for Early Retirement under the Qualified Plan, the monthly benefit payable at Normal Retirement in the form of a life annuity, reduced by 6 2/3% for each year (and a fraction thereof for each full month) by which retirement precedes age 65, shall be offset against the amount computed under (a) above.

For purposes of (b)(iii) above, the amount of the Participant’s monthly Social Security Benefit shall be reduced by 5% for each year and a fraction thereof for each full month by which retirement precedes age 65.

For purposes of determining what reduction factors apply under this Section 4.2 with respect to a Participant to whom one or more Freeze Periods apply, the number of years of Credited Service occurring during the Freeze Period shall be disregarded.

Notwithstanding the forgoing, effective December 31, 2015, the Plan is frozen, and no increase in Average Final Compensation or Years of Service or Fraction thereof shall be taken into account after that date in determining the benefits payable hereunder, other than for purposes of determining the applicable reduction in subsections (i) – (iv) of Section 4.2(a). Further, the amounts in (b) reducing the amounts in (a) of this Section 4.2 shall be frozen effective as of December 31, 2015, and such amounts shall not increase after that date, other than any increase related to Interest Credits (as defined in the Qualified Plan).

4.3 Subject to Section 6.3, the Supplemental Retirement Income payable to an eligible Participant, commencing on his Postponed Retirement Date in the form of a life annuity, shall be equal to the difference between (a) and (b) as stated below:

(a) 2.4% of Average Final Compensation for each Year of Service or Fraction Thereof for each full month of active employment, not in excess of 60% of Average Final Compensation;

- (b) (i) the monthly benefit payable at Postponed Retirement Date under the Qualified Plan and any predecessor thereof in the form of a single life annuity;
- (ii) the monthly Excess Retirement Income benefit payable at Postponed Retirement Date in the form of a single life annuity;
- (iii) the monthly Social Security Benefit payable at Postponed Retirement Date;
- (iv) the monthly amount payable at Normal Retirement Date in the form of a single life annuity under the Restoration Income Plan for Certain Employees Participating in the Restated American General Retirement Plan (the “AG Restoration Plan”) which was cashed out to the Participant from the American General Supplemental Executive Retirement Plan (the “AG SERP”) or a Supplemental Executive Retirement Agreement (“AG SERA”), if any;
- (v) the monthly amount payable at Normal Retirement Date in the form of a 10 year certain and life annuity (converted, for purposes of this Section 4.3(b)(v), to a life annuity using the actuarial equivalent factors in effect under the Qualified Plan) under the AG SERP or an AG SERA whether or not such benefits are actually paid at such date, including an amount which was cashed out to the Participant from the AG SERP or AG SERA, if any;
- (vi) the monthly amount payable at Normal Retirement Date in the form of a 15 year certain annuity under the 21st Century Insurance Group Supplemental Executive Retirement Plan (“21st Century SERP”) (converted, for purposes of this Section 4.3(b)(vi), to a life annuity using the actuarial equivalent factors in effect under the Qualified Plan) which was cashed out to a Participant from the 21st Century SERP, if any; and
- (vii) in accordance with procedures established by the Committee, any benefits accrued under a foreign deferred compensation plan sponsored by the Employer provided that such benefits are not subject to Code Section 409A (whether or not such benefits are actually paid at such date).

Notwithstanding the forgoing, effective December 31, 2015, the Plan is frozen, and no increase in Average Final Compensation or Years of Service or Fraction thereof shall be taken into account after that date in determining the benefits payable hereunder. Further, the amounts in subsection (b) reducing the amounts in subsection (a) of this Section 4.3 shall be frozen effective as of December 31, 2015, and such amounts shall not increase after that date, other than any increase related to Interest Credits (as defined in the Qualified Plan), if any. For clarity, the late retirement factors that may apply to a Participant commencing his benefit on a Postponed Retirement Date shall continue to apply.

4.4 If an eligible Participant is determined to have incurred a Disability, a Supplemental Disability Retirement Income shall be payable in accordance with the terms of the Plan on such Participant’s Normal Retirement Date. The Supplemental Disability Retirement Income payable in the form of a life annuity shall be equal to the difference between (a) and (b) below:

(a) 2.4% of Average Final Compensation for each Year of Service or Fraction Thereof for each full month of active employment, not in excess of 60% of Average Final Compensation;

(b) (i) the monthly benefit payable at Normal Retirement Date under the terms of the Qualified Plan and any predecessor thereof in the form of a single life annuity;

(ii) the monthly Excess Retirement Income benefit payable at Normal Retirement Date in the form of a single life annuity;

(iii) the monthly amount payable at Normal Retirement Date in the form of a single life annuity under the Restoration Income Plan for Certain Employees Participating in the Restated American General Retirement Plan (the "AG Restoration Plan") which was cashed out to the Participant from the American General Supplemental Executive Retirement Plan (the "AG SERP") or a Supplemental Executive Retirement Agreement ("AG SERA"), if any;

(iv) the monthly amount payable at Normal Retirement Date in the form of a 10 year certain and life annuity (converted, for purposes of this Section 4.4(b)(iv), to a life annuity using the actuarial equivalent factors in effect under the Qualified Plan) under the AG SERP or an AG SERA whether or not such benefits are actually paid at such date, including an amount which was cashed out to the Participant from the AG SERP or AG SERA, if any;

(v) the monthly amount payable at Normal Retirement Date in the form of a 15 year certain annuity under the 21st Century Insurance Group Supplemental Executive Retirement Plan ("21st Century SERP") (converted, for purposes of this Section 4.4(b)(v), to a life annuity using the actuarial equivalent factors in effect under the Qualified Plan) which was cashed out to a Participant from the 21st Century SERP, if any; and

(vi) in accordance with procedures established by the Committee, any benefits accrued under a foreign deferred compensation plan sponsored by the Employer provided that such benefits are not subject to Code Section 409A (whether or not such benefits are actually paid at such date).

Notwithstanding the forgoing, effective December 31, 2015, the Plan is frozen, and no increase in Average Final Compensation or Years of Service or Fraction thereof shall be taken into account after that date in determining the benefits payable hereunder. Further, the amounts in (b) reducing the amounts in (a) of this Section 4.4 shall be frozen effective as of December 31, 2015, and such amounts shall not increase after that date, other than any increase related to Interest Credits (as defined in the Qualified Plan), if any. For clarity, a Participant who incurs a Disability, regardless of the date of Disability, shall cease receiving further accruals as of December, 31 2015, and any Participant who incurs a Disability after that date shall be entitled only to his frozen accrued benefit as of December 31, 2015 (decreased, if applicable, by any amount attributable to Interest Credits credited under the Qualified Plan).

4.5 Restriction on Benefit Accruals for Certain Participants.

- (a) Notwithstanding anything in the Plan to the contrary, pursuant to rules established by the U.S. Treasury Department's special pay master ("Special Pay Master"), the benefit accruals of Participants listed in Schedule A shall freeze effective as of the date provided therein, and no benefit shall accrue under the Plan with respect to such Participants during the period set forth in Schedule A ("Freeze Period") as may be amended from time to time pursuant to rules established by the Special Pay Master. For purposes of determining the amounts described under Sections 4.1(a), 4.2(a), 4.3(a), and 4.4(a) for a Participant listed in Schedule A, the Freeze Period shall be disregarded in determining the number of Years of Service or Fraction Thereof and Average Final Compensation, each as defined herein. For purposes of determining the amounts described under Sections 4.1(b), 4.2(b), 4.3(b), and 4.4(b) for a Participant listed in Schedule A, the Freeze Period shall be disregarded in determining;
- (i) Credited Service and Average Final Compensation, each as defined in the Qualified Plan for purposes of Section 4.1(b)(i), 4.2(b)(i), 4.3(b)(i), and 4.4(b)(i) of the Plan; and
 - (ii) Credited Service, Years of Service or Fraction Thereof, and Average Final Compensation each as defined in the American International Group, Inc. Non-Qualified Retirement Income Plan for purposes of Section 4.1(b)(ii), 4.2(b)(ii), 4.3(b)(ii), and 4.4(b)(ii) of the Plan.
- (b) Notwithstanding the foregoing paragraph, the benefit payable to a Participant listed on Schedule A shall be the lesser of the amount determined under Section 4.5(a) or the amount determined under the Plan without regard to Section 4.5(a).
- (c) For those Participants for whom all or a portion of the Non-Qualified Retirement Income Plan benefit is payable as a lump sum, the term "Non-Qualified Retirement Income Plan benefit payable monthly" used in this section 4 shall be construed to include a monthly amount determined by converting the lump sum amount into a monthly annuity amount using the actuarial equivalence assumptions in the Qualified Plan.

ARTICLE 5

VESTING

A Participant shall have a nonforfeitable right to Supplemental Retirement Income under this Plan at such time that he attains his Normal Retirement Date. In addition, a Participant shall have a nonforfeitable right to Supplemental Retirement Income if he is eligible for Early Retirement pursuant to Section 3.2. Credited Service (as defined in the Qualified Plan), Years of Service or Fraction Thereof, and participation occurring during the Freeze Period as defined in Section 4.5 for a Participant listed on Schedule A shall be included in determining whether a Participant is vested pursuant to this Article 5.

A Participant who terminates employment prior to attaining his Early or Normal Retirement Date, other than by reason of Disability (as provided for in Section 4.4), shall have no rights or claims to Retirement Income under this Plan as of his date of termination. In the case of death, a Participant's Surviving Spouse may have a claim for benefits in accordance with Article 3 and Article 7.

Years of Service or Fraction Thereof occurring after December 31, 2015 shall be included for determining whether a Participant is vested pursuant to this Article 5.

ARTICLE 6

MODES OF BENEFIT PAYMENT

6.1 Except as provided in Section 6.2, any Supplemental Retirement Income payable under this Plan shall be paid in the Normal Form. If a Participant dies prior to the commencement of benefits under the Plan, no benefits will be payable under the Plan except as specified in Article 7.

6.2 In lieu of the Normal Form of Payment, a Participant may elect payment in an optional form of payment to the extent provided herein. The optional forms of benefits under the Plan shall include any of the annuity optional forms of benefits available under the Qualified Plan except for the Social Security Adjustment Option. Optional forms of benefit shall be actuarially equivalent to the Normal Form of benefit determined in accordance with the actuarial equivalent factors in effect under the Qualified Plan as of the date payment is to be made.

A Participant may elect an optional form of payment on a form provided by the Committee for such purpose. A Participant who has elected an annuity form of payment (or for whom the Normal Form of payment is in effect) may, at any time prior to Separation from Service or Disability, as applicable, elect another form of annuity payment available under the Qualified Plan provided that such other form of payment is actuarially equivalent based on the actuarial equivalent factors in effect under the Qualified Plan as of the date payment is to be made. In the absence of any such an election, payment shall be made in the Normal Form.

6.3 Except as hereinafter provided, payment of Supplemental Retirement Income under this Plan shall commence within 90 days after the Participant incurs a Separation from Service with the Employer and each Affiliated Employer by reason of Normal, Early or Postponed Retirement. If the Participant terminates employment by reason of Disability Retirement, payment of Supplemental Retirement Income shall commence on the Participant's Normal Retirement Date. Provided further that if the Participant is a Specified Employee when such Participant incurs a Separation from Service, such Participant's Supplemental Retirement Income (except in the case of Disability Retirement) shall commence to be paid six months after the Participant separates from service. To the extent that monthly payments are delayed by reason of the foregoing six-month delay, such delayed monthly payments shall be paid to the Participant in a lump sum amount when his Supplemental Retirement Income commences adjusted with interest at an annual rate of 5%.

6.4 Special Commencement Date Rules for Certain Participants. This Section 6.4 provides special rules for determining the commencement date of Supplemental Retirement Income benefits for certain participants. In the case of a Participant who terminated employment with a vested right to Supplemental Retirement Income prior to January 1, 2008 (other than by reason of Disability Retirement) and who has not commenced receiving such Supplemental Retirement Income benefit by January 1, 2009, such Participant shall commence his or her Supplemental Retirement Income as of March 1, 2009.

ARTICLE 7

DEATH BENEFITS

7.1 In the case of a Participant who dies in employment with 5 or more Years of Service or Fraction Thereof, or retires on a Normal, Early, Postponed or Disability Retirement Date and dies prior to his annuity commencement date, if a Qualified Plan Pre-Retirement Survivor Annuity is payable to such Participant's Surviving Spouse, a Supplemental Pre-Retirement Survivor Annuity shall be payable to the Surviving Spouse under this Plan. The monthly amount of the Supplemental Pre-Retirement Survivor Annuity payable to the Surviving Spouse shall be equal to the difference between (a) and (b) as stated below:

(a) 40% of the amount that the Participant had accrued pursuant to Section 4.1(a) as of the date of death reduced by 2% for each year (or fraction thereof for each full month) that the Surviving Spouse is more than five (5) years younger than the Participant;

(b) the sum of

(i) the monthly amount of the Qualified Plan Pre-Retirement Survivor Annuity and Excess Retirement Income Plan Pre-Retirement Survivor Annuity payable to the Surviving Spouse under the Qualified Plan and any predecessor thereof and Excess Retirement Income Plan as of the date of death or, if later, as of the first day of the calendar month coincident with or next following the date the Participant would have attained age 55;

(ii) the monthly amount payable at Normal Retirement Date in the form of a single life annuity under the Restoration Income Plan for Certain Employees Participating in the Restated American General Retirement Plan (the "AG Restoration Plan") (reduced, if necessary, by the early retirement factors applicable under the Qualified Plan) which was cashed out to the Participant from the American General Corporation Supplemental Executive Retirement Plan (the "AG SERP") or a Supplemental Executive Retirement Agreement (an "AG SERA"), if any;

(iii) the monthly amount payable at Normal Retirement Date in the form of a 10-year certain and life annuity under the AG SERP or an AG SERA (converted, for purposes of this Section 7.1(b)(iii), to a life annuity using the actuarial equivalent factors in effect under the Qualified Plan and reduced, if necessary, by the early retirement factors applicable under the Qualified Plan) which was cashed out to the Participant from the AG SERP or AG SERA, if any;

(iv) the monthly amount payable under the AG SERP or an AG SERA to the surviving spouse at the date of death or, if later, as of the first day of the calendar month coincident with or next following the date the Participant would have attained age 55, reduced, if necessary, by the early retirement factors applicable under the Qualified Plan;

(v) the monthly amount payable at Normal Retirement Date in the form of a 15-year certain annuity under the 21st Century Insurance Group Supplemental Executive Retirement Plan ("21st Century SERP") (converted, for purposes of this Section 7.1(b)(v), to a life annuity using the actuarial equivalent factors in effect under the Qualified Plan and reduced, if necessary, by the early retirement factors applicable under the Qualified Plan) which was cashed out to the Participant from the 21st Century SERP, if any; and

(vi) in accordance with procedures established by the Committee, benefits accrued by the Participant under a foreign deferred compensation plan sponsored by the Employer and payable by reason of his death provided that such benefits are not subject to Code Section 409A (whether or not such benefits are actually paid at such date).

For purposes of determining what reduction factors apply for purposes of this Section 7.1 with respect to a Participant to whom one or more Freeze Periods apply, the number of years of Credited Service occurring during the Freeze Period shall be disregarded.

If the Participant is not eligible for Early Retirement under the Qualified Plan, the amounts computed under Sections 7.1(b)(i) through 7.1(b)(v) shall be the amounts payable at Normal Retirement Date under such Sections but reduced by 6-2/3% for the first 5 years (and a fraction thereof for each full month) that payment precedes age 65 and 3-1/3% for each year (and a fraction thereof for each full month) that payment precedes age 60.

7.2 Any Supplemental Pre-Retirement Survivor Annuity shall be payable over the lifetime of the Surviving Spouse in monthly installments commencing within 90 days after the Participant's date of death or, if later, within 90 days after the date the Participant would have attained age 55 and ceasing with the last monthly payment made prior to the Surviving Spouse's death.

7.3 Upon the death of a Participant who terminated from employment prior to his Normal, Early, Postponed or Disability Retirement Date, no Supplemental Pre-Retirement Survivor Annuity shall be payable to such Participant's Surviving Spouse under this Plan. Except as provided in Article 6 with respect to a Participant who has retired and commenced receiving a benefit in a form that provides for continuation after the Participant's death, no other death benefits shall be payable from the Plan.

7.4 Restriction for Certain Participants.

(a) Notwithstanding anything in the Plan to the contrary, for purposes of determining the amount payable under Section 7.1 with respect to a Participant listed on Schedule A, the Freeze Period as defined in Section 4.5 shall be disregarded in determining;

(i) Credited Service and Average Final Compensation, each as defined in the Qualified Plan, for purposes of determining the reduction provided under Section 7.1(b)(i) related to the Qualified Plan Pre-Retirement Survivor Annuity and

(ii) Credited Service, Years of Service or Fraction Thereof, and Average Final Compensation, each as defined in the American International Group, Inc. Non-Qualified Retirement Income Plan, for purposes of determining the reduction provided under Section 7.1(b)(i) of the Plan related to the Non-Qualified Retirement Income Plan Pre-Retirement Survivor Annuity.

Notwithstanding the foregoing sentence, for purposes of determining the eligibility of a Surviving Spouse of a Participant listed on Schedule A to receive a benefit under Section 7.1, the Freeze Period as defined in Section 4.5 shall be included in determining the number of Years of Service or Fraction Thereof.

(b) Notwithstanding the foregoing paragraph, the benefit payable to the Surviving Spouse of a Participant listed on Schedule A shall be the lesser of the amount determined under Section 7.4(a) or the amount determined under the Plan without regard to Section 7.4(a).

ARTICLE 8

LIABILITY OF THE COMPANY

8.1 The benefits of this Plan shall be paid by the Employer and shall not be funded prior to the time paid to the Participant, Surviving Spouse or joint or contingent annuitant designated by the Participant, unless and except as expressly provided otherwise by the Company.

8.2 A Participant who is vested in a benefit under this Plan shall be an unsecured creditor of the Employer as to the payment of any benefit under this Plan.

ARTICLE 9

ADMINISTRATION OF THE PLAN

9.1 Except for the functions reserved to the Company or the Board of Directors of the Company, the administration of the Plan shall be the responsibility of the Committee.

9.2 The Committee shall have the power and the duty to take all actions and to make all decisions necessary or proper to carry out the Plan. The determination of the Committee as to any question involving the general administration and interpretation of the Plan shall be final, conclusive and binding. Any discretionary actions to be taken under the Plan by the Committee shall be uniform in their nature and applicable to all persons similarly situated. Without limiting the generality of the foregoing, the Committee shall have the following powers and duties:

- (a) To furnish to all Participants, upon request, copies of the Plan; and to require any person to furnish such information as it may request for the purpose of the proper administration of the Plan as a condition to receiving any benefits under the Plan;
- (b) To make and enforce such rules and regulations and prescribe the use of such forms as it shall deem necessary for the efficient administration of the Plan;
- (c) To interpret the Plan, and to resolve ambiguities, inconsistencies and omissions, which findings shall be binding, final and conclusive;
- (d) To decide on questions concerning the Plan in accordance with the provisions of the Plan;
- (e) To determine the amount of benefits which shall be payable to any person in accordance with the provisions of the Plan; and to provide a full and fair review to any Participant whose claim for benefits has been denied in whole or in part as described in Section 9.5;
- (f) The power to designate a person who may or may not be a member of the Committee as Plan "Administrator" for the purpose of ERISA; if the Committee does not so designate an Administrator, the Committee shall be the Plan Administrator;
- (g) To allocate any such powers and duties to or among individual members of the Committee; and
- (h) To designate persons other than Committee members to carry out any duty or power which would otherwise be a responsibility of the Committee or Administrator, under the terms of the Plan.

9.3 To the extent permitted by law, the Committee and any person to whom it may delegate any duty or power in connection with administering the Plan, the Employer, and the officers and directors thereof, shall be entitled to rely conclusively upon, and shall be fully protected in any action taken or suffered by them in good faith in the reliance upon, any

actuary, counsel, accountant, other specialist, or other person selected by the Committee, or in reliance upon any tables, valuations, certificates, opinions or reports which shall be furnished by any of them. Further, to the extent permitted by law, no member of the Committee, nor the Employer, nor the officers or directors thereof, shall be liable for any neglect, omission or wrongdoing of any other members of the Committee, agent, officer or employee of an Employer. Any person claiming under the Plan shall look solely to the Employer for redress.

9.4 All expenses incurred prior to the termination of the Plan that shall arise in connection with the administration of the Plan, including, but not limited to administrative expenses, proper charges and disbursements, compensation and other expenses and charges of any actuary, counsel, accountant, specialist, or other person who shall be employed by the Committee in connection with the administration thereof, shall be paid by the Employer.

9.5 Claims Procedure.

(a) In General

(i) Application. The claims procedures in Section 9.5(b) of the Plan apply to all claims for benefits of any kind other than claims related to disability benefits that are governed by the claims procedures in Section 9.5(c) of the Plan.

(ii) Filing of a Claim. A Participant, beneficiary, or other individual must file a claim for benefits under the Plan by filing a written claim, identified as a claim for benefits, with the Retirement Board (Employee Benefits Department in the case of a claim governed by Section 9.5(c)(i) of the Plan). In addition, the Retirement Board (Employee Benefits Department in the case of a claim governed by Section 9.5(c)(i) of the Plan) may treat any other written communication received by it as a claim for benefits, even if the writing or communication is not identified as a claim for benefits. In addition, a Participant, beneficiary, or other individuals alleging a violation of or seeking a remedy under any provision of the Act, other applicable law, the terms or the Plan, or asserting any other claims that arise under or in connection with the Plan shall also be subject to and must file any and all such claims under the claims procedure described in this Section 9.5 of the Plan.

(iii) Approval of a Claim. A claim is considered approved only if its approval is communicated in writing to a claimant. If a claimant does not receive a response to a claim for benefits within the applicable time period, the claimant may proceed with an appeal under the procedures described in Section 9.5(b) and (c), as applicable.

(iv) Claims Procedures Mandatory in All Cases. A claimant must follow the claims procedures (including both the initial determination and review processes) set forth in this Section 9.5 of the Plan before taking action in any other forum regarding a claim of any kind under or related to the Plan. Any such suit or action shall be filed within one year of the time the claim arises or it shall be deemed waived and abandoned. Also, any suit or action will be subject to such limitation period as applies under the Act or other applicable law, measured from the date a claim arises.

(v) Discretionary Acts. Benefits under this Plan will be paid only if the Retirement Board (Employee Benefits Department in the case of a claim governed by Section

9.5(c)(i) of the Plan) decides in its discretion that the applicant is entitled to them. In exercising its discretionary powers under the Plan, the Retirement Board (Employee Benefits Department in the case of a claim governed by Section 9.5(c)(i) of the Plan) will have the broadest discretion permissible under the Act and any other applicable laws and its decisions will be final and binding upon all persons affected thereby.

(vi) Delegation of Authority. The Retirement Board (Employee Benefits Department in the case of a claim governed by Section 9.5(c)(i) of the Plan) may, in its sole discretion, delegate any and all authority under this Section 9.5 of the Plan, in any manner. Any delegation of some or all of the Retirement Board's (Employee Benefits Department's in the case of a claim governed by Section 9.5(c)(i) of the Plan) authority under this Section 9.5 of the Plan shall, unless otherwise provided in the Retirement Board's ((Employee Benefits Department's in the case of a claim governed by Section 9.5(c)(i) of the Plan) delegation, be empowered with the same discretion and authority as granted to the Retirement Board (Employee Benefits Department in the case of a claim governed by Section 9.5(c)(i) of the Plan) under this Section 9.5 of the Plan.

(b) Non-Disability Claims

(i) Initial Claims. The Retirement Board will decide a claim within 90 days of the date on which the claim is received by the Retirement Board, unless special circumstances require a longer period for adjudication and the claimant is notified in writing, prior to the expiration of the 90-day period, of the reasons for an extension of time and the expected decision date. If the Retirement Board fails to notify the claimant of its decision to grant or deny such claim within the time specified by this paragraph, the claimant may request the review of his or her claim pursuant to the claims review procedures set forth in Section 9.5(b)(ii) of the Plan. If a claim is denied, in whole or in part, the claimant must receive a written notice containing:

(A) the specific reason(s) for the adverse determination;

(B) a reference to the specific Plan provision(s) on which the adverse determination is based;

(C) a description of additional information necessary for the claimant to perfect his or her claim and an explanation of why such material is necessary; and

(D) an explanation of the procedure for review of the denied or partially denied claim set forth below, including the claimant's right to bring a civil action under Section 502(a) of the Act following an adverse benefit determination on review.

(ii) Review of Denied Claims. The claimant will have 60 days to request in writing a review of the denial of his or her claim by the Committee (or, if the claimant has not received a response to the initial claim, within 150 days of the filing of the initial claim). The claimant or his duly authorized representative will have, upon request and free of charge, reasonable access to, and copies of all, documents, records, and other information relevant to the claimant's claim for benefits. If the claimant files a request for review, his request must include a description of the issues and evidence he deems relevant. Failure to raise issues or present

evidence on review will preclude those issues or evidence from being presented in any subsequent proceeding or judicial review of the claim. The review will take into account all available information, regardless of whether such information was submitted or considered in the initial benefit determination.

The Committee must render its decision on the review of the claim no more than 60 days after the Committee's receipt of the request for review, except that this period may be extended for an additional 60 days if the Committee determines that special circumstances (including, but not limited to, a hearing) require such extension. If an extension of time is required, written notice of the expected decision date and the reasons for the extension will be furnished to the claimant before the end of the initial 60 day period. If a review of a claim is denied, in whole or in part, the claim must receive a written notice containing:

- (A) the specific reason(s) for the adverse determination;
- (B) a reference to specific Plan provision(s) on which the adverse determination is based;
- (C) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claimant's claim for benefits; and
- (D) a statement of the claimant's right to bring a civil action under Section 502(a) of the Act.

(c) Disability Claims.

(i) Initial Claims. The Employee Benefits Department will decide a claim within 45 days of the date on which the claim is received by the Employee Benefits Department. If the Employee Benefits Department determines that an extension is necessary for reasons beyond its control, the Employee Benefits Department may extend this period for an additional 30 days by notifying the claimant of the reasons for the extension and the date when the claimant can expect to receive a decision. The Employee Benefits Department may also extend this period for a second 30 day period by again complying with the requirements applicable to the initial 30-day extension. If an extension is provided in order to allow the claimant time to provide additional information necessary to review the claim, the response deadlines applicable to the Employee Benefits Department will be tolled until the earlier of the date 45 days after the date of the request for additional information or the date the Employee Benefits Department receives the additional information. If the Employee Benefits Department fails to notify the claimant of its decision to grant or deny such claim within the time specified by this paragraph, the claimant may request the review of his or her claim pursuant to the claims review procedures set forth in Section 9.5(c)(ii) of the Plan. If a claim is denied, in whole or in part, the claimant must receive a written notice containing:

- (A) the specific reason(s) for the adverse determination;
- (B) a reference to the specific Plan provision(s) on which the adverse determination is based;

(C) a description of additional information necessary for the claimant to perfect his or her claim and an explanation of why such material is necessary;

(D) an explanation of the procedure for review of the denied or partially denied claim set forth below, including the claimant's right to bring a civil action under Section 502(a) of the Act following an adverse benefit determination on review;

(E) if applicable, any internal rule, guideline, protocol, or other similar criterion relied on in making the adverse benefit determination (or a statement that such information is available free of charge upon request); and

(F) if the adverse benefit determination is based on a scientific or clinical exclusion or limit, an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to the claimant's circumstances (or a statement that such explanation is available free of charge upon request).

(ii) **Review of Denied Claims.** The claimant will have 180 days to request in writing a review of the denial of his or her claim by the Retirement Board. The claimant or his duly authorized representative will have, upon request and free of charge, reasonable access to, and copies of all, documents, records, and other information relevant to the claimant's claim for benefits. If the claimant files a request for review, his request must include a description of the issues and evidence he deems relevant. Failure to raise issues or present evidence on review will preclude those issues or evidence from being presented in any subsequent proceeding or judicial review of the claim. The review will take into account all available information, regardless of whether such information was submitted or considered in the initial benefit determination and will not afford deference to the initial disability determination.

In no event will the review be conducted by the person who made the initial determination or by a subordinate of such person. If the initial adverse benefit determination was based in whole or in part on a medical judgment, including determinations with regard to whether a particular treatment, drug, or other item is experimental, investigational, or not medically necessary or appropriate, the Retirement Board shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment and who neither was consulted nor is the subordinate of an individual who was consulted in connection with the adverse benefit determination that is the subject of the claimant's request for review. In addition, the reviewer shall provide for the identification of medical or vocational experts whose advice was obtained on behalf of the plan in connection with a claimant's adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination.

The Retirement Board must render its decision on the review of the claim no more than 45 days after the Retirement Board's receipt of the request for review, except that this period may be extended for an additional 45 days if the Retirement Board determines that special circumstances (including, but not limited to, a hearing) require such extension. If an extension of time is required, written notice of the expected decision date and the reasons for the extension will be furnished to the claimant before the end of the initial 45-day period. If an extension is provided in order to allow the claimant time to provide additional information

necessary to review the claim, the response deadlines applicable to the Retirement Board will be tolled until the earlier of the date 45 days after the date of the request for additional information or the date the Retirement Board receives the additional information. If a review of a claim is denied, in whole or in part, the claim must receive a written notice containing:

- (A) the specific reason(s) for the adverse determination;
- (B) a reference to specific Plan provision(s) on which the adverse determination is based;
- (C) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claimant's claim for benefits; and
- (D) a statement describing any voluntary appeal procedures offered by the Plan and the claimant's right to obtain the information about such procedures and a statement of the claimant's right to bring a civil action under Section 502(a) of the Act.
- (E) if applicable, any internal rule, guideline, protocol, or other similar criterion relied upon in making the adverse benefit determination (or a statement that such information will be provided free of charge upon request); and
- (F) if the adverse benefit determination is based on medical necessity or an experimental care exclusion or similar exclusion or limit, an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to the claimant's medical circumstances (or a statement that such explanation is available free of charge upon request).

ARTICLE 10

AMENDMENT OR TERMINATION OF THE PLAN

10.1 The Board of Directors shall have the power to suspend or terminate this Plan in whole or in part at any time, and from time to time to extend, modify, amend, revise, or terminate this Plan in such respects as the Board of Directors by resolution may deem advisable; provided that no such extension, modification, amendment, revision, or termination shall deprive a Participant or any beneficiary designated by a Participant of the vested portion of any benefit under this Plan.

ARTICLE 11

GENERAL PROVISIONS

11.1 This Plan shall not be deemed to constitute a contract between the Employer and any Employee or other person whether or not in the employ of the Employer, nor shall anything herein contained be deemed to give any Employee or other person whether or not in the employ of the Employer any right to be retained in the employ of the Employer, or to interfere with the right of the Employer to discharge any Employee at any time and to treat him without any regard to the effect which such treatment might have upon him as a Participant of the Plan.

11.2 Except as may otherwise be required by law, no distribution or payment under the Plan to any Participant, beneficiary, or joint or contingent annuitant, shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, whether voluntary or involuntary, and any attempt to so anticipate, alienate, sell, transfer, assign, pledge, encumber or charge the same shall be void; nor shall any such distribution or payment be in any way liable for or subject to the debts, contracts, liabilities, engagements or torts of any person entitled to such distribution or payment. If any Participant, beneficiary, or joint or contingent annuitant is adjudicated bankrupt or purports to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge any such distribution or payment, voluntarily or involuntarily, the Committee, in its discretion, may cancel such distribution or payment or may hold or cause to be held or applied such distribution or payment or any part thereof to or for the benefit of such Participant, beneficiary, or joint or contingent annuitant in such manner as the Committee shall direct.

11.3 If the Employer determines that any person entitled to payments under the Plan is an infant or incompetent by reason of physical or mental disability, it may cause all payments thereafter becoming due to such person to be made to any other person for his benefit, without responsibility to follow application of amounts so paid. Payments made pursuant to this provision shall completely discharge the Plan, the Employer and the Committee.

11.4 The Employer shall be the sole source of benefits under this Plan, and each Employee, Participant, joint or contingent annuitant, beneficiary, or any other person who shall claim the right to any payment or benefit under this Plan shall be entitled to look only to the Employer for payment of benefits.

11.5 If the Employer is unable to make payment to any Participant or other person to whom a payment is due under the Plan because it cannot ascertain the identity or whereabouts of such Participant or other person after reasonable efforts have been made to identify or locate such person (including a notice of the payment so due mailed to the last known address of such Participant or other person shown on the records of the Employer), such payment and all subsequent payments otherwise due to such Participant or other person shall be forfeited twenty-four (24) months after the date such payment first became due; provided, however, that such payment and any subsequent payments shall be reinstated retroactively, no later than sixty (60) days after the date on which the Participant or person is identified or located.

11.6 The Employer shall have the right to deduct from each payment made under the Plan any amount required to satisfy its obligation to withhold federal, state and local taxes, if any.

11.7 The provisions of the Plan shall be construed, administered and governed under applicable Federal laws and the laws of the State of New York.

COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES

Exhibit 12

<i>(in millions, except ratios)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Earnings:				
Pre-tax income (loss) ^(a) :	\$ (419)	\$ 2,589	\$ 5,198	\$ 8,640
Add - Fixed charges	448	650	1,362	2,372
Adjusted Pre-tax income	\$ 29	\$ 3,239	\$ 6,560	\$ 11,012
Fixed charges:				
Interest expense	\$ 311	\$ 386	\$ 930	\$ 1,712
Portion of rent expense representing interest	45	32	134	96
Interest credited to policy and contract holders	92	232	298	564
Total fixed charges	\$ 448	\$ 650	\$ 1,362	\$ 2,372
Total fixed charges, excluding interest credited to policy and contract holders	\$ 356	\$ 418	\$ 1,064	\$ 1,808
Ratio of earnings to fixed charges:				
Ratio	n/a	4.98	4.82	4.64
Coverage deficiency	\$ (419)	n/a	n/a	n/a
Ratio of earnings to fixed charges, excluding interest credited to policy and contract holders^(b):				
Ratio	n/a	7.75	6.17	6.09
Coverage deficiency	\$ (327)	n/a	n/a	n/a

(a) From continuing operations, excluding undistributed earnings (loss) from equity method investments and capitalized interest.

(b) The Ratio of earnings to fixed charges, excluding interest credited to policy and contract holders, removes interest credited to guaranteed investment contract (GIC) policyholders and guaranteed investment agreement (GIA) contract holders. Such interest expenses are also removed from earnings used in this calculation. GICs and GIAs are entered into by our subsidiaries. The proceeds from GICs and GIAs are invested in a diversified portfolio of securities, primarily investment grade bonds. The assets acquired yield rates greater than the rates on the related policyholders obligation or contract, with the intent of earning a profit from the spread.

CERTIFICATIONS

I, Peter D. Hancock, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of American International Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2015

/S/ PETER D. HANCOCK

Peter D. Hancock
President and Chief Executive Officer

CERTIFICATIONS

I, David L. Herzog, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of American International Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2015

/S/ DAVID L. HERZOG

David L. Herzog

Executive Vice President and Chief Financial Officer

CERTIFICATION

In connection with this Quarterly Report on Form 10-Q of American International Group, Inc. (the "Company") for the quarter ended September 30, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Peter D. Hancock, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 2, 2015

/S/ PETER D. HANCOCK

Peter D. Hancock
President and Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

CERTIFICATION

In connection with this Quarterly Report on Form 10-Q of American International Group, Inc. (the "Company") for the quarter ended September 30, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David L. Herzog, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 2, 2015

/S/ DAVID L. HERZOG

David L. Herzog
Executive Vice President and Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.