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, 2014 | **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)	**13-2592361** (I.R.S. Employer Identification No.)
175 Water Street, New York, New York (Address of principal executive offices)	**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 ☐ (Do not check if a smaller reporting company)	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, 2014, there were 1,399,912,329 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, 2014
TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

AMERICAN INTERNATIONAL GROUP, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS *(unaudited)*

(in millions, except for share data)		September 30, 2014		December 31, 2013
Assets:				
Investments:				
Fixed maturity securities:				
Bonds available for sale, at fair value (amortized cost: 2014 - $249,920; 2013 - $248,531)	$	265,786	$	258,274
Other bond securities, at fair value (See Note 6)		20,381		22,623
Equity Securities:				
Common and preferred stock available for sale, at fair value (cost: 2014 - $2,066; 2013 - $1,726)		4,344		3,656
Other common and preferred stock, at fair value (See Note 6)		766		834
Mortgage and other loans receivable, net of allowance (portion measured at fair value: 2014 - $6; 2013 - $0)		23,397		20,765
Other invested assets (portion measured at fair value: 2014 - $9,045; 2013 - $8,598)		33,908		28,659
Short-term investments (portion measured at fair value: 2014 - $4,191; 2013 - $6,313)		17,852		21,617
Total investments		366,434		356,428
Cash		1,933		2,241
Accrued investment income		2,877		2,905
Premiums and other receivables, net of allowance		13,236		12,939
Reinsurance assets, net of allowance		23,864		23,829
Deferred income taxes		19,606		21,925
Deferred policy acquisition costs		9,603		9,436
Derivative assets, at fair value		1,588		1,665
Other assets, including restricted cash of $1,238 in 2014 and $865 in 2013 (portion measured at fair value: 2014 - $0; 2013 - $418)		10,239		9,366
Separate account assets, at fair value		77,810		71,059
Assets held-for-sale		-		29,536
Total assets	$	527,190	$	541,329
Liabilities:				
Liability for unpaid claims and claims adjustment expense	$	78,674	$	81,547
Unearned premiums		23,695		21,953
Future policy benefits for life and accident and health insurance contracts		42,431		40,653
Policyholder contract deposits (portion measured at fair value: 2014 - $1,044; 2013 - $384)		123,744		122,016
Other policyholder funds (portion measured at fair value: 2014 - $8; 2013 - $0)		4,718		5,083
Derivative liabilities, at fair value		2,502		2,511
Other liabilities (portion measured at fair value: 2014 - $402; 2013 - $933)		28,410		29,155
Long-term debt (portion measured at fair value: 2014 - $5,667; 2013 - $6,747)		36,223		41,693
Separate account liabilities		77,810		71,059
Liabilities held-for-sale		-		24,548
Total liabilities		418,207		440,218
Contingencies, commitments and guarantees (see Note 10)				
Redeemable noncontrolling interests (see Note 12)		-		30
AIG shareholders' equity:				
Common stock, $2.50 par value; 5,000,000,000 shares authorized; shares issued: 2014 - 1,906,671,492 and 2013 - 1,906,645,689		4,766		4,766
Treasury stock, at cost; 2014 - 502,898,541 shares; 2013 - 442,582,366 shares		(17,720)		(14,520)
Additional paid-in capital		80,904		80,899
Retained earnings		29,300		22,965
Accumulated other comprehensive income		11,331		6,360
Total AIG shareholders' equity		108,581		100,470
Non-redeemable noncontrolling interests (including $100 associated with businesses held for sale in 2013)		402		611
Total equity		108,983		101,081
Total liabilities and equity	$	527,190	$	541,329

See accompanying Notes to Condensed Consolidated Financial Statements.

AMERICAN INTERNATIONAL GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME *(unaudited)*

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in millions, except per share data)	**2014**	2013	**2014**	2013
Revenues:				
Premiums	**$ 9,453**	$ 9,352	**$ 27,949**	$ 27,924
Policy fees	**743**	645	**2,136**	1,883
Net investment income	**4,028**	3,573	**12,108**	11,581
Net realized capital gains:				
Total other-than-temporary impairments on available for sale securities	**(34)**	(33)	**(116)**	(90)
Portion of other-than-temporary impairments on available for sale fixed maturity securities recognized in Other comprehensive income (loss)	**(1)**	(6)	**(21)**	(17)
Net other-than-temporary impairments on available for sale securities recognized in net income	**(35)**	(39)	**(137)**	(107)
Other realized capital gains	**505**	291	**495**	2,250
Total net realized capital gains	**470**	252	**358**	2,143
Aircraft leasing revenue	**-**	1,118	**1,602**	3,303
Other income	**1,960**	1,004	**4,718**	4,498
Total revenues	**16,654**	15,944	**48,871**	51,332
Benefits, claims and expenses:				
Policyholder benefits and claims incurred	**7,203**	7,416	**20,771**	22,234
Interest credited to policyholder account balances	**882**	924	**2,800**	2,913
Amortization of deferred acquisition costs	**1,288**	1,220	**3,989**	3,859
Other acquisition and insurance expenses	**2,117**	2,251	**6,447**	6,734
Interest expense	**430**	516	**1,372**	1,628
Aircraft leasing expenses	**-**	1,119	**1,585**	3,243
Loss on extinguishment of debt	**742**	81	**1,014**	459
Net (gain) loss on sale of divested businesses	**(18)**	-	**(2,196)**	47
Other expenses	**991**	1,239	**3,317**	2,997
Total benefits, claims and expenses	**13,635**	14,766	**39,099**	44,114
Income from continuing operations before income tax expense	**3,019**	1,178	**9,772**	7,218
Income tax expense (benefit)	**820**	(970)	**2,908**	172
Income from continuing operations	**2,199**	2,148	**6,864**	7,046
Income (loss) from discontinued operations, net of income tax expense	**2**	(18)	**(15)**	73
Net income	**2,201**	2,130	**6,849**	7,119
Less:				
Net income (loss) from continuing operations attributable to noncontrolling interests	**9**	(40)	**(25)**	12
Net income attributable to AIG	**$ 2,192**	$ 2,170	**$ 6,874**	$ 7,107
Income (loss) per common share attributable to AIG:				
Basic:				
Income from continuing operations	**$ 1.54**	$ 1.48	**$ 4.78**	$ 4.77
Income (loss) from discontinued operations	**$ -**	$ (0.01)	**$ (0.01)**	$ 0.05
Net income attributable to AIG	**$ 1.54**	$ 1.47	**$ 4.77**	$ 4.82
Diluted:				
Income from continuing operations	**$ 1.52**	$ 1.47	**$ 4.72**	$ 4.75
Income (loss) from discontinued operations	**$ -**	$ (0.01)	**$ (0.01)**	$ 0.05
Net income attributable to AIG	**$ 1.52**	$ 1.46	**$ 4.71**	$ 4.80
Weighted average shares outstanding:				
Basic	**1,419,239,774**	1,475,053,126	**1,440,148,774**	1,476,007,034
Diluted	**1,442,067,842**	1,485,322,858	**1,459,483,233**	1,481,410,873
Dividends declared per common share	**$ 0.125**	$ 0.10	**$ 0.375**	$ 0.10

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2014**	2013	**2014**	2013
Net income	**$ 2,201**	$ 2,130	**$ 6,849**	$ 7,119
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	**59**	(23)	**174**	172
Change in unrealized appreciation (depreciation) of all other investments	**(168)**	(434)	**4,972**	(5,668)
Change in foreign currency translation adjustments	**(78)**	(49)	**(189)**	(627)
Change in retirement plan liabilities adjustment	**6**	(26)	**13**	35
Other comprehensive income (loss)	**(181)**	(532)	**4,970**	(6,088)
Comprehensive income	**2,020**	1,598	**11,819**	1,031
Comprehensive income (loss) attributable to noncontrolling interests	**8**	(42)	**(26)**	(11)
Comprehensive income attributable to AIG	**$ 2,012**	$ 1,640	**$ 11,845**	$ 1,042

See accompanying Notes to Condensed Consolidated Financial Statements.

AMERICAN INTERNATIONAL GROUP, INC.

CONDENSED CONSOLIDATED STATEMENT OF EQUITY *(unaudited)*

(in millions)	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, 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 other 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 deconsolidation	-	-	-	-	-	-	(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
Nine Months Ended September 30, 2013								
Balance, beginning of year	$ 4,766	$ (13,924)	$ 80,410	$ 14,176	$ 12,574	$ 98,002	$ 667	$ 98,669
Purchase of common stock	-	(192)	-	-	-	(192)	-	(192)
Net income attributable to AIG or other noncontrolling interests	-	-	-	7,107	-	7,107	12	7,119
Dividends	-	-	-	(147)	-	(147)	-	(147)
Other comprehensive loss	-	-	-	-	(6,065)	(6,065)	(6)	(6,071)
Net increase due to consolidation	-	-	-	-	-	-	1	1
Contributions from noncontrolling interests	-	-	-	-	-	-	25	25
Distributions to noncontrolling interests	-	-	-	-	-	-	(37)	(37)
Other	-	1	87	-	-	88	(6)	82
Balance, end of period	$ 4,766	$ (14,115)	$ 80,497	$ 21,136	$ 6,509	$ 98,793	$ 656	$ 99,449

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)*	2014	2013
Cash flows from operating activities:		
Net income	$ 6,849	$ 7,119
(Income) loss from discontinued operations	15	(73)
Adjustments to reconcile net income to net cash provided by operating activities:		
Noncash revenues, expenses, gains and losses included in income:		
Net gains on sales of securities available for sale and other assets	(602)	(2,159)
Net (gain) loss on sale of divested businesses	(2,196)	47
Net losses on extinguishment of debt	1,014	459
Unrealized gains in earnings - net	(797)	(7)
Equity in income from equity method investments, net of dividends or distributions	(1,106)	(944)
Depreciation and other amortization	3,372	3,558
Impairments of assets	415	408
Changes in operating assets and liabilities:		
Property casualty and life insurance reserves	184	768
Premiums and other receivables and payables - net	41	(44)
Reinsurance assets and funds held under reinsurance treaties	(64)	(336)
Capitalization of deferred policy acquisition costs	(4,546)	(4,412)
Current and deferred income taxes - net	2,291	(206)
Other, net	(513)	(230)
Total adjustments	(2,507)	(3,098)
Net cash provided by operating activities	4,357	3,948
Cash flows from investing activities:		
Proceeds from (payments for)		
Sales or distribution of:		
Available for sale investments	16,063	27,961
Other securities	3,936	4,174
Other invested assets	3,034	4,111
Divested businesses, net	2,348	-
Maturities of fixed maturity securities available for sale	18,628	19,907
Principal payments received on and sales of mortgage and other loans receivable	2,552	2,721
Purchases of:		
Available for sale investments	(34,630)	(50,639)
Other securities	(301)	(1,880)
Other invested assets	(3,205)	(5,214)
Mortgage and other loans receivable	(4,945)	(3,109)
Net change in restricted cash	(660)	1,251
Net change in short-term investments	2,342	8,114
Other, net	(295)	(879)
Net cash provided by investing activities	4,867	6,518
Cash flows from financing activities:		
Proceeds from (payments for)		
Policyholder contract deposits	12,311	11,348
Policyholder contract withdrawals	(11,036)	(12,481)
Issuance of long-term debt	5,827	3,633
Repayments of long-term debt	(11,561)	(11,355)
Purchase of Common Stock	(3,403)	(192)
Dividends paid	(539)	(147)
Other, net	(1,200)	(278)
Net cash used in financing activities	(9,601)	(9,472)
Effect of exchange rate changes on cash	(19)	(79)
Net increase (decrease) in cash	(396)	915
Cash at beginning of year	2,241	1,151
Change in cash of businesses held-for-sale	88	(8)
Cash at end of period	$ 1,933	$ 2,058

Supplementary Disclosure of Condensed Consolidated Cash Flow Information		
Cash paid during the period for:		
Interest	$ 2,496	$ 2,951
Taxes	$ 614	$ 378
Non-cash investing/financing activities:		
Interest credited to policyholder contract deposits included in financing activities	$ 3,007	$ 2,977
Non-cash consideration received from sale of ILFC	$ 4,586	$ -

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 international insurance organization serving customers in more than 130 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, 2013 (2013 Annual Report). The condensed consolidated financial information as of December 31, 2013 included herein has been derived from audited consolidated financial statements in the 2013 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, 2014 and prior to the issuance of these condensed consolidated financial statements.

Sale of ILFC

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 through the date of the completion of the sale. ILFC’s assets and liabilities were classified as held-for-sale at December 31, 2013 in the Condensed Consolidated Balance Sheets. See Note 4 herein for further discussion.

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;

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

- liability for unpaid claims and claims adjustment expense;
- 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 2014

Certain Obligations Resulting from Joint and Several Liability Arrangements

In February 2013, the Financial Accounting Standards Board (FASB) issued an accounting standard that requires us to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date as the sum of (i) the amount we agreed to pay on the basis of our arrangement among our co-obligors and (ii) any additional amount we expect to pay on behalf of our co-obligors.

We adopted the standard on its required effective date of January 1, 2014. The adoption of this standard had no material effect on our consolidated financial condition, results of operations or cash flows.

Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of an Investment within a Foreign Entity or of an Investment in a Foreign Entity

In March 2013, the FASB issued an accounting standard addressing whether consolidation guidance or foreign currency guidance applies to the release of the cumulative translation adjustment into net income when a parent sells all or a part of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or net assets that are a business (other than a sale of in-substance real estate) within a foreign entity. The standard also resolves the diversity in practice for the cumulative translation adjustment treatment in business combinations achieved in stages involving foreign entities.

Under the standard, the entire amount of the cumulative translation adjustment associated with the foreign entity should be released into earnings when there has been: (i) a sale of a subsidiary or group of net assets within a foreign entity and the sale represents a complete or substantially complete liquidation of the foreign entity in which the subsidiary or the net assets had

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

resided; (ii) a loss of a controlling financial interest in an investment in a foreign entity; or (iii) a change in accounting method from applying the equity method to an investment in a foreign entity to consolidating the foreign entity.

We adopted the standard on its required effective date of January 1, 2014 on a prospective basis. The adoption of this standard had no material effect on our consolidated financial condition, results of operations or cash flows.

Investment Company Guidance

In June 2013, the FASB issued an accounting standard that amends the criteria a company must meet to qualify as an investment company, clarifies the measurement guidance, and requires new disclosures for investment companies. An entity that is regulated by the Securities and Exchange Commission under the Investment Company Act of 1940 (the 1940 Act) qualifies as an investment company. Entities that are not regulated under the 1940 Act must have certain fundamental characteristics and must consider other characteristics to determine whether they qualify as investment companies. An entity's purpose and design must be considered when making the assessment.

An entity that no longer meets the requirements to be an investment company as a result of this standard should present the change in its status as a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. An entity that is an investment company should apply the standard prospectively as an adjustment to opening net assets as of the effective date. The adjustment to net assets represents both the difference between the fair value and the carrying amount of the entity's investments and any amount previously recognized in Accumulated other comprehensive income.

We adopted the standard on its required effective date of January 1, 2014 on a prospective basis. The adoption of this standard had no material effect on our consolidated financial condition, results of operations or cash flows.

Presentation of Unrecognized Tax Benefits

In July 2013, the FASB issued an accounting standard that requires a liability related to unrecognized tax benefits to be presented as a reduction to the related deferred tax asset for a net operating loss carryforward or a tax credit carryforward. When the carryforwards are not available at the reporting date under the tax law of the applicable jurisdiction or the tax law of the applicable jurisdiction does not require, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit will be presented in the financial statements as a liability and will not be combined with the related deferred tax asset.

We adopted the standard on its required effective date of January 1, 2014 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

Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure

In January 2014, the 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The standard is effective for interim and annual reporting periods beginning after December 15, 2014. Early adoption is permitted. We plan to adopt the standard on its required effective date of January 1, 2015 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.

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.

The standard is effective prospectively for all disposals of components (or classification of components as held-for-sale) of an entity that occur within interim and annual periods beginning on or after December 15, 2014. Early adoption is permitted, but only for disposals (or classifications of components as held-for-sale) that have not been reported in financial statements previously issued. We plan to adopt the standard on its required effective date of January 1, 2015 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.

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 other agreements that are governed under other GAAP guidance, but affects the revenue recognition for certain of our other activities.

The standard is effective for interim and annual reporting periods beginning after December 15, 2016 and may be applied retrospectively or through a cumulative effect adjustment to retained earnings at the date of adoption. Early adoption is not permitted. We plan to adopt the standard on its required effective date of January 1, 2017 and are assessing the impact of the standard on our consolidated financial condition, results of operations and 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 a repurchase financing 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.

The accounting guidance and new disclosure requirements for certain transactions accounted for as sales are effective for interim and annual reporting periods beginning after December 15, 2014, while the disclosure requirements for transactions accounted for as secured borrowings are effective for annual reporting periods beginning after December 15, 2014 and for interim reporting periods beginning after March 15, 2015. Early adoption is not permitted. We plan to adopt the standard on its required effective dates 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.

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 to all relevant prior periods presented starting with January 1, 2010 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 or cash flows.

3. SEGMENT INFORMATION

We report the results of our operations consistent with the manner in which our chief operating decision makers review the business to assess performance and to allocate resources through two reportable segments: AIG Property Casualty and AIG Life and Retirement. We evaluate performance based on revenues and pre-tax income (loss), excluding results from discontinued operations, because we believe this provides more meaningful information on how our operations are performing.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The following tables present our operations by reportable segment:

Three Months Ended September 30, (in millions)	2014 Total Revenues	2014 Pre-tax Income (Loss) from continuing operations	2013 Total Revenues	2013 Pre-tax Income (Loss) from continuing operations
AIG Property Casualty				
Commercial Insurance	$ 5,971	$ 573	$ 5,760	$ 610
Consumer Insurance	3,362	131	3,359	93
Other	674	503	585	423
Total AIG Property Casualty	10,007	1,207	9,704	1,126
AIG Life and Retirement				
Retail	3,318	1,160	2,884	941
Institutional	1,756	771	1,760	300
Total AIG Life and Retirement	5,074	1,931	4,644	1,241
Other Operations				
Mortgage Guaranty	262	135	236	43
Global Capital Markets	72	58	87	29
Direct Investment book	430	228	147	52
Corporate & Other	978	(676)	217	(1,347)
Aircraft Leasing	-	-	1,118	(1)
Consolidation and elimination	(9)	(1)	(9)	1
Total Other Operations	1,733	(256)	1,796	(1,223)
AIG Consolidation and elimination	(160)	137	(200)	34
Total AIG Consolidated	$ 16,654	$ 3,019	$ 15,944	$ 1,178

Nine Months Ended September 30, (in millions)	2014 Total Revenues	2014 Pre-tax Income (Loss) from continuing operations	2013 Total Revenues	2013 Pre-tax Income (Loss) from continuing operations
AIG Property Casualty				
Commercial Insurance	$ 17,502	$ 2,149	$ 17,229	$ 2,186
Consumer Insurance	9,962	315	10,212	337
Other	2,159	1,542	2,032	1,422
Total AIG Property Casualty	29,623	4,006	29,473	3,945
AIG Life and Retirement				
Retail	9,056	2,563	9,326	3,114
Institutional	4,939	1,849	6,106	1,416
Total AIG Life and Retirement	13,995	4,412	15,432	4,530
Other Operations				
Mortgage Guaranty	771	423	710	162
Global Capital Markets	417	332	592	431
Direct Investment book	1,260	855	1,373	1,084
Corporate & Other	1,771	(544)	1,123	(3,093)
Aircraft Leasing	1,602	17	3,303	60
Consolidation and elimination	(24)	1	(28)	3
Total Other Operations	5,797	1,084	7,073	(1,353)
AIG Consolidation and elimination	(544)	270	(646)	96
Total AIG Consolidated	$ 48,871	$ 9,772	$ 51,332	$ 7,218

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

4. HELD-FOR-SALE CLASSIFICATION AND DISCONTINUED OPERATIONS

Held-For-Sale Classification

On May 14, 2014, we completed the sale of 100 percent of the common stock of ILFC to AerCap Ireland Limited, a wholly owned subsidiary of AerCap, in exchange for total consideration of approximately $7.6 billion, including cash and 97.6 million newly issued AerCap common shares, valued at approximately $4.6 billion based on AerCap's closing price per share of $47.01 on May 13, 2014. Net cash proceeds to AIG were $2.4 billion after the settlement of intercompany loans, and AIG recorded pre-tax and after-tax gains of approximately $2.2 billion and $1.4 billion, respectively, for the nine-month period ended September 30, 2014. In connection with the AerCap Transaction, we entered into a five-year credit agreement for a senior unsecured revolving credit facility between AerCap Ireland Capital Limited, as borrower, and AIG Parent as lender (the Revolving Credit Facility). The Revolving Credit Facility provides for an aggregate commitment of $1.0 billion and permits loans for general corporate purposes after the closing of the AerCap Transaction. At September 30, 2014, no amounts were outstanding under the Revolving Credit Facility.

As a result of the AerCap Transaction, we own approximately 46 percent of the outstanding common stock of AerCap. This common stock is subject to certain restrictions as to the amount and timing of potential sales as set forth in the Stockholders' Agreement and Registration Rights Agreement between AIG and AerCap. We account for our interest in AerCap using the equity method of accounting. The difference between the carrying amount of our investment in AerCap common stock and our share of the underlying equity in the net assets of AerCap was approximately $1.4 billion at September 30, 2014. Approximately $0.4 billion of this difference was allocated to the assets and liabilities of AerCap based on their respective fair values and is being amortized into income over the estimated lives of the related assets and liabilities. The remainder was allocated to goodwill.

ILFC's results of operations are reflected in Aircraft leasing revenue and Aircraft leasing expenses in the Condensed Consolidated Statements of Income through the date of the completion of the sale. ILFC's assets and liabilities were classified as held-for-sale at December 31, 2013 in the Condensed Consolidated Balance Sheets.

The following table summarizes the components of ILFC assets and liabilities held-for-sale:

(in millions)		December 31, 2013
Assets:		
Equity securities	$	3
Mortgage and other loans receivable, net		229
Flight equipment primarily under operating leases, net of accumulated depreciation		35,508
Short-term investments		658
Cash		88
Premiums and other receivables, net of allowance		318
Other assets		2,066
Assets held-for-sale		38,870
Less: Loss accrual		(9,334)
Total assets held-for-sale	$	29,536
Liabilities:		
Other liabilities	$	3,127
Long-term debt		21,421
Total liabilities held-for-sale	$	24,548

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Discontinued Operations

In connection with the 2010 sale of American Life Insurance Company (ALICO) to MetLife, Inc. (MetLife), we recognized the following income (loss) from discontinued operations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2014**	2013	**2014**	2013
Revenues:				
Gain (loss) on sale	**$ 5**	$ (27)	**$ 56**	$ 119
Income (loss) from discontinued operations, before income tax (benefit) expense	**5**	(27)	**56**	119
Income tax (benefit) expense	**3**	(9)	**71**	46
Income (loss) from discontinued operations, net of income tax	**$ 2**	$ (18)	**$ (15)**	$ 73

5. 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 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, 2014 *(in millions)*	Level 1	Level 2	Level 3	Counterparty Netting[a]	Cash Collateral	Total
Assets:						
Bonds available for sale:						
U.S. government and government sponsored entities	$ 15	$ 2,783	$ -	$ -	$ -	$ 2,798
Obligations of states, municipalities and political subdivisions	-	26,158	2,014	-	-	28,172
Non-U.S. governments	772	21,867	23	-	-	22,662
Corporate debt	-	146,319	2,009	-	-	148,328
RMBS	-	21,786	16,918	-	-	38,704
CMBS	-	6,626	5,916	-	-	12,542
CDO/ABS	-	4,423	8,157	-	-	12,580
Total bonds available for sale	787	229,962	35,037	-	-	265,786
Other bond securities:						
U.S. government and government sponsored entities	128	5,130	-	-	-	5,258
Obligations of states, municipalities and political subdivisions	-	122	-	-	-	122
Non-U.S. governments	-	2	-	-	-	2
Corporate debt	-	948	-	-	-	948
RMBS	-	1,143	1,023	-	-	2,166
CMBS	-	507	713	-	-	1,220
CDO/ABS	-	2,596	8,069	-	-	10,665
Total other bond securities	128	10,448	9,805	-	-	20,381
Equity securities available for sale:						
Common stock	3,570	2	-	-	-	3,572
Preferred stock	-	29	-	-	-	29
Mutual funds	740	2	1	-	-	743
Total equity securities available for sale	4,310	33	1	-	-	4,344
Other equity securities	701	65	-	-	-	766
Mortgage and other loans receivable	-	-	6	-	-	6
Other invested assets	25	3,211	5,809	-	-	9,045
Derivative assets:						
Interest rate contracts[b]	7	2,805	11	-	-	2,823
Foreign exchange contracts[b]	-	1,061	3	-	-	1,064
Equity contracts	107	65	49	-	-	221
Commodity contracts	-	-	-	-	-	-
Credit contracts	-	-	20	-	-	20
Other contracts	-	-	34	-	-	34
Counterparty netting and cash collateral	-	-	-	(1,769)	(805)	(2,574)
Total derivative assets	114	3,931	117	(1,769)	(805)	1,588
Short-term investments	560	3,631	-	-	-	4,191
Separate account assets	72,592	5,218	-	-	-	77,810
Other assets	-	-	-	-	-	-
Total	$ 79,217	$ 256,499	$ 50,775	$ (1,769)	$ (805)	$ 383,917
Liabilities:						
Policyholder contract deposits	$ -	$ 53	$ 991	$ -	$ -	$ 1,044
Other policyholder funds	-	8	-	-	-	8

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Derivative liabilities:						
Interest rate contracts[b]	-	2,649	82	-	-	2,731
Foreign exchange contracts[b]	-	1,493	10	-	-	1,503
Equity contracts	-	88	3	-	-	91
Commodity contracts	-	5	-	-	-	5
Credit contracts	-	-	1,038	-	-	1,038
Other contracts	-	-	89	-	-	89
Counterparty netting and cash collateral	-	-	-	(1,769)	(1,186)	(2,955)
Total derivative liabilities	-	4,235	1,222	(1,769)	(1,186)	2,502
Long-term debt	-	5,370	297	-	-	5,667
Other liabilities	70	332	-	-	-	402
Total	$ 70	$ 9,998	$ 2,510	$ (1,769)	$ (1,186)	$ 9,623

December 31, 2013 (in millions)	Level 1	Level 2	Level 3	Counterparty Netting[a]	Cash Collateral	Total
Assets:						
Bonds available for sale:						
U.S. government and government sponsored entities	$ 133	$ 3,062	$ -	$ -	$ -	$ 3,195
Obligations of states, municipalities and political subdivisions	-	28,300	1,080	-	-	29,380
Non-U.S. governments	508	21,985	16	-	-	22,509
Corporate debt	-	143,297	1,255	-	-	144,552
RMBS	-	21,207	14,941	-	-	36,148
CMBS	-	5,747	5,735	-	-	11,482
CDO/ABS	-	4,034	6,974	-	-	11,008
Total bonds available for sale	641	227,632	30,001	-	-	258,274
Other bond securities:						
U.S. government and government sponsored entities	78	5,645	-	-	-	5,723
Obligations of states, municipalities and political subdivisions	-	121	-	-	-	121
Non-U.S. governments	-	2	-	-	-	2
Corporate debt	-	1,169	-	-	-	1,169
RMBS	-	1,326	937	-	-	2,263
CMBS	-	509	844	-	-	1,353
CDO/ABS	-	3,158	8,834	-	-	11,992
Total other bond securities	78	11,930	10,615	-	-	22,623
Equity securities available for sale:						
Common stock	3,218	-	1	-	-	3,219
Preferred stock	-	27	-	-	-	27
Mutual funds	408	2	-	-	-	410
Total equity securities available for sale	3,626	29	1	-	-	3,656
Other equity securities	750	84	-	-	-	834
Mortgage and other loans receivable	-	-	-	-	-	-
Other invested assets	1	2,667	5,930	-	-	8,598
Derivative assets:						
Interest rate contracts	14	3,716	41	-	-	3,771
Foreign exchange contracts	-	52	-	-	-	52
Equity contracts	151	106	49	-	-	306
Commodity contracts	-	-	1	-	-	1
Credit contracts	-	-	55	-	-	55
Other contracts	-	1	33	-	-	34
Counterparty netting and cash collateral	-	-	-	(1,734)	(820)	(2,554)
Total derivative assets	165	3,875	179	(1,734)	(820)	1,665

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Short-term investments	332	5,981	-	-	-	6,313
Separate account assets	67,708	3,351	-	-	-	71,059
Other assets	-	418	-	-	-	418
Total	$ 73,301	$ 255,967	$ 46,726	$ (1,734)	$ (820)	$ 373,440
Liabilities:						
Policyholder contract deposits	$ -	$ 72	$ 312	$ -	$ -	$ 384
Other policyholder funds	-	-	-	-	-	-
Derivative liabilities:						
Interest rate contracts	-	3,661	141	-	-	3,802
Foreign exchange contracts	-	319	-	-	-	319
Equity contracts	-	101	-	-	-	101
Commodity contracts	-	5	-	-	-	5
Credit contracts	-	-	1,335	-	-	1,335
Other contracts	-	25	142	-	-	167
Counterparty netting and cash collateral	-	-	-	(1,734)	(1,484)	(3,218)
Total derivative liabilities	-	4,111	1,618	(1,734)	(1,484)	2,511
Long-term debt	-	6,377	370	-	-	6,747
Other liabilities	42	891	-	-	-	933
Total	$ 42	$ 11,451	$ 2,300	$ (1,734)	$ (1,484)	$ 10,575

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

(b) Effective April 1, 2014, we reclassified cross-currency swaps from Interest rate contracts to Foreign exchange contracts. This change was applied prospectively.

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, 2014, we transferred $32 million and $330 million, respectively, of securities issued by Non-U.S. government entities from Level 1 to Level 2, as 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.

During the three- and nine-month periods ended September 30, 2013, we transferred $174 million and $731 million, respectively, of securities issued by Non-U.S. government entities from Level 1 to Level 2, as they are no longer considered actively traded. For similar reasons, during the three- and nine-month periods ended September 30, 2013, we transferred $263 million and $356 million 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, 2013.

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, 2014 and 2013 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, 2014 and 2013:

(in millions)	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
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 derivative liabilities, net	(1,122)	91	4	(23)	-	(55)	(1,105)	79
Long-term debt[c]	(394)	21	-	1	-	75	(297)	16
Total	$ (2,358)	$ (43)	$ 12	$ (24)	$ -	$ 20	$ (2,393)	$ 74

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

(in millions)	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, 2014								
Assets:								
Bonds available for sale:								
Obligations of states, municipalities								
and political subdivisions[(b)]	$ 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 derivative liabilities, net	(1,439)	293	51	(2)	48	(56)	(1,105)	276
Long-term debt[(c)]	(370)	13	-	34	(70)	96	(297)	15
Total	$ (2,121)	$ (381)	$ 35	$ 56	$ (22)	$ 40	$ (2,393)	$ 151

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

(in millions)	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
Three Months Ended September 30, 2013								
Assets:								
Bonds available for sale:								
Obligations of states, municipalities								
and political subdivisions	$ 945	$ 4	$ (28)	$ 160	$ -	$ (27)	$ 1,054	$ -
Non-U.S. governments	20	-	-	1	-	-	21	-
Corporate debt	1,634	(3)	5	-	39	(233)	1,442	-
RMBS	13,694	216	(60)	127	167	(58)	14,086	-
CMBS	5,455	4	55	102	-	-	5,616	-
CDO/ABS	6,142	37	(47)	363	289	(133)	6,651	-
Total bonds available for sale	27,890	258	(75)	753	495	(451)	28,870	-
Other bond securities:								
RMBS	782	14	-	(8)	27	-	815	13
CMBS	820	33	-	(53)	31	-	831	29
CDO/ABS	8,972	243	-	(557)	223	-	8,881	217
Total other bond securities	10,574	290	-	(618)	281	-	10,527	259
Equity securities available for sale:								
Common stock	76	-	(1)	(48)	-	-	27	-
Preferred stock	48	-	-	-	-	-	48	-
Total equity securities available for sale	124	-	(1)	(48)	-	-	75	-
Other invested assets	5,639	(25)	78	55	1	-	5,748	-
Total	$ 44,227	$ 523	$ 2	$ 142	$ 777	$ (451)	$ 45,220	$ 259
Liabilities:								
Policyholder contract deposits	$ (586)	$ 250	$ -	$ (51)	$ -	$ -	$ (387)	$ 218
Derivative liabilities, net:								
Interest rate contracts	779	6	-	(912)	-	-	(127)	3
Equity contracts	70	12	-	(1)	1	-	82	10
Commodity contracts	1	-	-	-	-	-	1	-
Credit contracts	(1,594)	52	-	36	-	-	(1,506)	91
Other contracts	(105)	16	(25)	(16)	(1)	-	(131)	8
Total derivatives liabilities, net	(849)	86	(25)	(893)	-	-	(1,681)	112
Long-term debt[(c)]	(419)	(25)	-	1	-	-	(443)	(19)
Total	$ (1,854)	$ 311	$ (25)	$ (943)	$ -	$ -	$ (2,511)	$ 311

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

(in millions)	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, 2013								
Assets:								
Bonds available for sale:								
Obligations of states, municipalities								
and political subdivisions	$ 1,024	$ 29	$ (178)	$ 365	$ -	$ (186)	$ 1,054	$ -
Non-U.S. governments	14	-	-	7	1	(1)	21	-
Corporate debt	1,487	(7)	(9)	30	371	(430)	1,442	-
RMBS	11,662	624	279	1,393	186	(58)	14,086	-
CMBS	5,124	15	75	290	161	(49)	5,616	-
CDO/ABS	4,841	134	(47)	1,383	668	(328)	6,651	-
Total bonds available for sale	24,152	795	120	3,468	1,387	(1,052)	28,870	-
Other bond securities:								
RMBS	396	24	-	130	265	-	815	(27)
CMBS	812	44	-	(193)	282	(114)	831	(13)
CDO/ABS	8,536	1,096	-	(1,566)	843	(28)	8,881	434
Total other bond securities	9,744	1,164	-	(1,629)	1,390	(142)	10,527	394
Equity securities available for sale:								
Common stock	24	-	4	(1)	-	-	27	-
Preferred stock	44	-	4	-	-	-	48	-
Total equity securities available for sale	68	-	8	(1)	-	-	75	-
Other invested assets	5,389	144	88	95	345	(313)	5,748	-
Total	$ 39,353	$ 2,103	$ 216	$ 1,933	$ 3,122	$ (1,507)	$ 45,220	$ 394
Liabilities:								
Policyholder contract deposits	$ (1,257)	$ 865	$ -	$ 5	$ -	$ -	$ (387)	$ 825
Derivative liabilities, net:								
Interest rate contracts	732	20	-	(879)	-	-	(127)	33
Equity contracts	47	49	-	(14)	-	-	82	40
Commodity contracts	1	-	-	(1)	-	1	1	(1)
Credit contracts	(1,991)	365	-	120	-	-	(1,506)	486
Other contracts	(162)	35	(16)	13	(1)	-	(131)	8
Total derivatives liabilities, net	(1,373)	469	(16)	(761)	(1)	1	(1,681)	566
Long-term debt[c]	(344)	(120)	-	23	(2)	-	(443)	(41)
Total	$ (2,974)	$ 1,214	$ (16)	$ (733)	$ (3)	$ 1	$ (2,511)	$ 1,350

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

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

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

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 as follows:

(in millions)	Net Investment Income	Net Realized Capital Gains (Losses)	Other Income	Total
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**
Three Months Ended September 30, 2013				
Bonds available for sale	$ 264	$ (21)	$ 15	$ 258
Other bond securities	86	7	197	290
Equity securities available for sale	-	-	-	-
Other invested assets	(12)	(5)	(8)	(25)
Policyholder contract deposits	-	250	-	250
Derivative liabilities, net	11	8	67	86
Long-term debt	-	-	(25)	(25)
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**
Nine Months Ended September 30, 2013				
Bonds available for sale	$ 713	$ (8)	$ 90	$ 795
Other bond securities	114	8	1,042	1,164
Equity securities available for sale	-	-	-	-
Other invested assets	142	(34)	36	144
Policyholder contract deposits	-	865	-	865
Derivative liabilities, net	26	25	418	469
Long-term debt	-	-	(120)	(120)

The following tables present the gross components of purchases, sales, issues and settlements, net, shown above, for the three- and nine-months ended September 30, 2014 and 2013 related to Level 3 assets and liabilities in the Condensed Consolidated Balance Sheets:

(in millions)	Purchases	Sales	Settlements	Purchases, Sales, Issues and Settlements, Net[(a)]
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)**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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[(c)]		-		-		1		1
Total liabilities	$	-	$	(38)	$	14	$	(24)
Three Months Ended September 30, 2013								
Assets:								
Bonds available for sale:								
Obligations of states, municipalities and political subdivisions	$	194	$	(34)	$	-	$	160
Non-U.S. governments		1		-		-		1
Corporate debt		146		-		(146)		-
RMBS		750		-		(623)		127
CMBS		179		(3)		(74)		102
CDO/ABS		628		-		(265)		363
Total bonds available for sale		1,898		(37)		(1,108)		753
Other bond securities:								
RMBS		31		(12)		(27)		(8)
CMBS		-		(9)		(44)		(53)
CDO/ABS		-		(66)		(491)		(557)
Total other bond securities		31		(87)		(562)		(618)
Equity securities available for sale		-		-		(48)		(48)
Other invested assets		249		(3)		(191)		55
Total assets	$	2,178	$	(127)	$	(1,909)	$	142
Liabilities:								
Policyholder contract deposits	$	-	$	(4)	$	(47)	$	(51)
Derivative liabilities, net		4		-		(897)		(893)
Long-term debt[(c)]		-		-		1		1
Total liabilities	$	4	$	(4)	$	(943)	$	(943)

(in millions)		Purchases		Sales		Settlements		Purchases, Sales, Issues and Settlements, Net[(a)]
Nine Months Ended September 30, 2014								
Assets:								
Bonds available for sale:								
Obligations of states, municipalities and political subdivisions[(b)]	$	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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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[(c)]		-		-		34		34
Total liabilities	$	1	$	(96)	$	151	$	56
Nine Months Ended September 30, 2013								
Assets:								
Bonds available for sale:								
Obligations of states, municipalities and political subdivisions	$	502	$	(137)	$	-	$	365
Non-U.S. governments		9		-		(2)		7
Corporate debt		454		(114)		(310)		30
RMBS		3,462		(231)		(1,838)		1,393
CMBS		872		(167)		(415)		290
CDO/ABS		2,099		(159)		(557)		1,383
Total bonds available for sale		7,398		(808)		(3,122)		3,468
Other bond securities:								
RMBS		244		(12)		(102)		130
CMBS		19		(67)		(145)		(193)
CDO/ABS		318		(66)		(1,818)		(1,566)
Total other bond securities		581		(145)		(2,065)		(1,629)
Equity securities available for sale		58		(11)		(48)		(1)
Other invested assets		697		(49)		(553)		95
Total assets	$	8,734	$	(1,013)	$	(5,788)	$	1,933
Liabilities:								
Policyholder contract deposits	$	-	$	(16)	$	21	$	5
Derivative liabilities, net		9		(1)		(769)		(761)
Long-term debt[(c)]		-		-		23		23
Total liabilities	$	9	$	(17)	$	(725)	$	(733)

(a) There were no issuances during the three- and nine-month periods ended September 30, 2014 and 2013.

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

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

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, 2014 and 2013 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 at their fair values as of the end of each reporting period, consistent with the date of the determination of fair value. As a result, the Net realized and unrealized gains (losses) included in income or other comprehensive income 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.

The Net realized and unrealized gains (losses) included in income or other comprehensive income as shown in the table above excludes $43 million of net gains and $12 million of net losses related to assets and liabilities transferred into Level 3 during the three- and nine-month periods ended September 30, 2013, respectively, and includes $18 million and $30 million of net gains related to assets and liabilities transferred out of Level 3 during the three- and nine-month periods ended September 30, 2013, respectively.

Transfers of Level 3 Assets

During the three- and nine-month periods ended September 30, 2014 and 2013, transfers into Level 3 assets primarily included certain investments in private placement corporate debt, RMBS, CMBS, CDO/ABS, and investments in hedge funds. Transfers of investments in private placement corporate debt and certain ABS 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. The transfers of investments in RMBS, CMBS and CDO and certain ABS into Level 3 assets were due to decreases in market transparency and liquidity for individual security types. Certain investments in hedge funds were transferred into Level 3 due to these investments now being carried at fair value and no longer being accounted for using the equity method of accounting due to a change in percentage ownership, or as a result of limited market activity due to fund-imposed redemption restrictions.

During the three- and nine-month periods ended September 30, 2014 and 2013, transfers out of Level 3 assets primarily related to certain investments in municipal securities, private placement and other corporate debt, RMBS, CMBS, CDO/ABS, and investments in hedge funds. Transfers of certain investments in municipal securities, corporate debt, RMBS, CMBS, 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. Transfers of certain investments in private placement corporate debt out of Level 3 assets were primarily the result of using observable pricing information that reflects the fair value of those securities without the need for adjustment based on our own assumptions regarding the characteristics of a specific security or the current liquidity in the market. 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, 2014 and 2013.

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, 2014	Valuation Technique	Unobservable Input	Range (Weighted Average)
Assets:				
Obligations of states, municipalities and political subdivisions	$ 1,141	Discounted cash flow	Yield[(b)]	4.15% - 4.93% (4.54%)
Corporate debt	1,217	Discounted cash flow	Yield[(b)]	0.00% - 8.57% (6.19%)
RMBS	17,384	Discounted cash flow	Constant prepayment rate[(a)(c)]	0.36% - 9.74% (5.05%)
			Loss severity[(a)(c)]	45.61% - 79.52% (62.57%)
			Constant default rate[(a)(c)]	3.84% - 10.46% (7.15%)
			Yield[(c)]	2.51% - 6.61% (4.56%)
Certain CDO/ABS	5,321	Discounted cash flow	Constant prepayment rate[(a)(c)]	6.40% - 13.40% (9.90%)
			Loss severity[(a)(c)]	43.80% - 59.90% (52.00%)
			Constant default rate[(a)(c)]	2.60% - 14.90% (8.00%)
			Yield[(c)]	4.70% - 10.30% (7.70%)
CMBS	6,048	Discounted cash flow	Yield[(b)]	0.00% - 13.01% (4.50%)
CDO/ABS - Direct Investment book	425	Binomial Expansion Technique (BET)	Recovery rate[(b)]	7.00% - 58.00% (26.00%)
			Diversity score[(b)]	6 - 23 (14)
			Weighted average life[(b)]	0.25 - 10.32 years (4.09 years)
Liabilities:				
Policyholder contract deposits	991	Discounted cash flow	Equity implied volatility[(b)]	6.00% - 39.00%
			Base lapse rate[(b)]	1.00% - 40.00%
			Dynamic lapse rate[(b)]	0.20% - 60.00%
			Mortality rate[(b)]	0.10% - 35.00%
			Utilization rate[(b)]	0.50% - 30.00%
Total derivative liabilities, net	813	BET	Recovery rate[(b)]	5.00% - 32.00% (17.00%)
			Diversity score[(b)]	9 - 27 (14)
			Weighted average life[(b)]	2.69 - 10.32 years (4.67 years)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

(in millions)	Fair Value at December 31, 2013	Valuation Technique	Unobservable Input	Range (Weighted Average)
Assets:				
Obligations of states, municipalities and political subdivisions	$ 920	Discounted cash flow	Yield(b)	4.94% - 5.86% (5.40%)
Corporate debt	788	Discounted cash flow	Yield(b)	0.00% - 14.29% (6.64%)
RMBS	14,419	Discounted cash flow	Constant prepayment rate(a)(c)	0.00% - 10.35% (4.97%)
			Loss severity(a)(c)	42.60% - 79.07% (60.84%)
			Constant default rate(a)(c)	3.98% - 12.22% (8.10%)
			Yield(c)	2.54% - 7.40% (4.97%)
Certain CDO/ABS	5,414	Discounted cash flow	Constant prepayment rate(a)(c)	5.20% - 10.80% (8.20%)
			Loss severity(a)(c)	48.60% - 63.40% (56.40%)
			Constant default rate(a)(c)	3.20% - 16.20% (9.00%)
			Yield(c)	5.20% - 11.50% (9.40%)
CMBS	5,847	Discounted cash flow	Yield(b)	0.00% - 14.69% (5.58%)
CDO/ABS - Direct Investment book	557	Binomial Expansion Technique (BET)	Recovery rate(b)	6.00% - 63.00% (25.00%)
			Diversity score(b)	5 - 35 (12)
			Weighted average life(b)	1.07 - 9.47 years (4.86 years)
Liabilities:				
Policyholder contract deposits	312	Discounted cash flow	Equity implied volatility(b)	6.00% - 39.00%
			Base lapse rate(b)	1.00% - 40.00%
			Dynamic lapse rate(b)	0.20% - 60.00%
			Mortality rate(b)	0.50% - 40.00%
			Utilization rate(b)	0.50% - 25.00%
Total derivative liabilities, net	996	BET	Recovery rate(b)	5.00% - 34.00% (17.00%)
			Diversity score(b)	9 - 32 (13)
			Weighted average life(b)	4.50 - 9.47 years (5.63 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.

The ranges of reported inputs for Corporate debt, RMBS, CDO/ABS, and CMBS valued using a discounted cash flow technique consist of plus/minus 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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 is 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 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 Certain CDO/ABS

The significant unobservable inputs used in fair value measurements of RMBS and certain 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.

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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

CDO/ABS – Direct Investment book

The significant unobservable inputs used for certain CDO/ABS securities valued using the BET are recovery rates, diversity score, and the weighted average life of the portfolio. An increase in recovery rates and diversity score will increase the fair value of the portfolio. An increase in the weighted average life will decrease the fair value.

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-indexed annuities and guaranteed investment contracts (GICs). GMWB represents our largest exposure of these embedded derivatives, although the carrying value of the liability fluctuates based on the performance of the equity markets and therefore, at a point in time, can be low relative to the exposure. The principal unobservable input used for GMWBs and embedded derivatives in equity-indexed 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. Significant unobservable inputs used in valuing embedded derivatives within GICs include long-term forward interest rates and foreign exchange rates. Generally, the embedded derivative liability for GICs will increase as interest rates decrease or if the U.S. dollar weakens compared to the euro.

Total derivative liabilities, net

The significant unobservable inputs used for derivative liabilities valued using the BET, which include certain 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 as a practical expedient to measure fair value.

		September 30, 2014		December 31, 2013	
(in millions)	Investment Category Includes	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					
Private equity funds:					
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	$ 2,496	$ 474	$ 2,544	$ 578
Real Estate / Infrastructure	Investments in real estate properties and infrastructure positions, including power plants and other energy generating facilities	427	209	346	86
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	136	10	140	13
Distressed	Securities of companies that are in default, under bankruptcy protection, or troubled	174	44	183	34
Other	Includes multi-strategy and mezzanine strategies	194	213	134	238
Total private equity funds		3,427	950	3,347	949
Hedge funds:					
Event-driven	Securities of companies undergoing material structural changes, including mergers, acquisitions and other reorganizations	1,188	2	976	2
Long-short	Securities that the manager believes are undervalued, with corresponding short positions to hedge market risk	2,096	4	1,759	11
Macro	Investments that take long and short positions in financial instruments based on a top-down view of certain economic and capital market conditions	486	-	612	-
Distressed	Securities of companies that are in default, under bankruptcy protection or troubled	659	5	594	15
Emerging markets	Investments in the financial markets of developing countries	302	-	287	-
Other	Includes multi-strategy and relative value strategies	238	-	157	-
Total hedge funds		4,969	11	4,385	28
Total		$ 8,396	$ 961	$ 7,732	$ 977

Private equity fund investments included above are not redeemable, as 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, 2014, assuming average original expected lives of 10 years for the funds, 74 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, 18 percent between four and six years and 8 percent between seven and 10 years.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The hedge fund investments included above are generally redeemable monthly (15 percent), quarterly (46 percent), semi-annually (16 percent) and annually (23 percent), with redemption notices ranging from one day to 180 days. At September 30, 2014, however, investments representing approximately 51 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 2015. 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:

	Gain (Loss) Three Months Ended September 30,		Gain (Loss) Nine Months Ended September 30,	
(in millions)	**2014**	2013	**2014**	2013
Assets:				
Mortgage and other loans receivable	**$ -**	$ 1	**$ -**	$ 3
Bond and equity securities	**252**	331	**1,529**	963
Alternative Investments[(a)]	**73**	23	**245**	229
Other, including Short-term investments	**2**	3	**7**	8
Liabilities:				
Long-term debt[(b)]	**23**	(51)	**(186)**	271
Other liabilities	**(4)**	(4)	**(10)**	(10)
Total gain	**$ 346**	$ 303	**$ 1,585**	$ 1,464

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

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

We recognized gains of $8 million and losses of $14 million during the three- and nine-month periods ended September 30, 2014, respectively, and losses of $22 million and $37 million during the three- and nine-month periods ended September 30, 2013, 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:

	September 30, 2014			December 31, 2013		
(in millions)	Fair Value	Outstanding Principal Amount	Difference	Fair Value	Outstanding Principal Amount	Difference
Assets:						
Mortgage and other loans receivable	**$ 6**	**$ 4**	**$ 2**	$ -	$ -	$ -
Liabilities:						
Long-term debt*	**$ 5,667**	**$ 4,344**	**$ 1,323**	$ 6,747	$ 5,231	$ 1,516

* 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:

	Assets at Fair Value Non-Recurring Basis				Impairment Charges			
					Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	Level 1	Level 2	Level 3	Total	2014	2013	2014	2013
September 30, 2014								
Other investments	$ -	$ -	$ 766	$ 766	$ 62	$ 9	$ 117	$ 82
Investments in life settlements	-	-	473	473	52	61	139	139
Other assets	-	-	1	1	1	2	2	26
Total	$ -	$ -	$ 1,240	$ 1,240	$ 115	$ 72	$ 258	$ 247
December 31, 2013								
Other investments	$ -	$ -	$ 1,615	$ 1,615				
Investments in life settlements	-	-	896	896				
Other assets	-	11	48	59				
Total	$ -	$ 11	$ 2,559	$ 2,570				

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:

	Estimated Fair Value				Carrying
(in millions)	Level 1	Level 2	Level 3	Total	Value
September 30, 2014					
Assets:					
Mortgage and other loans receivable	$ -	$ 217	$ 24,468	$ 24,685	$ 23,391
Other invested assets	-	626	2,839	3,465	4,357
Short-term investments	-	13,661	-	13,661	13,661
Cash	1,933	-	-	1,933	1,933
Liabilities:					
Policyholder contract deposits associated with investment-type contracts	-	226	117,983	118,209	105,258
Other liabilities	-	3,993	-	3,993	3,993
Long-term debt	-	30,880	3,689	34,569	30,556
December 31, 2013					
Assets:					
Mortgage and other loans receivable	$ -	$ 219	$ 21,418	$ 21,637	$ 20,765
Other invested assets	-	529	2,705	3,234	4,194
Short-term investments	-	15,304	-	15,304	15,304
Cash	2,241	-	-	2,241	2,241
Liabilities:					
Policyholder contract deposits associated with investment-type contracts	-	199	114,361	114,560	105,093
Other liabilities	-	4,869	1	4,870	4,869
Long-term debt	-	36,239	2,394	38,633	34,946

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

6. INVESTMENTS

Securities Available for Sale

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

(in millions)	Amortized Cost or Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Other-Than-Temporary Impairments in AOCI[a]
September 30, 2014					
Bonds available for sale:					
U.S. government and government sponsored entities	**$ 2,638**	**$ 180**	**$ (20)**	**$ 2,798**	**$ -**
Obligations of states, municipalities and political subdivisions	**26,699**	**1,557**	**(84)**	**28,172**	**(11)**
Non-U.S. governments	**21,889**	**955**	**(182)**	**22,662**	**-**
Corporate debt	**139,166**	**10,222**	**(1,060)**	**148,328**	**73**
Mortgage-backed, asset-backed and collateralized:					
RMBS	**35,511**	**3,507**	**(314)**	**38,704**	**1,862**
CMBS	**11,959**	**694**	**(111)**	**12,542**	**218**
CDO/ABS	**12,058**	**637**	**(115)**	**12,580**	**50**
Total mortgage-backed, asset-backed and collateralized	**59,528**	**4,838**	**(540)**	**63,826**	**2,130**
Total bonds available for sale[b]	**249,920**	**17,752**	**(1,886)**	**265,786**	**2,192**
Equity securities available for sale:					
Common stock	**1,323**	**2,268**	**(19)**	**3,572**	**-**
Preferred stock	**24**	**5**	**-**	**29**	**-**
Mutual funds	**719**	**41**	**(17)**	**743**	**-**
Total equity securities available for sale	**2,066**	**2,314**	**(36)**	**4,344**	**-**
Total	**$ 251,986**	**$ 20,066**	**$ (1,922)**	**$ 270,130**	**$ 2,192**
December 31, 2013					
Bonds available for sale:					
U.S. government and government sponsored entities	$ 3,084	$ 150	$ (39)	$ 3,195	$ -
Obligations of states, municipalities and political subdivisions	28,704	1,122	(446)	29,380	(15)
Non-U.S. governments	22,045	822	(358)	22,509	-
Corporate debt	139,461	7,989	(2,898)	144,552	74
Mortgage-backed, asset-backed and collateralized:					
RMBS	33,520	3,101	(473)	36,148	1,670
CMBS	11,216	558	(292)	11,482	125
CDO/ABS	10,501	649	(142)	11,008	62
Total mortgage-backed, asset-backed and collateralized	55,237	4,308	(907)	58,638	1,857
Total bonds available for sale[b]	248,531	14,391	(4,648)	258,274	1,916
Equity securities available for sale:					
Common stock	1,280	1,953	(14)	3,219	-
Preferred stock	24	4	(1)	27	-
Mutual funds	422	12	(24)	410	-
Total equity securities available for sale	1,726	1,969	(39)	3,656	-
Total	$ 250,257	$ 16,360	$ (4,687)	$ 261,930	$ 1,916

(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 value of such securities subsequent to the impairment measurement date.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

(b) At September 30, 2014 and December 31, 2013, bonds available for sale held by us that were below investment grade or not rated totaled $35.0 billion and $32.6 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	
(in millions)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
September 30, 2014						
Bonds available for sale:						
U.S. government and government sponsored entities	**$ 491**	**$ 5**	**$ 303**	**$ 15**	**$ 794**	**$ 20**
Obligations of states, municipalities and political subdivisions	**924**	**20**	**1,183**	**64**	**2,107**	**84**
Non-U.S. governments	**2,074**	**34**	**2,213**	**148**	**4,287**	**182**
Corporate debt	**14,653**	**239**	**14,521**	**821**	**29,174**	**1,060**
RMBS	**3,849**	**72**	**4,432**	**242**	**8,281**	**314**
CMBS	**956**	**6**	**2,483**	**105**	**3,439**	**111**
CDO/ABS	**2,937**	**33**	**1,770**	**82**	**4,707**	**115**
Total bonds available for sale	**25,884**	**409**	**26,905**	**1,477**	**52,789**	**1,886**
Equity securities available for sale:						
Common stock	**116**	**13**	**7**	**6**	**123**	**19**
Preferred stock	**5**	**-**	**-**	**-**	**5**	**-**
Mutual funds	**282**	**12**	**70**	**5**	**352**	**17**
Total equity securities available for sale	**403**	**25**	**77**	**11**	**480**	**36**
Total	**$ 26,287**	**$ 434**	**$ 26,982**	**$ 1,488**	**$ 53,269**	**$ 1,922**
December 31, 2013						
Bonds available for sale:						
U.S. government and government sponsored entities	$ 1,101	$ 34	$ 42	$ 5	$ 1,143	$ 39
Obligations of states, municipalities and political subdivisions	6,134	379	376	67	6,510	446
Non-U.S. governments	4,102	217	710	141	4,812	358
Corporate debt	38,495	2,251	4,926	647	43,421	2,898
RMBS	8,543	349	1,217	124	9,760	473
CMBS	3,191	176	1,215	116	4,406	292
CDO/ABS	2,845	62	915	80	3,760	142
Total bonds available for sale	64,411	3,468	9,401	1,180	73,812	4,648
Equity securities available for sale:						
Common stock	96	14	-	-	96	14
Preferred stock	5	1	-	-	5	1
Mutual funds	369	24	-	-	369	24
Total equity securities available for sale	470	39	-	-	470	39
Total	$ 64,881	$ 3,507	$ 9,401	$ 1,180	$ 74,282	$ 4,687

At September 30, 2014, we held 6,689 and 137 individual fixed maturity and equity securities, respectively, that were in an unrealized loss position, of which 2,399 individual fixed maturity securities were in a continuous unrealized loss position for longer than 12 months. We did not recognize the unrealized losses in earnings on these fixed maturity securities at September

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

30, 2014 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, 2014	Total Fixed Maturity Securities Available for Sale		Fixed Maturity Securities in a Loss Position Available for Sale	
(in millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 10,843	$ 11,017	$ 857	$ 846
Due after one year through five years	50,274	52,949	7,038	6,926
Due after five years through ten years	65,793	69,252	14,788	14,353
Due after ten years	63,482	68,742	15,025	14,237
Mortgage-backed, asset-backed and collateralized	59,528	63,826	16,967	16,427
Total	$ 249,920	$ 265,786	$ 54,675	$ 52,789

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:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2014		2013		**2014**		2013	
(in millions)	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	**$ 118**	**$ 21**	$ 516	$ 26	**$ 528**	**$ 65**	$ 2,216	$ 153
Equity securities	**33**	**4**	18	6	**102**	**10**	101	15
Total	**$ 151**	**$ 25**	$ 534	$ 32	**$ 630**	**$ 75**	$ 2,317	$ 168

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.

For the three- and nine-month periods ended September 30, 2013, the aggregate fair value of available for sale securities sold was $8.4 billion and $27.7 billion, respectively, which resulted in net realized capital gains of $0.5 billion and $2.1 billion, respectively.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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:

	September 30, 2014		December 31, 2013	
(in millions)	Fair Value	Percent of Total	Fair Value	Percent of Total
Fixed maturity securities:				
U.S. government and government sponsored entities	$ 5,258	25 %	$ 5,723	24 %
Obligations of states, municipalities and political subdivisions	122	1	121	1
Non-U.S. governments	2	-	2	-
Corporate debt	948	4	1,169	5
Mortgage-backed, asset-backed and collateralized:				
RMBS	2,166	10	2,263	10
CMBS	1,220	6	1,353	6
CDO/ABS and other collateralized*	10,665	50	11,985	51
Total mortgage-backed, asset-backed and collateralized	14,051	66	15,601	67
Other	-	-	7	-
Total fixed maturity securities	20,381	96	22,623	97
Equity securities	766	4	834	3
Total	$ 21,147	100 %	$ 23,457	100 %

* Includes $0.9 billion and $1.0 billion of U.S. Government agency backed ABS at September 30, 2014 and December 31, 2013, respectively.

Net Investment Income

The following table presents the components of Net investment income:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2014	2013	2014	2013
Fixed maturity securities, including short-term investments	$ 3,022	$ 3,005	$ 9,264	$ 8,969
Equity securities	135	98	67	123
Interest on mortgage and other loans	318	292	947	862
Alternative investments*	636	288	2,108	1,892
Real estate	25	32	86	99
Other investments	25	(22)	34	59
Total investment income	4,161	3,693	12,506	12,004
Investment expenses	133	120	398	423
Net investment income	$ 4,028	$ 3,573	$ 12,108	$ 11,581

* 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):

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2014**	2013	**2014**	2013
Sales of fixed maturity securities	**$ 97**	$ 490	**$ 463**	$ 2,063
Sales of equity securities	**29**	12	**92**	86
Other-than-temporary impairments:				
Severity	**-**	-	**-**	(5)
Change in intent	**(14)**	(1)	**(20)**	(4)
Foreign currency declines	**(3)**	-	**(13)**	-
Issuer-specific credit events	**(31)**	(51)	**(124)**	(130)
Adverse projected cash flows	**(2)**	-	**(7)**	(7)
Provision for loan losses	**(11)**	(33)	**9**	(38)
Foreign exchange transactions	**350**	(276)	**329**	135
Derivative instruments	**36**	192	**(302)**	209
Impairments on investments in life settlements	**(52)**	(61)	**(139)**	(139)
Other	**71**	(20)	**70**	(27)
Net realized capital gains	**$ 470**	$ 252	**$ 358**	$ 2,143

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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2014**	2013	**2014**	2013
Increase (decrease) in unrealized appreciation (depreciation) of investments:				
Fixed maturity securities	**$ (1,515)**	$ (1,696)	**$ 6,123**	$ (12,971)
Equity securities	**303**	189	**348**	180
Other investments	**94**	50	**127**	57
Total Increase (decrease) in unrealized appreciation (depreciation) of investments*	**$ (1,118)**	$ (1,457)	**$ 6,598**	$ (12,734)

* Excludes net unrealized gains attributable to businesses held for sale.

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 2013 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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2014**	2013	**2014**	2013
Balance, beginning of period	**$ 3,166**	$ 4,236	**$ 3,872**	$ 5,164
Increases due to:				
Credit impairments on new securities subject to impairment losses	**13**	6	**35**	33
Additional credit impairments on previously impaired securities	**5**	29	**59**	59
Reductions due to:				
Credit impaired securities fully disposed for which there was no prior intent or requirement to sell	**(116)**	(68)	**(528)**	(626)
Accretion on securities previously impaired due to credit*	**(183)**	(184)	**(544)**	(611)
Other	**-**	-	**(9)**	-
Balance, end of period	**$ 2,885**	$ 4,019	**$ 2,885**	$ 4,019

* 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:

(in millions)	At Date of Acquisition
Contractually required payments (principal and interest)	$ 29,851
Cash flows expected to be collected*	23,983
Recorded investment in acquired securities	15,896

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

(in millions)	September 30, 2014	December 31, 2013
Outstanding principal balance	$ 16,883	$ 14,741
Amortized cost	12,097	10,110
Fair value	13,489	11,338

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2014	2013	2014	2013
Balance, beginning of period	$ 7,042	$ 5,901	$ 6,940	$ 4,766
Newly purchased PCI securities	358	202	1,127	1,308
Disposals	-	-	-	(60)
Accretion	(223)	(187)	(654)	(517)
Effect of changes in interest rate indices	(96)	282	(327)	388
Net reclassification from non-accretable difference, including effects of prepayments	30	405	25	718
Balance, end of period	$ 7,111	$ 6,603	$ 7,111	$ 6,603

Pledged Investments

Secured Financing and Similar Arrangements

We enter into financing transactions whereby certain securities are transferred to financial institutions in exchange for cash or other liquid collateral. Securities transferred by us under these financing transactions may be sold or repledged by the counterparties. As collateral for the securities transferred by us, counterparties transfer assets to us, such as cash or high quality fixed maturity securities. Collateral levels are monitored daily and are generally maintained at an agreed-upon percentage of the fair value of the transferred securities during the life of the transactions. Where we receive fixed maturity securities as collateral, we do not have the right to sell or repledge the collateral unless an event of default occurs by the counterparties. At the termination of the transactions, we and our counterparties are obligated to return the collateral provided and the securities transferred, respectively. We treat these transactions as secured financing arrangements.

Secured financing transactions also include securities 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. In the majority of these repurchase agreements, the securities transferred by us may be sold or repledged by the counterparties. Repurchase agreements entered into by the DIB are carried at fair value based on market-observable interest rates. All other repurchase agreements are recorded at their contracted repurchase amounts plus accrued interest.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The following table presents the fair value of securities pledged to counterparties under secured financing transactions:

(in millions)	September 30, 2014	December 31, 2013
Securities available for sale	$ 2,860	$ 3,837
Other securities	2,187	2,766

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. Such agreements entered into by the DIB are carried at fair value based on market observable interest rates. 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:

(in millions)	September 30, 2014	December 31, 2013
Securities collateral pledged to us	$ 7,347	$ 8,878
Amount sold or repledged by us	106	71

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 $6.2 billion and $6.7 billion at September 30, 2014 and December 31, 2013, respectively.

Other Pledges

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 $53 million and $57 million of stock in FHLBs at September 30, 2014 and December 31, 2013, respectively. In addition, our subsidiaries have pledged securities available for sale with a fair value of $530 million and $80 million at September 30, 2014 and December 31, 2013, 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 securities pledged as collateral with respect to these obligations approximated $3.6 billion and $4.2 billion at September 30, 2014 and December 31, 2013, 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

7. LENDING ACTIVITIES

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

(in millions)	September 30, 2014	December 31, 2013
Commercial mortgages*	$ 17,841	$ 16,195
Life insurance policy loans	2,756	2,830
Commercial loans, other loans and notes receivable	3,084	2,052
Total mortgage and other loans receivable	23,681	21,077
Allowance for losses	(284)	(312)
Mortgage and other loans receivable, net	$ 23,397	$ 20,765

* Commercial mortgages primarily represent loans for office, retail and industrial properties, with exposures in California and New York representing the largest geographic concentrations (aggregating approximately 14 percent and 16 percent, respectively, at September 30, 2014, and approximately 18 percent and 17 percent, respectively, at December 31, 2013).

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

(dollars in millions)	Number of Loans	Class: Apartments	Offices	Retail	Industrial	Hotel	Others	Total[c]	Percent of Total $
September 30, 2014									
Credit Quality Indicator:									
In good standing	973	$ 3,231	$ 5,390	$ 3,868	$ 1,718	$ 1,469	$ 1,784	$ 17,460	98 %
Restructured[a]	8	4	285	16	-	-	22	327	2
90 days or less delinquent	1	-	14	-	-	-	-	14	-
>90 days delinquent or in process of foreclosure	3	40	-	-	-	-	-	40	-
Total[b]	985	$ 3,275	$ 5,689	$ 3,884	$ 1,718	$ 1,469	$ 1,806	$ 17,841	100 %
Valuation allowance		$ 9	$ 96	$ 14	$ 20	$ 6	$ 30	$ 175	1 %
December 31, 2013									
Credit Quality Indicator:									
In good standing	978	$ 2,786	$ 4,636	$ 3,364	$ 1,607	$ 1,431	$ 1,970	$ 15,794	98 %
Restructured[a]	9	53	210	6	-	-	85	354	2
90 days or less delinquent	2	-	-	5	-	-	-	5	-
>90 days delinquent or in process of foreclosure	6	-	42	-	-	-	-	42	-
Total[b]	995	$ 2,839	$ 4,888	$ 3,375	$ 1,607	$ 1,431	$ 2,055	$ 16,195	100 %
Allowance for losses		$ 10	$ 109	$ 9	$ 19	$ 3	$ 51	$ 201	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 2013 Annual Report.

(b) Does not reflect valuation allowances.

(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 2013 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)*	2014 Commercial Mortgages	2014 Other Loans	2014 Total	2013 Commercial Mortgages	2013 Other Loans	2013 Total
Allowance, beginning of year	$ 201	$ 111	$ 312	$ 159	$ 246	$ 405
Loans charged off	(10)	(13)	(23)	(5)	(37)	(42)
Recoveries of loans previously charged off	-	16	16	3	6	9
Net charge-offs	(10)	3	(7)	(2)	(31)	(33)
Provision for loan losses	(16)	(6)	(22)	47	(16)	31
Other	-	1	1	(1)	(4)	(5)
Allowance, end of period	$ 175*	$ 109	$ 284	$ 203*	$ 195	$ 398

* Of the total allowance at the end of the period, $86 million and $102 million relates to individually assessed credit losses on $246 million and $267 million of commercial mortgage loans at September 30, 2014 and 2013, respectively.

No significant loans were modified in a troubled debt restructuring during the nine-month periods ended September 30, 2014 and 2013.

8. VARIABLE INTEREST ENTITIES

We enter into various arrangements with variable interest entities (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, 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 VIE'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 Funds[e]	Securitization Vehicles	Structured Investment Vehicles	Affordable Housing Partnerships	Other	Total
September 30, 2014						
Assets:						
Bonds available for sale	**$ -**	**$ 11,320**	**$ -**	**$ -**	**$ 41**	**$ 11,361**
Other bond securities	**-**	**7,375**	**662**	**-**	**44**	**8,081**
Mortgage and other loans receivable	**-**	**2,460**	**-**	**-**	**168**	**2,628**
Other invested assets	**586**	**-**	**-**	**1,725**	**705**	**3,016**
Other [a]	**41**	**697**	**90**	**46**	**561**	**1,435**
Total assets[b][c]	**$ 627**	**$ 21,852**	**$ 752**	**$ 1,771**	**$ 1,519**	**$ 26,521**
Liabilities:						
Long-term debt	**$ 69**	**$ 1,371**	**$ 91**	**$ 184**	**$ 73**	**$ 1,788**
Other [d]	**32**	**91**	**-**	**88**	**201**	**412**
Total liabilities	**$ 101**	**$ 1,462**	**$ 91**	**$ 272**	**$ 274**	**$ 2,200**
December 31, 2013						
Assets:						
Bonds available for sale	$ -	$ 11,028	$ -	$ -	$ 70	$ 11,098
Other bond securities	-	7,449	748	-	113	8,310
Mortgage and other loans receivable	-	1,508	-	-	189	1,697
Other invested assets	849	-	-	1,986	793	3,628
Other [a]	49	481	93	41	615	1,279
Total assets[b][c]	$ 898	$ 20,466	$ 841	$ 2,027	$ 1,780	$ 26,012
Liabilities:						
Long-term debt	$ 71	$ 494	$ 87	$ 188	$ 154	$ 994
Other[d]	31	74	-	83	367	555
Total liabilities	$ 102	$ 568	$ 87	$ 271	$ 521	$ 1,549

(a) Comprised primarily of Short-term investments, Premiums and other receivables and Other assets at both September 30, 2014 and December 31, 2013.

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

(c) At September 30, 2014 and December 31, 2013, includes approximately $21.7 billion and $21.4 billion, respectively, of investment-grade debt securities, loans and other assets held by certain securitization vehicles that issued beneficial interests in these investments. The majority of the beneficial interests issued are held by AIG.

(d) Comprised primarily of Other liabilities and Derivative liabilities, at fair value, at both September 30, 2014 and December 31, 2013.

(e) At September 30, 2014 and December 31, 2013, off-balance sheet exposure, primarily consisting of commitments to real estate and investment funds, was $60.2 million and $50.8 million, respectively.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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.

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:

		Maximum Exposure to Loss		
(in millions)	Total VIE Assets	On-Balance Sheet*	Off-Balance Sheet	Total
September 30, 2014				
Real estate and investment funds	**$ 20,228**	**$ 2,741**	**$ 421**	**$ 3,162**
Affordable housing partnerships	**438**	**438**	**-**	**438**
Other	**615**	**31**	**-**	**31**
Total	**$ 21,281**	**$ 3,210**	**$ 421**	**$ 3,631**
December 31, 2013				
Real estate and investment funds	$ 17,572	$ 2,343	$ 289	$ 2,632
Affordable housing partnerships	478	477	-	477
Other	708	37	-	37
Total	$ 18,758	$ 2,857	$ 289	$ 3,146

* At September 30, 2014 and December 31, 2013, $3.2 billion and $2.8 billion, respectively, of our total unconsolidated VIE assets were recorded as Other invested assets.

See Note 10 to the Consolidated Financial Statements in the 2013 Annual Report for additional information on VIEs.

9. 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 2013 Annual Report for a discussion of our accounting policies and procedures regarding derivatives and hedge accounting.

Effective April 1, 2014, we reclassified cross-currency swaps from Interest rate contracts to Foreign exchange contracts. This change was applied prospectively.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The following table presents the notional amounts and fair values of our derivative instruments:

	September 30, 2014				December 31, 2013			
	Gross Derivative Assets		Gross Derivative Liabilities		Gross Derivative Assets		Gross Derivative Liabilities	
(in millions)	Notional Amount	Fair Value[(a)]	Notional Amount	Fair Value[(a)]	Notional Amount	Fair Value[(a)]	Notional Amount	Fair Value[(a)]
Derivatives designated as hedging instruments:								
Interest rate contracts	$ -	$ -	$ 25	$ 1	$ -	$ -	$ 112	$ 15
Foreign exchange contracts	327	12	1,645	164	-	-	1,857	190
Equity contracts	99	1	8	1	-	-	-	-
Derivatives not designated as hedging instruments:								
Interest rate contracts	47,090	2,823	37,613	2,783	50,897	3,771	59,585	3,849
Foreign exchange contracts	13,965	1,052	9,456	1,339	1,774	52	3,789	129
Equity contracts[(b)]	8,373	220	38,420	1,113	29,296	413	9,840	524
Commodity contracts	15	-	12	5	17	1	13	5
Credit contracts	30	20	5,688	1,038	70	55	15,459	1,335
Other contracts[(c)]	35,169	34	636	89	32,440	34	1,408	167
Total derivatives not designated as hedging instruments	104,642	4,149	91,825	6,367	114,494	4,326	90,094	6,009
Total derivatives, gross	$ 105,068	$ 4,162	$ 93,503	$ 6,533	$ 114,494	$ 4,326	$ 92,063	$ 6,214

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

(b) Notional amount of derivative assets and fair value of derivative assets were both zero at September 30, 2014 and were $23.2 billion and $107 million at December 31, 2013, respectively, related to bifurcated embedded derivatives. Notional amount of derivative liabilities and fair value of derivative liabilities include $35.6 billion and $1.0 billion, respectively, at September 30, 2014, and $6.7 billion and $424 million, respectively, at December 31, 2013, related to bifurcated embedded derivatives. A bifurcated embedded derivative is generally presented with the host contract in the Condensed Consolidated Balance Sheets.

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

The following table presents the fair values of derivative assets and liabilities in the Condensed Consolidated Balance Sheets:

	September 30, 2014				December 31, 2013			
	Derivative Assets		Derivative Liabilities		Derivative Assets		Derivative Liabilities	
(in millions)	Notional Amount	Fair Value	Notional Amount	Fair Value	Notional Amount	Fair Value	Notional Amount	Fair Value
Global Capital Markets derivatives:								
AIG Financial Products	$ 30,619	$ 2,331	$ 28,650	$ 3,020	$ 41,942	$ 2,567	$ 52,679	$ 3,506
AIG Markets	25,142	1,308	20,959	1,798	12,531	964	23,716	1,506
Total Global Capital Markets derivatives	55,761	3,639	49,609	4,818	54,473	3,531	76,395	5,012
Non-Global Capital Markets derivatives[(a)]	49,307	523	43,894	1,715	60,021	795	15,668	1,202
Total derivatives, gross	$ 105,068	4,162	$ 93,503	6,533	$ 114,494	4,326	$ 92,063	6,214
Counterparty netting[(b)]		(1,769)		(1,769)		(1,734)		(1,734)
Cash collateral[(c)]		(805)		(1,186)		(820)		(1,484)
Total derivatives, net		1,588		3,578		1,772		2,996
Less: Bifurcated embedded derivatives		-		1,076		107		485
Total derivatives on consolidated balance sheet		$ 1,588		$ 2,502		$ 1,665		$ 2,511

(a) Represents derivatives used to hedge the foreign currency and interest rate risk associated with insurance as well as embedded derivatives included in insurance contracts. Assets and liabilities include bifurcated embedded derivatives which are recorded in Policyholder contract deposits.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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

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

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 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 to transactions 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 $2.9 billion and $3.2 billion at September 30, 2014 and December 31, 2013, 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 $1.0 billion at both September 30, 2014 and December 31, 2013. 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 our 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.

Hedge Accounting

We designated certain derivatives entered into by Global Capital Markets (GCM) 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 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 cross-currency interest rate swaps as hedges of the change in fair values of fixed-rate GICs attributable to changes in benchmark interest rates and foreign exchange rates.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

We use foreign currency denominated debt and cross-currency interest rate 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. We assess the hedge effectiveness and measure the amount of ineffectiveness for these hedge relationships based on changes in spot exchange rates. For the three- and nine-month periods ended September 30, 2014, we recognized gains of $104 million and $107 million, respectively, and for the three- and nine-month periods ended September 30, 2013, we recognized losses of $108 million and $13 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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2014**	2013	**2014**	2013
Interest rate contracts:				
Gain recognized in earnings on derivatives[a]	**$ -**	$ 2	**$ 2**	$ 2
Gain recognized in earnings on hedged items[b]	**10**	17	**85**	70
Foreign exchange contracts:[c]				
Loss recognized in earnings on derivatives[d]	**(76)**	(21)	**(20)**	(61)
Gain recognized in earnings on hedged items[e]	**97**	19	**37**	66
Gain (loss) recognized in earnings for amounts excluded from effectiveness testing	**9**	(2)	**(3)**	5
Equity contracts:[f]				
Gain (loss) recognized in earnings on derivatives	**4**	-	**(10)**	-
Gain (loss) recognized in earnings on hedged items	**(6)**	-	**8**	-
Gain (loss) recognized in earnings for amounts excluded from effectiveness testing	**(2)**	-	**(2)**	-

(a) Includes gains of $1 million recorded in Interest credited to policyholder account balances and $1 million recorded in Net realized capital gains (losses) for the nine-month period ended September 30, 2014.

(b) Includes gains of $10 million and $17 million for the three-month periods ended September 30, 2014 and 2013, respectively, and $37 million and $72 million for the nine-month periods ended September 30, 2014 and 2013, respectively, representing the amortization of debt basis adjustment recorded in Other income and Net realized capital gains (losses) following the discontinuation of hedge accounting. Also includes gains of $50 million for the nine-month period ended September 30, 2014, recorded in Loss on extinguishment of debt, representing the release of debt basis following the repurchase of issued debt that was part of previously discontinued hedge accounting relationships.

(c) Gains and losses recognized in earnings for the ineffective portion and amounts excluded from effectiveness testing, if any, are recorded in Net realized capital gains (losses).

(d) Includes gains of $1 million recorded in Interest credited to policyholder account balances for the three- and nine-month periods ended September 30, 2014. All other gains and losses are recorded in Net realized capital gains (losses).

(e) Includes gains of $14 million and $22 million for the three- and nine-month periods ended September 30, 2014, respectively, representing the amortization of debt basis adjustment recorded in Other income and Net realized capital gains (losses) following the discontinuation of hedge accounting. Also includes losses of $2 million and $3 million for the three- and nine-month periods ended September 30, 2014, respectively, in Interest credited to policyholder account balances. All other gains and losses are recorded in Net realized capital gains (losses).

(f) Gains and losses recognized in earnings are recorded in Net realized capital gains (losses).

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:

	Gains (Losses) Recognized in Earnings			
	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2014**	2013	**2014**	2013
By Derivative Type:				
Interest rate contracts	**$ 222**	$ 35	**$ 409**	$ (250)
Foreign exchange contracts	**253**	(83)	**276**	64
Equity contracts*	**(151)**	158	**(562)**	670
Commodity contracts	**(2)**	(1)	**(1)**	(3)
Credit contracts	**75**	52	**229**	365
Other contracts	**44**	14	**83**	74
Total	**$ 441**	$ 175	**$ 434**	$ 920
By Classification:				
Policy fees	**$ 74**	$ 56	**$ 210**	$ 149
Net investment income	**43**	(7)	**69**	22
Net realized capital gains (losses)	**13**	200	**(302)**	200
Other income (losses)	**309**	(71)	**447**	560
Policyholder benefits and claims incurred	**2**	(3)	**10**	(11)
Total	**$ 441**	$ 175	**$ 434**	$ 920

* Includes embedded derivative losses of $64 million and $406 million for the three- and nine-month periods ended September 30, 2014, respectively, and embedded derivative gains of $266 million and $1.0 billion for the three- and nine-month periods ended September 30, 2013, respectively.

Global Capital Markets Derivatives

Derivative transactions between AIG and its subsidiaries and third parties are generally centralized through GCM, specifically through the entity AIG Markets, Inc. (AIG Markets). The derivatives portfolio of AIG Markets consists primarily of interest rate and currency derivatives and also includes legacy credit derivatives that have been novated from AIG Financial Products Corp. and AIG Trading Group Inc. and their respective subsidiaries (collectively, AIGFP). AIGFP also enters into derivatives to mitigate market risk in its exposures (interest rates, currencies, credit, commodities and equities) arising from its portfolio of remaining transactions.

GCM follows a policy of minimizing interest rate, currency, commodity, and equity risks associated with investment securities by entering into offsetting positions, thereby offsetting a significant portion of the unrealized appreciation and depreciation.

Super Senior Credit Default Swaps

Credit default swap (CDS) transactions were entered into with the intention of earning revenue on credit exposure. In the majority of these transactions, we sold credit protection on a designated portfolio of loans or debt securities. Generally, such credit protection was provided on a “second loss” basis, meaning we would incur credit losses only after a shortfall of principal and/or interest, or other credit events, in respect of the protected loans and debt securities, exceeded a specified threshold amount or level of “first losses.”

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The following table presents the net notional amount (net of all structural subordination below the covered tranches), fair value of derivative (asset) liability before the effects of counterparty netting adjustments and offsetting cash collateral and unrealized market valuation gain (loss) of the super senior credit default swap portfolio by asset class:

	Net Notional Amount at		Fair Value of Derivative Liability at		Unrealized Market Valuation Gain			
	September 30,	December 31,	September 30,	December 31,	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Arbitrage:								
Multi-sector CDOs[(a)]	**2,769**	3,257	**989**	1,249	**63**	49	**201**	330
Corporate debt/CLOs[(b)(c)]	**2,715**	11,832	**6**	28	**12**	5	**22**	26
Total	**$ 5,484**	$ 15,089	**$ 995**	$ 1,277	**$ 75**	$ 54	**$ 223**	$ 356

(a) During the nine-month period ended September 30, 2014, we paid $59 million to counterparties with respect to multi-sector CDOs, which was previously included in the fair value of the derivative liability as an unrealized market valuation loss. Collateral postings with regards to multi-sector CDOs were $899 million and $1.1 billion at September 30, 2014 and December 31, 2013, respectively.

(b) Corporate debt/Collateralized Loan Obligations (CLOs) include $790 million and $1.0 billion in net notional amount of credit default swaps written on the super senior tranches of CLOs at September 30, 2014 and December 31, 2013, respectively. Collateral postings with regards to Corporate debt/CLOs were $182 million and $353 million at September 30, 2014 and December 31, 2013, respectively.

(c) On July 17, 2014, GCM terminated Corporate Debt Super Senior CDSs with a notional amount of $8.8 billion.

The expected weighted average maturity of the super senior credit derivative portfolios as of September 30, 2014 was five years for the multi-sector CDO arbitrage portfolio and three years for the corporate debt/CLO portfolio.

Because of long-term maturities of the CDSs in the arbitrage 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 super senior credit default swap portfolio.

Written Single Name Credit Default Swaps

We have legacy credit default swap contracts referencing single-name exposures written on corporate, index and asset-backed credits with the intention of earning spread income on credit exposure. Some of these transactions were entered into as part of a long-short strategy to earn the net spread between CDSs written and purchased. At September 30, 2014 and December 31, 2013, the net notional amounts of these written CDS contracts were $205 million and $373 million, respectively, including ABS CDS transactions purchased from a liquidated multi-sector super senior CDS transaction. These exposures were partially hedged by purchasing offsetting CDS contracts of $30 million and $50 million in net notional amounts at September 30, 2014 and December 31, 2013, respectively. The net unhedged positions of $175 million and $323 million at September 30, 2014 and December 31, 2013, respectively, represent the maximum exposure to loss on these CDS contracts. The average maturity of the written CDS contracts was three years at both September 30, 2014 and December 31, 2013. At September 30, 2014 and December 31, 2013, the fair values of derivative liabilities (which represents the carrying value) of the portfolio of CDS were $23 million and $32 million, respectively.

Upon a triggering event (e.g., a default) with respect to the underlying reference obligations, settlement is generally effected through the payment of the notional amount of the contract to the counterparty in exchange for the related principal amount of securities issued by the underlying credit obligor (physical settlement) or, in some cases, payment of an amount associated with the value of the notional amount of the reference obligations through a market quotation process (cash settlement).

These CDS contracts were written under ISDA Master Agreements. The majority of these ISDA Master Agreements include credit support annexes (CSAs) that provide for collateral postings that may vary at various ratings and threshold levels. At September 30, 2014 and December 31, 2013, net collateral posted by us under these contracts was $26 million and $38 million, respectively, prior to offsets for other transactions.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

All Other Derivatives

Our businesses other than GCM also 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, credit default swaps and purchasing investments with embedded derivatives, such as equity-linked notes and convertible bonds.

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, 2014 and December 31, 2013, was approximately $2.8 billion and $2.6 billion, respectively. The aggregate fair value of assets posted as collateral under these contracts at September 30, 2014 and December 31, 2013, was $3.6 billion and $3.1 billion, respectively.

We estimate that at September 30, 2014, 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 a negligible amount of corresponding 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 $48 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 $190 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, 2014. 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 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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

reported as Other bond securities in the Consolidated Balance Sheets. The fair values of these hybrid securities were $6.1 billion and $6.4 billion at September 30, 2014 and December 31, 2013, respectively. These securities have par amounts of $12.1 billion and $13.4 billion at September 30, 2014 and December 31, 2013, respectively, and have remaining stated maturity dates that extend to 2052.

10. 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 claims and claims adjustment expense. 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.

AIG's Subprime Exposure, AIGFP Credit Default Swap Portfolio and Related Matters

AIG, 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. Between May 21, 2008 and January 15, 2009, eight purported securities class action complaints were 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), alleging claims under the Securities Exchange Act of 1934, as amended (the Exchange Act), or claims under the Securities Act of 1933, as amended (the Securities Act). On March 20, 2009, the Court consolidated all eight of the purported securities class actions as In re American International Group, Inc. 2008 Securities Litigation (the Consolidated 2008 Securities Litigation).

On May 19, 2009, the lead plaintiff in the Consolidated 2008 Securities Litigation filed a consolidated complaint on behalf of purchasers of AIG Common Stock during the alleged class period of March 16, 2006 through September 16, 2008, and on

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

behalf of purchasers of various AIG securities offered pursuant to AIG's shelf registration statements. The consolidated complaint alleges that defendants made statements during the class period in press releases, AIG's quarterly and year-end filings, during conference calls, and in various registration statements and prospectuses in connection with the various offerings that were materially false and misleading and that artificially inflated the price of AIG Common Stock. The alleged false and misleading statements relate to, among other things, the Subprime Exposure Issues. The consolidated complaint alleges violations of Sections 10(b) and 20(a) of the Exchange Act and Sections 11, 12(a)(2), and 15 of the Securities Act. On August 5, 2009, defendants filed motions to dismiss the consolidated complaint, and on September 27, 2010, the Court denied the motions to dismiss.

On April 26, 2013, the Court granted a motion for judgment on the pleadings brought by the defendants. The Court's order dismissed all claims against the outside auditors in their entirety, and it also reduced the scope of the Securities Act claims against AIG and defendants other than the outside auditors.

On July 15, 2014, lead plaintiffs and all defendants except AIG's outside auditors accepted a mediator's proposal to settle the Consolidated 2008 Securities Litigation for a cash payment by AIG of $960 million (the AIG Settlement). On August 1, 2014, lead plaintiff and AIG's outside auditors accepted a mediator's proposal to resolve the Consolidated 2008 Securities Litigation for a cash payment by the outside auditors (the Auditor Settlement and, collectively with the AIG Settlement, the Settlement). On October 7, 2014, the Court granted lead plaintiff's Motion for Preliminary Approval of Settlement and Approval of Notice to the Class and scheduled a final settlement approval hearing for March 20, 2015. The Settlement remains subject to notice to the class and final approval by the Court. On October 22, 2014, AIG made a cash payment of $960 million, which is being held in escrow pending final approval of the AIG Settlement and which will be returned if the AIG Settlement is not approved. The AIG Settlement amount has been accrued.

Individual Securities Litigations. Between November 18, 2011 and September 16, 2013, nine separate, though similar, securities actions 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 defendants AIG's outside auditors and the underwriters of various securities offerings). These actions are now pending in the Southern District of New York.

We have accrued our current estimate of probable loss with respect to these litigations and other potential related litigations.

ERISA Actions – Southern District of New York. Between June 25, 2008 and November 25, 2008, AIG, certain directors and officers of AIG, and members of AIG's Retirement Board and Investment Committee were named as defendants in eight purported class action complaints asserting claims on behalf of participants in certain pension plans sponsored by AIG or its subsidiaries. The Court subsequently consolidated these eight actions as In re American International Group, Inc. ERISA Litigation II. On September 4, 2012, lead plaintiffs' counsel filed a consolidated second amended complaint. The action purports to be brought as a class action under the Employee Retirement Income Security Act of 1974, as amended (ERISA), on behalf of all participants in or beneficiaries of certain benefit plans of AIG and its subsidiaries that offered shares of AIG Common Stock. In the consolidated second amended complaint, plaintiffs allege, 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 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 November 20, 2012, defendants filed motions to dismiss the consolidated second amended complaint. On June 26, 2014, the Court issued an order denying defendants' motions to dismiss in light of the U.S. Supreme Court's decision in *Fifth Third Bancorp v. Dudenhoeffer*, No. 12-751 (U.S. June 25, 2014), which rejected the presumption of prudence in favor of ERISA fiduciaries that many courts had previously applied. The Court's order required the parties to meet and confer concerning the impact of the *Fifth Third Bancorp* case and the possibility of settlement. On September 10, 2014, plaintiffs' counsel filed a letter with the Court on behalf of all parties, informing the Court that the parties had agreed to schedule a mediation to explore the

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

possibility of settlement. The parties have scheduled a mediation in November 2014. On September 12, 2014, Judge Swain issued an order extending defendants' time to respond to the second amended complaint to December 12, 2014.

As of November 3, 2014, discovery is ongoing, and the Court has not determined if a class action is appropriate or the size or scope of any class. As a result, we are unable to reasonably estimate the possible loss or range of losses, if any, arising from the litigation.

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. If the Court grants the application, a class plaintiff will be permitted to file a statement of claim against defendants. 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.

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. On July 12, 2010, the Court adjourned a hearing on the motion pending a decision by the Supreme Court of Canada in a pair of actions captioned Club Resorts Ltd. v. Van Breda 2012 SCC 17. On April 18, 2012, the Supreme Court of Canada clarified the standard for determining jurisdiction over foreign and out-of-province defendants, such as AIG, by holding that a defendant must have some form of "actual," as opposed to a merely "virtual," presence to be deemed to be "doing business" in the jurisdiction. The Supreme Court of Canada also suggested that in future cases, defendants may contest jurisdiction even when they are found to be doing business in a Canadian jurisdiction if their business activities in the jurisdiction are unrelated to the subject matter of the litigation. The matter has been stayed pending further developments in the Consolidated 2008 Securities Litigation. Plaintiff has not yet moved to lift the stay.

In plaintiff's proposed statement of claim, plaintiff alleged 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. As of November 3, 2014, the Court has not determined whether it has jurisdiction or granted plaintiff's application to file a statement of claim, no merits discovery has occurred and the action has been stayed. As a result, we are unable to reasonably estimate the possible loss or range of losses, if any, arising from the litigation.

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 rulings dated July 2, 2012 and September 17, 2012, the Court of Federal Claims largely denied the United States' motion to dismiss in the SICO Treasury Action.

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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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 and denied the United States' motion to dismiss SICO's direct 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; 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. SICO has 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. On November 15, 2013, SICO informed the Court that 286,892 holders of AIG Common Stock during the two class periods had opted into the classes.

While no longer a party to the SICO Treasury Action, AIG understands that SICO is seeking significant damages. Trial in the SICO Treasury Action began in the Court of Federal Claims on September 29, 2014.

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, and seeks a contingent offset or recoupment for the value of net operating loss benefits the United States alleges that we received as a result of the government's assistance. On November 8, 2013, the Court denied a motion by SICO to strike the United States' affirmative defenses of indemnification and contingent offset or recoupment.

A determination that the United States is liable for damages, together with a 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 (ML II) 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 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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 have petitioned for rehearing of that decision. Absent further review of the class certification order, the matter will return to the trial court for general discovery (which has not yet commenced) and adjudication of the merits. AIG is unable to reasonably estimate the possible loss or range of losses, if any, arising from the litigation.

Regulatory and Related Matters

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.

Industry-wide examinations conducted by the Minnesota Department of Insurance and the Department of Housing and Urban Development (HUD) on captive reinsurance practices by lenders and mortgage insurance companies, including UGC, have been ongoing for several years. In 2011, the Consumer Financial Protection Bureau (CFPB) assumed responsibility for violations of the Real Estate Settlement Procedures Act from HUD, and assumed HUD's aforementioned ongoing investigation. UGC and the CFPB reached a settlement, entered on April 8, 2013 by the United States District Court for the Southern District of Florida, where UGC consented to discontinue its remaining captive reinsurance practices and to pay a civil monetary penalty of $4.5 million to the CFPB. The settlement includes a release for all liability related to UGC's captive reinsurance practices and resolves the CFPB's investigation. On January 31, 2014, PHH Corp. and various affiliates (all non-parties to the action and the consent order) filed a motion to reopen the case and to intervene therein for the limited purpose of obtaining a declaratory judgment enforcing the consent order. UGC opposed this request, and on March 10, 2014, the Court denied PHH Corp.'s motion. PHH Corp. has appealed to the Eleventh Circuit.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

UGC has received a proposed consent order from the Minnesota Commissioner of Commerce (the MN Commissioner) which alleges that UGC violated the Real Estate Settlement Procedures Act and other state laws in connection with its practices with captive reinsurance companies owned by lenders. UGC is engaged in discussions with the MN Commissioner with respect to the terms of the proposed consent order. UGC cannot predict if or when a consent order may be entered into or, if entered into, what the terms of the final consent order will be. UGC is also currently subject to civil litigation relating to its placement of reinsurance with captives owned by lenders, and may be subject to additional litigation relating to the conduct of such business from time to time in the ordinary course.

AIG is responding to subpoenas from the New York Department of Financial Services (NYDFS) and the Manhattan District Attorney's Office (NYDA) relating to AIG's formerly wholly owned subsidiaries, ALICO and Delaware American Life Insurance Company (DelAm), and other related business units, which were sold by AIG to MetLife in November 2010. The inquiries relate to whether ALICO, DelAm and their representatives conducted insurance business in New York over an extended period of time without a license, and whether certain representations by ALICO concerning its activities in New York were accurate. On or about March 31, 2014, a consent order between MetLife and the NYDFS, whereby MetLife agreed to pay $50 million, and a deferred prosecution agreement with the NYDA, whereby MetLife agreed to pay $10 million, were announced. AIG was not a party to either settlement. The consent order between the NYDFS and MetLife made certain findings, including that former AIG subsidiaries and affiliates conducted insurance business in New York without a license and that ALICO, while operating as a subsidiary of AIG, made misrepresentations and omissions concerning its insurance business activities in New York to NYDFS's predecessor agency, the New York State Department of Insurance. The NYDFS also found in the consent order that AIG had violated the New York Insurance Law. On April 3, 2014, AIG filed a complaint against the NYDFS and NYDFS Superintendent Benjamin Lawsky in the Southern District of New York, seeking declaratory and injunctive relief on the basis that the NYDFS's interpretation of the New York Insurance Law is unconstitutional under the Due Process and Commerce Clauses, as well as the First Amendment, of the U.S. Constitution. Defendants filed a motion to dismiss the federal complaint on May 16, 2014. Thereafter, on June 2, 2014, AIG filed its First Amended Complaint to account for new statutory provisions raised for the first time in Defendants' motion to dismiss. Defendants' motion to dismiss the amended complaint was filed on June 20, 2014 and has been fully briefed. On October 31, 2014, AIG and NYDFS entered into a Consent Order, whereby AIG agreed to pay $35 million and dismiss the federal lawsuit in exchange for NYDFS's agreement to discontinue its inquiry.

On May 12, 2010, a complaint was filed under seal in the Southern District of New York by an individual (Relator) seeking to assert claims on behalf of the United States against AIG under the False Claims Act. The Relator filed also under seal a first amended complaint on July 28, 2011. 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, and on or about October 29, 2013, after the United States declined to intervene, the District Court ordered the complaint be unsealed 30 days after the entry of the order. The case, however, was not unsealed until May 9, 2014. The Relator thereafter served his second amended complaint on AIG on May 23, 2014. The second amended complaint alleges that AIG made false statements relevant to the valuation of two of its former subsidiaries, ALICO and American International Assurance Limited (AIA), in connection with agreements under which interests in those subsidiaries were transferred to the FRBNY in exchange for a $25 billion decrease in the amount owed to the FRBNY under the FRBNY Credit Facility. Specifically, it alleges that AIG falsely told the federal government that ALICO and AIA had the licenses they needed to conduct their business and were in compliance with applicable laws and regulations. AIG's response to the second amended complaint is due on December 22, 2014.

As previously disclosed, a state regulatory agency has requested additional information relating to the unwinding of a position on which we realized gains of $196 million in the nine-month period ended September 30, 2014.

Legal Reserves

We recorded increases in our legal reserve liability of $5 million and $503 million in the three- and nine-month periods ended September 30, 2014, respectively.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Other Contingencies

Liability for unpaid claims and claims adjustment expense

Although we regularly review the adequacy of the established Liability for unpaid claims and claims adjustment expense, there can be no assurance that our loss reserves will not develop adversely and have a material adverse effect on our results of operations. Estimation of ultimate net losses, loss expenses and loss reserves is a complex process, particularly for long-tail casualty lines of business, which include, but are not limited to, general liability, commercial automobile liability, environmental, workers' compensation, excess casualty and crisis management coverages, insurance and risk management programs for large corporate customers and other customized structured insurance products, as well as excess and umbrella liability, directors and officers and products liability. Generally, actual historical loss development factors are used to project future loss development. However, there can be no assurance that future loss development patterns will be the same as in the past. Moreover, any deviation in loss cost trends or in loss development factors might not be identified for an extended period of time subsequent to the recording of the initial loss reserve estimates for any accident year. There is the potential for reserves with respect to a number of years to be significantly affected by changes in loss cost trends or loss development factors that were relied upon in setting the reserves. These changes in loss cost trends or loss development factors could be attributable to changes in global economic conditions, changes in the legal, regulatory, judicial and social environment, changes in medical cost trends (inflation, intensity and utilization of medical services), underlying policy pricing, terms and conditions, and claims handling practices.

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 $2.5 billion at September 30, 2014.

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, 2014 was $238 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.

ALICO Sale

Pursuant to the terms of the ALICO stock purchase agreement, we agreed to provide MetLife with certain indemnities. The most significant remaining indemnities include indemnifications related to specific product, investment, litigation and other matters that are excluded from the general representations and warranties indemnity. These indemnifications provide for various deductible amounts, which in certain cases are zero, and maximum exposures, which in certain cases are unlimited, and may extend for various periods after the completion of the sale.

In connection with the indemnity obligations described above, approximately $19 million of proceeds from the sale of ALICO remained in escrow as of September 30, 2014.

Other

- See Note 4 for a discussion about the AerCap Revolving Credit Facility.
- See Note 8 for commitments and guarantees associated with VIEs.
- See Note 9 for disclosures about derivatives.
- See Note 16 for additional disclosures about guarantees of outstanding debt.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

11. 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, 2014			
Shares, beginning of year	1,906,645,689	(442,582,366)	1,464,063,323
Shares issued	25,803	1,143	26,946
Shares repurchased	-	(60,317,318)	(60,317,318)
Shares, end of period	1,906,671,492	(502,898,541)	1,403,772,951

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 therefor. 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 core 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 25, 2014, AIG paid a dividend of $0.125 per share on AIG Common Stock to shareholders of record on March 11, 2014. On June 24, 2014, AIG paid a dividend of $0.125 per share on AIG Common Stock to shareholders of record on June 10, 2014. On September 25, 2014, AIG paid a dividend of $0.125 per share on AIG Common Stock to shareholders of record on September 11, 2014.

See Note 19 to the Consolidated Financial Statements in the 2013 Annual Report for a discussion of restrictions on payments of dividends to AIG Parent by its subsidiaries.

Repurchase of AIG Common Stock

On August 1, 2013, our Board of Directors authorized the repurchase of shares of AIG Common Stock, with an aggregate purchase price of up to $1.0 billion, from time to time in the open market, private purchases, through forward, derivative, accelerated repurchase or automatic repurchase transactions or otherwise. On February 13, 2014, our Board of Directors authorized an increase to the August 1, 2013 repurchase authorization of AIG Common Stock of $1.0 billion. On June 5, 2014, our Board of Directors authorized an additional increase to the August 1, 2013 repurchase authorization of AIG Common Stock of $2.0 billion.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

We repurchased approximately 60 million shares of AIG Common Stock during the nine-month period ended September 30, 2014, for an aggregate purchase price of approximately $3.4 billion. As of September 30, 2014, less than $1 million remained under our repurchase authorization.

In the second and third quarters of 2014, we executed three accelerated stock repurchase (ASR) agreements with third-party financial institutions. The total number of shares of AIG Common Stock repurchased in the nine-month period ended September 30, 2014, and the aggregate purchase price of those shares, each as set forth above, reflect our payment of approximately $1.7 billion in the aggregate under the ASR agreements and the receipt of approximately 27 million shares of AIG Common Stock in the aggregate, including the initial receipt of 70 percent of the total notional share equivalent, or approximately 8.8 million shares of AIG Common Stock, under an ASR agreement executed in September 2014. That ASR agreement settled in October 2014, at which time we received approximately 3.9 million additional shares of AIG Common Stock based on a formula specified by the terms of the ASR agreement.

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

Accumulated Other Comprehensive Income

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

(in millions)	Unrealized Appreciation (Depreciation) of Fixed Maturity Investments on Which Other-Than-Temporary Credit Impairments Were Recognized	Unrealized Appreciation (Depreciation) of All Other Investments	Foreign Currency Translation Adjustments	Change in Retirement Plan Liabilities Adjustment	Total
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**
Balance, December 31, 2012, net of tax	$ 575	$ 13,446	$ (403)	$ (1,044)	$ 12,574
Change in unrealized appreciation (depreciation) of investments	314	(13,048)	-	-	(12,734)
Change in deferred acquisition costs adjustment and other	(108)	939	-	-	831
Change in future policy benefits	80	2,727	-	-	2,807
Change in foreign currency translation adjustments	-	-	(709)	-	(709)
Net actuarial gain	-	-	-	94	94
Prior service cost	-	-	-	(39)	(39)
Change in deferred tax asset (liability)	(114)	3,714	82	(20)	3,662
Total other comprehensive income (loss)	172	(5,668)	(627)	35	(6,088)
Noncontrolling interests	-	(16)	(7)	-	(23)
Balance, September 30, 2013, net of tax	$ 747	$ 7,794	$ (1,023)	$ (1,009)	$ 6,509

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, 2014 and 2013:

(in millions)	Unrealized Appreciation (Depreciation) of Fixed Maturity Investments on Which Other-Than- Temporary Credit Impairments Were Recognized	Unrealized Appreciation (Depreciation) of All Other Investments	Foreign Currency Translation Adjustments	Change in Retirement Plan Liabilities Adjustment	Total
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)**
Three Months Ended September 30, 2013					
Unrealized change arising during period	$ (30)	$ (652)	$ (143)	$ (44)	$ (869)
Less: Reclassification adjustments included in net income	1	219	-	(22)	198
Total other comprehensive loss, before income tax benefit	(31)	(871)	(143)	(22)	(1,067)
Less: Income tax expense (benefit)	(8)	(437)	(94)	4	(535)
Total other comprehensive loss, net of income tax expense (benefit)	$ (23)	$ (434)	$ (49)	$ (26)	$ (532)
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**
Nine Months Ended September 30, 2013					
Unrealized change arising during period	$ 342	$ (8,784)	$ (709)	$ (18)	$ (9,169)
Less: Reclassification adjustments included in net income	56	598	-	(73)	581
Total other comprehensive income (loss), before income tax expense (benefit)	286	(9,382)	(709)	55	(9,750)
Less: Income tax expense (benefit)	114	(3,714)	(82)	20	(3,662)
Total other comprehensive income (loss), net of income tax expense (benefit)	$ 172	$ (5,668)	$ (627)	$ 35	$ (6,088)

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:

	Amount Reclassified from Accumulated Other Comprehensive Income		
	Three Months Ended September 30,		
(in millions)	2014	2013	Affected Line Item in the Consolidated Statements of Income
Unrealized appreciation (depreciation) of fixed maturity investments on which other-than-temporary credit impairments were recognized			
Investments	$ 9	$ 1	Other realized capital gains
Total	9	1	-
Unrealized appreciation (depreciation) of all other investments			
Investments	117	501	Other realized capital gains
Deferred acquisition costs adjustment	(40)	(39)	Amortization of deferred acquisition costs
Future policy benefits	(65)	(243)	Policyholder benefits and claims incurred
Total	12	219	
Change in retirement plan liabilities adjustment			
Prior-service costs	11	13	*
Actuarial gains/(losses)	(10)	(35)	*
Total	1	(22)	
Total reclassifications for the period	$ 22	$ 198	

	Amount Reclassified from Accumulated Other Comprehensive Income		
	Nine Months Ended September 30,		
(in millions)	2014	2013	Affected Line Item in the Consolidated Statements of Income
Unrealized appreciation (depreciation) of fixed maturity investments on which other-than-temporary credit impairments were recognized			
Investments	$ 27	$ 56	Other realized capital gains
Total	27	56	
Unrealized appreciation (depreciation) of all other investments			
Investments	528	2,093	Other realized capital gains
Deferred acquisition costs adjustment	(35)	(33)	Amortization of deferred acquisition costs
Future policy benefits	(87)	(1,462)	Policyholder benefits and claims incurred
Total	406	598	
Change in retirement plan liabilities adjustment			
Prior-service costs	35	35	*
Actuarial gains/(losses)	(36)	(108)	*
Total	(1)	(73)	-
Total reclassifications for the period	$ 432	$ 581	-

* These Accumulated other comprehensive income components are included in the computation of net periodic pension cost. See Note 14 to the Condensed Consolidated Financial Statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

12. NONCONTROLLING INTERESTS

The following table presents a rollforward of noncontrolling interests:

(in millions)	Redeemable Noncontrolling Interests	Non-redeemable Noncontrolling Interests
Nine Months Ended September 30, 2014		
Balance, beginning of year	**$ 30**	**$ 611**
Contributions from noncontrolling interests	**1**	**13**
Distributions to noncontrolling interests	**-**	**(78)**
Deconsolidation	**(31)**	**(123)**
Comprehensive income (loss):		
Net income (loss)	**-**	**(25)**
Unrealized losses on investments	**-**	**(1)**
Total other comprehensive income (loss), net of tax	**-**	**(1)**
Total comprehensive income (loss)	**-**	**(26)**
Other	**-**	**5**
Balance, end of period	**$ -**	**$ 402**
Nine Months Ended September 30, 2013		
Balance, beginning of year	$ 334	$ 667
Contributions from noncontrolling interests	48	25
Distributions to noncontrolling interests	(153)	(37)
Consolidation (deconsolidation)	(146)	1
Comprehensive income (loss):		
Net income	-	12
Unrealized losses on investments	(15)	-
Foreign currency translation adjustments	(2)	(6)
Total other comprehensive loss, net of tax	(17)	(6)
Total comprehensive income (loss)	(17)	6
Other	-	(6)
Balance, end of period	$ 66	$ 656

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

13. 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 September 30,		Nine Months Ended September 30,	
(dollars in millions, except per share data)	**2014**	2013	**2014**	2013
Numerator for EPS:				
Income from continuing operations	**$ 2,199**	$ 2,148	**$ 6,864**	$ 7,046
Less: Net income (loss) from continuing operations attributable to noncontrolling interests	**9**	(40)	**(25)**	12
Income attributable to AIG common shareholders from continuing operations	**2,190**	2,188	**6,889**	7,034
Income (loss) from discontinued operations, net of income tax expense	**2**	(18)	**(15)**	73
Net income attributable to AIG common shareholders	**2,192**	2,170	**6,874**	7,107
Denominator for EPS:				
Weighted average shares outstanding - basic	**1,419,239,774**	1,475,053,126	**1,440,148,774**	1,476,007,034
Dilutive shares	**22,828,068**	10,269,732	**19,334,459**	5,403,839
Weighted average shares outstanding - diluted*	**1,442,067,842**	1,485,322,858	**1,459,483,233**	1,481,410,873
Income per common share attributable to AIG:				
Basic:				
Income from continuing operations	**$ 1.54**	$ 1.48	**$ 4.78**	$ 4.77
Income (loss) from discontinued operations	**$ -**	$ (0.01)	**$ (0.01)**	$ 0.05
Net income attributable to AIG	**$ 1.54**	$ 1.47	**$ 4.77**	$ 4.82
Diluted:				
Income from continuing operations	**$ 1.52**	$ 1.47	**$ 4.72**	$ 4.75
Income (loss) from discontinued operations	**$ -**	$ (0.01)	**$ (0.01)**	$ 0.05
Net income attributable to AIG	**$ 1.52**	$ 1.46	**$ 4.71**	$ 4.80

* Dilutive shares are calculated using the treasury stock method and include dilutive shares from share-based employee compensation plans, a weighted average portion of the warrants issued to AIG shareholders as part of the recapitalization in January 2011 and a weighted average portion of the warrants issued to the Department of the Treasury in 2009 that we repurchased in the first quarter of 2013. The number of shares excluded from diluted shares outstanding was 0.3 million for both the three- and nine-month periods ended September 30, 2014, and 0.4 million and 51 million for the three- and nine-month periods ended September 30, 2013, respectively, because the effect of including those shares in the calculation would have been anti-dilutive.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

14. EMPLOYEE BENEFITS

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

	Pension			Postretirement		
(in millions)	U.S. Plans	Non-U.S. Plans	Total	U.S. Plans	Non-U.S. Plans	Total
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) cost	**(8)**	**(1)**	**(9)**	**(3)**	**-**	**(3)**
Amortization of net (gain) loss	**9**	**2**	**11**	**-**	**-**	**-**
Net periodic benefit cost	**$ 27**	**$ 13**	**$ 40**	**$ -**	**$ 1**	**$ 1**
Three Months Ended September 30, 2013						
Components of net periodic benefit cost:						
Service cost	$ 71	$ 12	$ 83	$ 1	$ 1	$ 2
Interest cost	53	7	60	2	-	2
Expected return on assets	(64)	(4)	(68)	-	-	-
Amortization of prior service (credit) cost	(8)	(1)	(9)	(3)	-	(3)
Amortization of net (gain) loss	40	3	43	(1)	-	(1)
Net periodic benefit cost	$ 92	$ 17	$ 109	$ (1)	$ 1	$ -
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) cost	**(25)**	**(2)**	**(27)**	**(8)**	**-**	**(8)**
Amortization of net (gain) loss	**31**	**6**	**37**	**-**	**-**	**-**
Net periodic benefit cost	**$ 92**	**$ 41**	**$ 133**	**$ 2**	**$ 3**	**$ 5**
Nine Months Ended September 30, 2013						
Components of net periodic benefit cost:						
Service cost	$ 159	$ 36	$ 195	$ 4	$ 3	$ 7
Interest cost	151	22	173	6	1	7
Expected return on assets	(193)	(14)	(207)	-	-	-
Amortization of prior service (credit) cost	(25)	(2)	(27)	(8)	-	(8)
Amortization of net (gain) loss	106	9	115	-	-	-
Net periodic benefit cost	$ 198	$ 51	$ 249	$ 2	$ 4	$ 6

For the nine-month period ended September 30, 2014, we contributed $163 million to our U.S. and non-U.S. pension plans and estimate that we will contribute an additional $14 million for the remainder of 2014. 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)

15. 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- 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 for the three- and nine-month periods ended September 30, 2014 on income from continuing operations differs from the statutory tax rate of 35 percent primarily due to tax benefits associated with tax exempt interest income, income excludible from gross income related to the global resolution of certain residential mortgage-related disputes and a decrease in AIG Life and Retirement's capital loss carryforward valuation allowance.

For the three- and nine-month periods ended September 30, 2013, the effective tax rate on income from continuing operations was (82.3) percent and 2.4 percent, respectively. The effective tax rate for the three- and nine-month periods ended September 30, 2013 on income from continuing operations differs from the statutory tax rate of 35 percent primarily due to tax effects associated with tax exempt interest income, effective settlements of certain uncertain tax positions, and decreases primarily in AIG Life and Retirement's capital loss carryforward valuation allowance and certain other valuation allowances associated with foreign jurisdictions. The decrease in the capital loss carryforward valuation allowance was primarily attributable to the actual and projected gains on sales of AIG Life and Retirement's available-for-sale securities. For the nine-month period ended September 30, 2013, these items were partially offset by changes in uncertain tax positions.

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;
- 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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

· prudent and feasible actions and tax planning strategies that would be implemented, if necessary, to protect against the loss of the deferred tax asset.

As a result of sales in the ordinary course of business to manage our investment portfolio and the implementation of prudent and feasible tax planning strategies, during the three month period ended September 30, 2014, remaining AIG Life and Retirement capital loss carryforwards were realized prior to their expiration. This, together with the changes in market conditions, resulted in a conclusion that deferred tax assets related to unrealized tax losses in AIG Life and Retirement's available for sale portfolio will more-likely-than-not be realized. Accordingly, the related deferred tax asset valuation allowance was released.

For the three-month period ended September 30, 2014, we recognized a $206 million decrease to our deferred tax asset valuation allowance associated with AIG Life and Retirement's capital loss carryforwards and unrealized tax losses in AIG Life and Retirement's available for sale portfolio, of which $22 million was allocated to income from continuing operations and $184 million was allocated to other comprehensive income.

For the nine-month period ended September 30, 2014, we recognized a $1.8 billion decrease to our deferred tax asset valuation allowance associated with AIG Life and Retirement's capital loss carryforwards and unrealized tax losses in AIG Life and Retirement's available for sale portfolio, of which $161 million was allocated to income from continuing operations and $1.7 billion was allocated to other comprehensive 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. Accordingly, we are presenting our position to the Second Circuit.

We will vigorously defend our position and continue to believe that we have adequate reserves for any liability that could result from the IRS actions.

We continue to monitor legal and other developments in this area and evaluate the effect, if any, on our position, including recent decisions affecting other taxpayers.

Accounting for Uncertainty in Income Taxes

At September 30, 2014 and December 31, 2013, our unrecognized tax benefits, excluding interest and penalties, were $4.5 billion and $4.3 billion, respectively. At September 30, 2014 and December 31, 2013, our unrecognized tax benefits included $0.2 billion and $0.1 billion, respectively, related to tax positions that if recognized would not affect the effective tax rate because they relate to the timing, rather than the permissibility, of the deduction. Accordingly, at September 30, 2014 and December 31, 2013, the amounts of unrecognized tax benefits that, if recognized, would favorably affect the effective tax rate were $4.3 billion and $4.2 billion, respectively.

Interest and penalties related to unrecognized tax benefits are recognized in income tax expense. At September 30, 2014 and December 31, 2013, we had accrued liabilities of $1.0 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, 2014 and 2013, we accrued expense (benefit) of $(64) million and $(45) million, respectively, for the payment of interest (net of the federal benefit) and penalties.

We regularly evaluate adjustments proposed by taxing authorities. At September 30, 2014, 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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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.

16. INFORMATION PROVIDED IN CONNECTION WITH OUTSTANDING DEBT

The following condensed consolidating financial statements reflect the results of AIG Life Holdings, Inc. (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

(in millions)	American International Group, Inc. (As Guarantor)	AIGLH	Other Subsidiaries	Reclassifications and Eliminations	Consolidated AIG
September 30, 2014					
Assets:					
Short-term investments	$ 9,290	$ -	$ 8,930	$ (368)	$ 17,852
Other investments[(a)]	11,785	-	336,797	-	348,582
Total investments	21,075	-	345,727	(368)	366,434
Cash	112	9	1,812	-	1,933
Loans to subsidiaries[(b)]	33,081	-	630	(33,711)	-
Investment in consolidated subsidiaries[(b)]	67,156	38,647	-	(105,803)	-
Other assets, including deferred income taxes	23,939	725	138,999	(4,840)	158,823
Total assets	$ 145,363	$ 39,381	$ 487,168	$ (144,722)	$ 527,190
Liabilities:					
Insurance liabilities	$ -	$ -	$ 273,262	$ -	$ 273,262
Long-term debt	25,613	1,132	9,478	-	36,223
Other liabilities, including intercompany balances[(a)(c)]	9,852	708	103,401	(5,239)	108,722
Loans from subsidiaries[(b)]	1,317	-	32,475	(33,792)	-
Total liabilities	36,782	1,840	418,616	(39,031)	418,207
Redeemable noncontrolling interests (see Note 12)	-	-	-	-	-
Total AIG shareholders' equity	108,581	37,541	68,150	(105,691)	108,581
Non-redeemable noncontrolling interests	-	-	402	-	402
Total equity	108,581	37,541	68,552	(105,691)	108,983
Total liabilities and equity	$ 145,363	$ 39,381	$ 487,168	$ (144,722)	$ 527,190

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

December 31, 2013										
Assets:										
Short-term investments	$	11,965	$	-	$	11,404	$	(1,752)	$	21,617
Other investments[(a)]		7,561		-		327,250		-		334,811
Total investments		19,526		-		338,654		(1,752)		356,428
Cash		30		51		2,160		-		2,241
Loans to subsidiaries[(b)]		31,220		-		854		(32,074)		-
Investment in consolidated subsidiaries[(b)]		66,201		39,103		-		(105,304)		-
Other assets, including deferred income taxes		21,606		112		132,492		(1,086)		153,124
Assets held for sale		-		-		29,536		-		29,536
Total assets	$	138,583	$	39,266	$	503,696	$	(140,216)	$	541,329
Liabilities:										
Insurance liabilities	$	-	$	-	$	271,252	$	-	$	271,252
Long-term debt		30,839		1,352		9,502		-		41,693
Other liabilities, including intercompany balances[(a)(c)]		6,422		161		98,908		(2,766)		102,725
Loans from subsidiaries[(b)]		852		200		31,173		(32,225)		-
Liabilities held for sale		-		-		24,548		-		24,548
Total liabilities		38,113		1,713		435,383		(34,991)		440,218
Redeemable noncontrolling interests (see Note 12)		-		-		30		-		30
Total AIG shareholders' equity		100,470		37,553		67,672		(105,225)		100,470
Non-redeemable noncontrolling interests		-		-		611		-		611
Total equity		100,470		37,553		68,283		(105,225)		101,081
Total liabilities and equity	$	138,583	$	39,266	$	503,696	$	(140,216)	$	541,329

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

(b) Eliminated in consolidation.

(c) For September 30, 2014 and December 31, 2013, includes intercompany tax payable of $3.3 billion and $1.4 billion, respectively, and intercompany derivative liabilities of $302 million and $249 million, respectively, for American International Group, Inc. (As Guarantor) and intercompany tax receivable of $83 million and $98 million, respectively, for AIGLH.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Condensed Consolidating Statements of Income

(in millions)	American International Group, Inc. (As Guarantor)	AIGLH	Other Subsidiaries	Reclassifications and Eliminations	Consolidated AIG
Three Months Ended September 30, 2014					
Revenues:					
Equity in earnings of consolidated subsidiaries*	$ 2,661	$ 1,315	$ -	$ (3,976)	$ -
Other income	615	-	16,118	(79)	16,654
Total revenues	3,276	1,315	16,118	(4,055)	16,654
Expenses:					
Interest expense	378	22	62	(32)	430
Loss on extinguishment of debt	682	-	60	-	742
Other expenses	284	61	12,153	(35)	12,463
Total expenses	1,344	83	12,275	(67)	13,635
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
Three Months Ended September 30, 2013					
Revenues:					
Equity in earnings of consolidated subsidiaries*	$ 1,992	$ 1,368	$ -	$ (3,360)	$ -
Other income	64	1	15,984	(105)	15,944
Total revenues	2,056	1,369	15,984	(3,465)	15,944
Expenses:					
Interest expense	465	29	59	(37)	516
Loss on extinguishment of debt	81	-	-	-	81
Other expenses	668	3	13,529	(31)	14,169
Total expenses	1,214	32	13,588	(68)	14,766
Income (loss) from continuing operations before income tax expense (benefit)	842	1,337	2,396	(3,397)	1,178
Income tax expense (benefit)	(1,328)	(13)	384	(13)	(970)
Income (loss) from continuing operations	2,170	1,350	2,012	(3,384)	2,148
Loss from discontinued operations, net of income taxes	-	-	(18)	-	(18)
Net income (loss)	2,170	1,350	1,994	(3,384)	2,130
Less:					
Net loss from continuing operations attributable to noncontrolling interests	-	-	(40)	-	(40)
Net income (loss) attributable to AIG	$ 2,170	$ 1,350	$ 2,034	$ (3,384)	$ 2,170

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

(in millions)	American International Group, Inc. (As Guarantor)	AIGLH	Other Subsidiaries	Reclassifications and Eliminations	Consolidated AIG
Nine Months Ended September 30, 2014					
Revenues:					
Equity in earnings of consolidated subsidiaries*	$ 8,149	$ 2,789	$ -	$ (10,938)	$ -
Other income	1,094	-	48,040	(263)	48,871
Total revenues	9,243	2,789	48,040	(11,201)	48,871
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	35,439	(115)	36,713
Total expenses	3,507	159	35,696	(263)	39,099
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
Nine Months Ended September 30, 2013					
Revenues:					
Equity in earnings of consolidated subsidiaries*	$ 6,257	$ 2,792	$ -	$ (9,049)	$ -
Other income	1,031	1	50,558	(258)	51,332
Total revenues	7,288	2,793	50,558	(9,307)	51,332
Expenses:					
Interest expense	1,475	97	177	(121)	1,628
Loss on extinguishment of debt	388	-	71	-	459
Other expenses	1,261	74	40,780	(88)	42,027
Total expenses	3,124	171	41,028	(209)	44,114
Income (loss) from continuing operations before income tax expense (benefit)	4,164	2,622	9,530	(9,098)	7,218
Income tax expense (benefit)	(2,946)	(27)	3,162	(17)	172
Income (loss) from continuing operations	7,110	2,649	6,368	(9,081)	7,046
Income (loss) from discontinued operations, net of income taxes	(3)	-	76	-	73
Net income (loss)	7,107	2,649	6,444	(9,081)	7,119
Less:					
Net income from continuing operations attributable to noncontrolling interests	-	-	12	-	12
Net income (loss) attributable to AIG	$ 7,107	$ 2,649	$ 6,432	$ (9,081)	$ 7,107

* Eliminated in consolidation.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Condensed Consolidating Statements of Comprehensive Income

(in millions)	American International Group, Inc. (As Guarantor)	AIGLH	Other Subsidiaries	Reclassifications and Eliminations	Consolidated AIG
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**
Three Months Ended September 30, 2013					
Net income (loss)	$ 2,170	$ 1,350	$ 1,994	$ (3,384)	$ 2,130
Other comprehensive income (loss)	(530)	(299)	(498)	795	(532)
Comprehensive income (loss)	1,640	1,051	1,496	(2,589)	1,598
Total comprehensive loss attributable to noncontrolling interests	-	-	(42)	-	(42)
Comprehensive income (loss) attributable to AIG	$ 1,640	$ 1,051	$ 1,538	$ (2,589)	$ 1,640
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**
Nine Months Ended September 30, 2013					
Net income (loss)	$ 7,107	$ 2,649	$ 6,444	$ (9,081)	$ 7,119
Other comprehensive income (loss)	(6,065)	(4,289)	(6,125)	10,391	(6,088)
Comprehensive income (loss)	1,042	(1,640)	319	1,310	1,031
Total comprehensive loss attributable to noncontrolling interests	-	-	(11)	-	(11)
Comprehensive income (loss) attributable to AIG	$ 1,042	$ (1,640)	$ 330	$ 1,310	$ 1,042

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Condensed Consolidating Statements of Cash Flows

(in millions)		American International Group, Inc. (As Guarantor)		AIGLH		Other Subsidiaries and Eliminations		Consolidated AIG
Nine Months Ended September 30, 2014								
Net cash (used in) provided by operating activities		7,228		4,333		(7,204)		4,357
Cash flows from investing activities:								
Sales of investments		2,032		-		44,529		46,561
Purchase of investments		(1,257)		-		(41,824)		(43,081)
Loans to subsidiaries - net		(1,687)		-		1,687		-
Contributions 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		-		2,821		4,867
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)
Purchase of Common Stock		(3,403)		-		-		(3,403)
Intercompany loans - net		(47)		(279)		326		-
Cash dividends paid		(539)		(3,931)		3,931		(539)
Other, net		(324)		-		399		75
Net cash (used in) provided by financing activities		(9,192)		(4,375)		3,966		(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
Reclassification to assets held for sale		-		-		88		88
Cash at end of period	$	112	$	9	$	1,812	$	1,933
Nine Months Ended September 30, 2013								
Net cash (used in) provided by operating activities		3,078		3,082		(2,212)		3,948
Cash flows from investing activities:								
Sales of investments		1,065		-		57,809		58,874
Purchase of investments		(4,981)		-		(55,861)		(60,842)
Loans to subsidiaries - net		3,491		-		(3,491)		-
Contributions to subsidiaries - net		(240)		(1)		241		-
Net change in restricted cash		428		-		823		1,251
Net change in short-term investments		2,552		-		5,562		8,114
Other, net		194		-		(1,073)		(879)
Net cash (used in) provided by investing activities		2,509		(1)		4,010		6,518

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Cash flows from financing activities:								
Issuance of long-term debt		1,020		-		2,613		3,633
Repayments of long-term debt		(5,866)		(245)		(5,244)		(11,355)
Intercompany loans - net		(89)		(205)		294		-
Purchase of common stock		(192)		-		-		(192)
Cash dividends paid to shareholders		(147)		(2,699)		2,699		(147)
Other, net		(332)		-		(1,079)		(1,411)
Net cash (used in) financing activities		(5,606)		(3,149)		(717)		(9,472)
Effect of exchange rate changes on cash		-		-		(79)		(79)
Change in cash		(19)		(68)		1,002		915
Cash at beginning of year		81		73		997		1,151
Change in cash of businesses held for sale		-		-		(8)		(8)
Cash at end of period	$	62	$	5	$	1,991	$	2,058

Supplementary Disclosure of Condensed Consolidating Cash Flow Information

(in millions)		American International Group, Inc. (As Guarantor)		AIGLH		Other Subsidiaries and Eliminations		Consolidated AIG
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)**		**-**
Cash (paid) received during the 2013 period for:								
Interest:								
Third party	$	(1,473)	$	(98)	$	(1,380)	$	(2,951)
Intercompany		(9)		(21)		30		-
Taxes:								
Income tax authorities	$	(160)	$	-	$	(218)	$	(378)
Intercompany		1,116		(78)		(1,038)		-

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

Nine Months Ended September 30, *(in millions)*		**2014**		2013
Intercompany non-cash financing and investing activities:				
Capital contributions				
to subsidiaries through forgiveness of loans	**$**	**993**	$	341
Other capital contributions - net		**-**		523

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

17. SUBSEQUENT EVENTS

Debt Redemptions and Repurchases

On October 27, 2014, we further reduced DIB debt through a redemption of approximately $2.0 billion aggregate principal amount of its 8.250% Notes due 2018 using cash allocated to the DIB.

In addition, since September 30, 2014, we repurchased approximately $2.0 billion aggregate principal amount of debt, including (i) approximately $1.6 billion aggregate principal amount of 8.175% Series A-6 Junior Subordinated Debentures and (ii) approximately $405 million aggregate principal amount of 5.450% Medium-Term Notes, Series MP, Matched Investment Program Due May 18, 2017, which were part of the DIB and were repaid using cash allocated to the DIB.

We paid an aggregate purchase price of approximately $5.1 billion in connection with our redemptions and repurchases of debt since September 30, 2014.

Debt Offering

On October 15, 2014, we issued an additional $750 million aggregate principal amount of 4.500% Notes due 2044.

Dividends Declared and Increase in Share Repurchase Authorization

On November 3, 2014, our Board of Directors declared a cash dividend on AIG Common Stock of $0.125 per share, payable on December 18, 2014 to shareholders of record on December 4, 2014. 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.

On October 31, 2014, our Board of Directors increased the aggregate purchase amount authorized under AIG's August 1, 2013 AIG Common Stock share repurchase authorization by an additional $1.5 billion, resulting in an aggregate remaining authorization of approximately $1.5 billion.

See Note 11 for further discussion.

Legal Settlements

On October 22, 2014, we made a cash payment of $960 million, which is being held in escrow pending final approval of the settlement of the Consolidated 2008 Securities Class Action. See Note 10 for further discussion.

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 that are defined in the Glossary and Acronyms.

American International Group, Inc. (AIG) has incorporated into this discussion a number of cross-references to additional information included elsewhere in this Quarterly Report on Form 10-Q 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 AIG's belief regarding future events, many of which, by their nature, are inherently uncertain and outside AIG's 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:

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

It is possible that AIG's 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 AIG's 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 AIG is subject as a nonbank systemically important financial institution (SIFI) and as a global systemically important insurer (G-SII);
- concentrations in AIG's investment portfolios;
- actions by credit rating agencies;
- judgments concerning casualty insurance underwriting and insurance liabilities;
- judgments concerning the recognition of deferred tax assets; and
- such other factors discussed in:
  - this Part I, Item 2. MD&A 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, 2014 and June 30, 2014; and
  - Part I, Item 1A. Risk Factors and Part II, Item 7. MD&A in our Annual Report on Form 10-K for the year ended December 31, 2013 (2013 Annual Report).

AIG is not under any obligation (and expressly disclaims 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

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, representative and transparent. 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 Common Share Excluding Accumulated Other Comprehensive Income (Loss) (AOCI) is used to show the amount of our net worth on a per-share basis. We believe Book Value Per Common Share Excluding AOCI is useful to investors because it eliminates 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 and foreign currency translation adjustments. Book Value Per Common Share Excluding AOCI is derived by dividing Total AIG shareholders’ equity, excluding AOCI, 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.

We use the following operating performance measures because we believe they enhance understanding of the underlying profitability of continuing operations and trends of AIG and 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.

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

- income (loss) from discontinued operations;
- income (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;
- legal reserves (settlements) related to “legacy crisis matters,” which include favorable and unfavorable settlements related to events leading up to and resulting from our September 2008 liquidity crisis and legal fees incurred by AIG as the plaintiff in connection with such legal matters;
- deferred income tax valuation allowance (releases) charges;
- changes in fair value of AIG Life and Retirement 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 (losses);
- AIG Property Casualty other (income) expense — net;
- (gain) loss on extinguishment of debt;
- net realized capital (gains) losses; and
- non-qualifying derivative hedging activities, excluding net realized capital (gains) losses.

- ***AIG Property Casualty***
  - **Pre-tax operating income (loss):** includes both underwriting income (loss) and net investment income, but excludes net realized capital (gains) losses, other (income) expense — net, and legal settlements related to legacy crisis matters described above. Underwriting income (loss) is derived by reducing net premiums earned by claims and claims adjustment expenses incurred, acquisition expenses and general operating expenses.
  - **Ratios:** AIG Property Casualty, along with most property and casualty insurance companies, uses 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 claims and claims adjustment expense, 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 on AIG Property Casualty in excess of $10 million each.
- ***AIG Life and Retirement***
  - **Pre-tax operating income (loss)** is derived by excluding the following items from pre-tax income (loss):
    - legal settlements related to legacy crisis matters described above;
    - changes in fair values of fixed maturity securities designated to hedge living benefit liabilities (net of interest expense);
    - net realized capital (gains) losses; and
    - changes in benefit reserves and DAC, VOBA and SIA related to net reali capital gains (losses).
  - **Premiums and deposits:** includes 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.
- ***Other Operations — Pre-tax operating income (loss)*** is derived by excluding the following items from pre-tax income (loss):
  - certain legal reserves (settlements) related to legacy crisis matters described above;
  - (gain) loss on extinguishment of debt;
  - net realized capital (gains) losses;
  - changes in benefit reserves and DAC, VOBA and SIA related to net realized capital gains (losses);
  - income (loss) from divested businesses, including Aircraft Leasing; and
  - net (gain) 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.

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 2013 Annual Report, in its entirety for a complete description of events, trends, uncertainties, risks and critical accounting estimates affecting AIG and its subsidiaries.

We report our results of operations as follows:

- **AIG Property Casualty** – AIG Property Casualty offers property and casualty insurance products and services to businesses and individuals worldwide. Commercial insurance products for large and small businesses are primarily distributed through insurance brokers. Major lines of business include casualty, property, financial and specialty (including aerospace, environmental, surety, marine, trade credit and political risk insurance). Consumer insurance products are distributed to individual consumers or groups of consumers through insurance brokers, agents, and on a direct-to-consumer basis. Consumer insurance products include accident & health (A&H) and personal insurance. In addition, Fuji Fire & Marine Insurance Company Limited (Fuji) in Japan offers life insurance products through Fuji Life Insurance Company (Fuji Life), which are included in A&H.
- **AIG Life and Retirement** – AIG Life and Retirement offers a comprehensive suite of products and services to individuals and groups, including term life, universal life, A&H, fixed and variable deferred annuities, fixed payout annuities, stable value wrap products, mutual funds and financial planning. AIG Life and Retirement offers its products and services through a diverse, multi-channel distribution network that includes banks, national, regional and independent broker-dealers, affiliated financial advisors, independent marketing organizations, independent and career insurance agents, structured settlement brokers, benefit consultants and direct-to-consumer platforms.
- **Other Operations** – AIG's Other Operations include results from Mortgage Guaranty operations (conducted through United Guaranty Corporation (UGC)), Global Capital Markets (GCM) operations (consisting of the operations of AIG Markets, Inc. (AIG Markets) and the remaining derivatives portfolio of AIG Financial Products Corp. and AIG Trading Group Inc. and their respective subsidiaries (collectively, AIGFP)), the Direct Investment book (DIB), including the Matched Investment Program (MIP) and certain non-derivative assets and liabilities of AIGFP, Corporate & Other operations (after certain allocations to AIG's business segments), Aircraft Leasing through May 14, 2014 and, subsequent to May 14, 2014, AIG's share of AerCap earnings based on its 46 percent ownership interest.

On September 1, 2014, in accordance with AIG's previously disclosed succession plan, Peter D. Hancock assumed the role of President and Chief Executive Officer of AIG and joined AIG's Board of Directors. He succeeded Robert H. Benmosche, who retired and currently serves as an advisor to AIG. Mr. Hancock has announced his intention to continue the previously announced reorganization of our commercial and consumer insurance businesses, and we continue to finalize elements of the new organization and operating structure. When the new structure is finalized, the presentation of AIG Property Casualty and AIG Life and Retirement results may be modified and prior periods' presentation may be revised to conform to the new structure.

Executive Summary

Financial Performance

AIG Property Casualty pre-tax operating income increased in the three-month period ended September 30, 2014, compared to the same period in the prior year. Higher net investment income, improved loss experience in Consumer Insurance, a lower Commercial Insurance current accident year loss ratio, as adjusted, and reduced severe losses were partially offset by higher net adverse prior year loss reserve development and higher catastrophe losses. Pre-tax operating income decreased in the nine-month period ended September 30, 2014 compared to the same period in the prior year primarily due to an increase in the frequency of severe losses, higher adverse prior year loss reserve development, higher catastrophe losses and a decrease in net investment income, which were partially offset by improved accident year claim experience in Consumer Insurance.

AIG Life and Retirement pre-tax operating income improved for the three- and nine-month periods ended September 30, 2014 compared to the same periods in the prior year, reflecting higher fee income from strong growth in assets under management and higher alternative investment income. The three- and nine-month periods ended September 30, 2014 and 2013 each included a net positive adjustment related to the update of actuarial assumptions. The adjustment in the three- and nine-month periods ended September 30, 2014 included a higher positive adjustment for the update of assumptions used to amortize DAC and related items for the interest-sensitive product lines compared to the same periods in the prior year, which was offset by a reduction in pre-tax operating income in the 2014 periods to record loss recognition expense for certain discontinued long-term care business. Premiums and deposits increased in the three- and nine-month periods ended September 30, 2014 compared to the same periods in the prior year, reflecting strong sales of variable and index annuities in the Retirement Income Solutions product line and a deposit for a stable value wrap funding agreement, partially offset by lower sales of Retail Mutual Funds and, in the three-month period, lower sales of Fixed Annuities.

Mortgage Guaranty pre-tax operating income improved in the three-and nine-month periods ended September 30, 2014 compared to the same periods in the prior year due to an increase in net premiums earned and an increase in favorable prior year loss reserve development. New insurance written decreased in the three- and nine-month periods ended September 30, 2014 compared to the same periods in the prior year primarily due to declining levels of mortgage refinancing activity.

Income on our investment portfolio performance improved in the three- and nine-month periods ended September 30, 2014 compared to the same periods in the prior year due to positive performance on bonds for which we elected the fair value option, driven by movements on interest rates and spreads since December 31, 2013, and higher income on alternative investments which continued to benefit from strong equity market performance.

Net realized capital gains increased in the three-month period ended September 30, 2014 compared to the same period in the prior year due to gains on foreign currency-denominated debt as a result of the strengthening of the U.S. dollar against most foreign currencies. Net realized capital gains declined in the nine-month period ended September 30, 2014 compared to the same period in the prior year due to lower capital gains from sales of investments related to capital loss carryforward utilization and higher fair value losses on embedded derivatives related to variable annuity guarantee features, net of hedges.

Our Performance – Selected Indicators

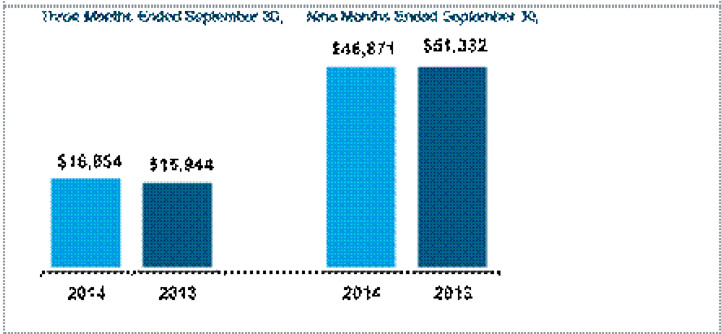
(in millions, except per share data and ratios)	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Results of operations data:				
Total revenues	$ 16,654	$ 15,944	$ 48,871	$ 51,332
Income from continuing operations	2,199	2,148	6,864	7,046
Net income attributable to AIG	2,192	2,170	6,874	7,107
Net income per common share attributable to AIG (diluted)	1.52	1.46	4.71	4.80
After-tax operating income attributable to AIG	1,745	1,421	5,359	5,058
After-tax operating income per common share attributable to AIG (diluted)	1.21	0.96	3.67	3.41
Key metrics:				
AIG Property Casualty combined ratio	102.0	101.6	100.6	100.5
AIG Property Casualty accident year combined ratio, as adjusted	95.6	98.0	96.6	97.2
AIG Life and Retirement premiums and deposits	$ 9,662	$ 8,422	$ 24,151	$ 20,767
AIG Life and Retirement assets under management	333,978	304,399	333,978	304,399
Mortgage Guaranty domestic first-lien new insurance written	12,643	14,230	31,305	38,603

(in millions, except per share data)	September 30, 2014	December 31, 2013
Balance sheet data:		
Total assets	$ 527,190	$ 541,329
Long-term debt	36,223	41,693
Total AIG shareholders' equity	108,581	100,470
Book value per common share	77.35	68.62
Book value per common share, excluding AOCI	69.28	64.28

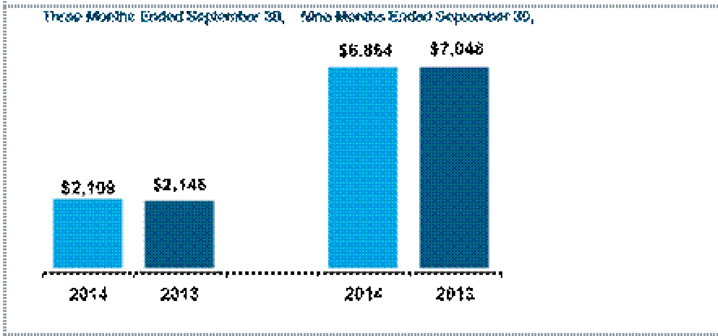
The following table presents a reconciliation of Book value per common share to Book value per common share, excluding accumulated other comprehensive income, which is a non-GAAP measure. See Use of Non-GAAP Measures for additional information.

(in millions, except per share data)	September 30, 2014	December 31, 2013
Total AIG shareholders' equity	$ 108,581	$ 100,470
Accumulated other comprehensive income	11,331	6,360
Total AIG shareholders' equity, excluding accumulated other comprehensive income	$ 97,250	$ 94,110
Total common shares outstanding	1,403,772,951	1,464,063,323
Book value per common share	$ 77.35	$ 68.62
Book value per common share, excluding accumulated other comprehensive income	$ 69.28	$ 64.28

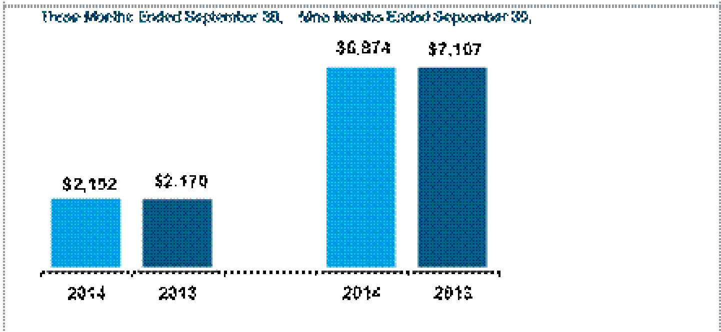
TOTAL REVENUES
(in millions)



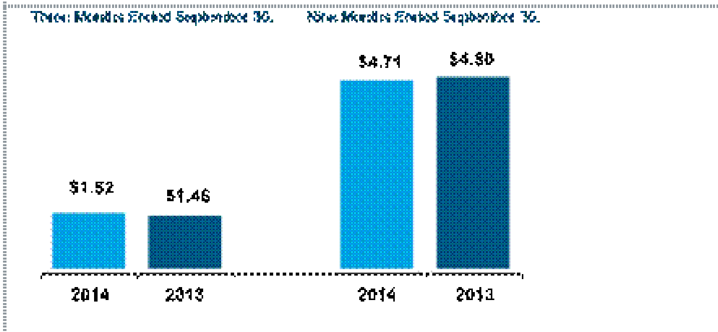
INCOME FROM CONTINUING OPERATIONS
(in millions)



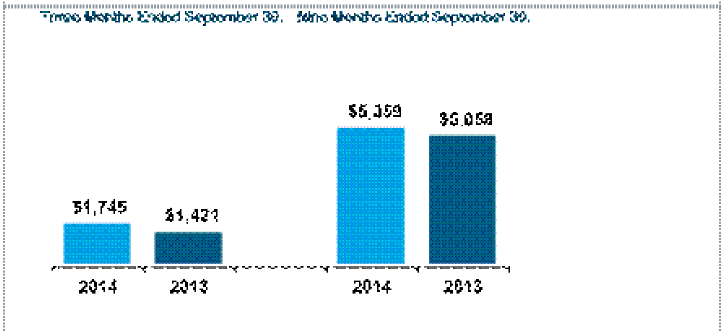
NET INCOME ATTRIBUTABLE TO AIG
(in millions)



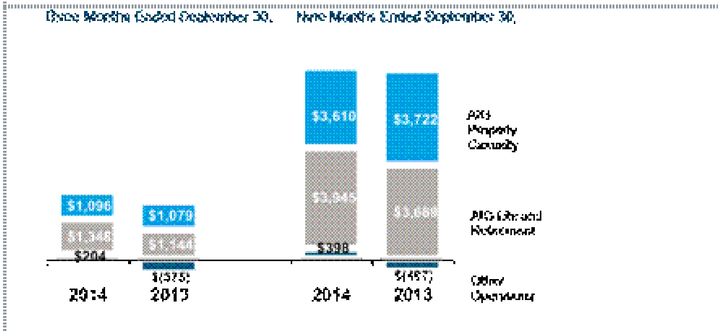
NET INCOME PER COMMON SHARE ATTRIBUTABLE TO AIG (DILUTED)



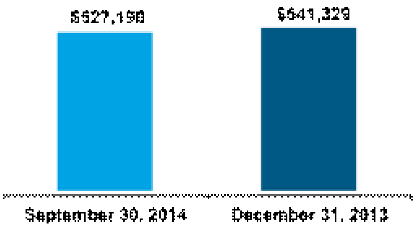
AFTER-TAX OPERATING INCOME ATTRIBUTABLE TO AIG (excludes net realized capital gains and certain other items)
(in millions)



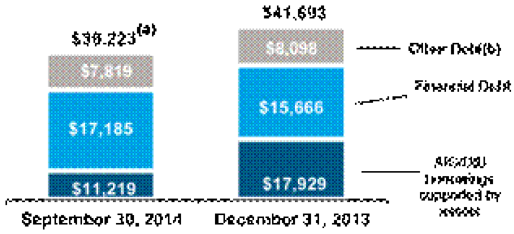
PRE-TAX OPERATING INCOME BY SEGMENT
(in millions)



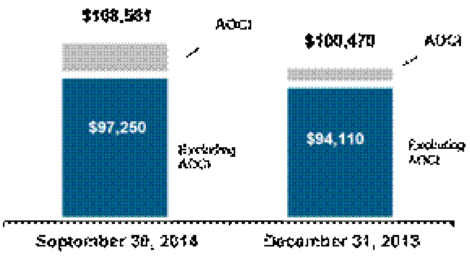
TOTAL ASSETS
(in millions)



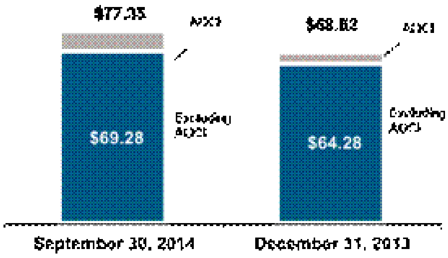
LONG-TERM DEBT
(in millions)



TOTAL AIG SHAREHOLDERS' EQUITY
(in millions)



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



(a) Excludes significant redemptions, repurchases and issuances subsequent to September 30, 2014. For additional information, see Liquidity and Capital Resources.

(b) Includes operating borrowings of other subsidiaries and consolidated investments and hybrid debt securities.

Liquidity and Capital Resources 2014 Highlights

We reduced our debt in the first nine months of 2014 as a result of maturities, repayments and repurchases of $10.4 billion, of which $5.0 billion is related to DIB redemptions and repurchases.

We maintained financial flexibility in the first nine months of 2014 through $1.5 billion in dividends in the form of cash and fixed maturity securities from AIG Property Casualty and $4.3 billion in cash dividends and loan repayments from AIG Life and Retirement, which included approximately $829 million of legal settlement proceeds.

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 $1.5 billion on October 31, 2014, resulting in an aggregate remaining authorization at such time of approximately $1.5 billion of AIG Common Stock**.** During the nine-month period ended September 30, 2014, we repurchased approximately 60 million shares of AIG Common Stock for an aggregate purchase price of approximately $3.4 billion. The total number of shares of AIG Common Stock repurchased in the nine-month period ended September 30, 2014, and the aggregate purchase price of these shares, reflect our payment of $1.7 billion in the aggregate under three accelerated stock repurchase (ASR) agreements and our receipt of approximately 27 million shares of AIG Common Stock in the aggregate, including the initial receipt of 70 percent of the total notional share equivalent, or approximately 8.8 million shares of AIG Common Stock, under an ASR Agreement executed in September 2014.

We paid a cash dividend on AIG Common Stock of $0.125 per share on each of March 25, 2014, June 24, 2014 and September 25, 2014.

Our Board of Directors declared a cash dividend on AIG Common Stock on November 3, 2014 of $0.125 per share, payable on December 18, 2014 to shareholders of record on December 4, 2014.

We received net cash proceeds of approximately $2.4 billion from the sale of ILFC after taking into account the settlement of intercompany loans. This cash amount is in addition to the 97.6 million newly issued AerCap common shares we received as consideration from the sale.

Investment Highlights

Net investment income increased to $4.0 billion and $12.1 billion for the three- and nine-month periods ended September 30, 2014, respectively, compared to the same periods in the prior year.

Net investment income for our insurance operations increased by approximately $202 million for the three-month period ended September 30, 2014, compared to the same period in the prior year due to higher income on alternative investments, which continued to benefit from strong equity market performance. Net investment income for our insurance operations decreased by approximately $57 million for the nine-month period ended September 30, 2014, compared to the same period in the prior year due to lower reinvestment yields and lower income on assets for which we elected the fair value option, partially offset by higher income on alternative investments. While corporate debt securities represented the core of new investment allocations, we continued to make investments in structured securities and other fixed income securities with favorable risk versus return characteristics to improve yields and increase net investment income.

Net unrealized gains in our available for sale portfolio increased to approximately $18.1 billion as of September 30, 2014 from approximately $11.7 billion as of December 31, 2013 due to a decline in interest rates over the period and the narrowing of investment grade credit spreads, partially offset by the widening of high yield spreads.

The overall credit rating of our fixed maturity portfolio remains largely unchanged from December 31, 2013.

Strategic Outlook

Industry Trends

Our business is affected by industry and economic factors such as interest rates, credit and equity market conditions, catastrophic claims events, regulation, tax policy, competition, and general economic, market and political conditions. We continued to operate under difficult market conditions in 2014, characterized by factors such as historically low interest rates, instability in the global markets and slowing growth in emerging markets, China and Euro-Zone economies.

Interest rates remain low relative to historical levels, which have affected our industry by reducing investment returns. In addition, current market conditions may not necessarily permit insurance companies to increase pricing across all our product lines.

AIG Priorities for 2014 and Beyond

AIG is focused on the following priorities for 2014 and beyond:

- Emphasis on customers;
- Growth and profitability in our core insurance businesses;
- Enhance the yield on our investments while maintaining focus on credit quality;
- Manage our capital more efficiently and redeploy capital to areas that promote profitable growth;
- Work with the Board of Governors of the Federal Reserve System (the FRB) in its capacity as our principal regulator; and
- Pursue initiatives that continue to reduce expenses and improve efficiencies to best meet the needs of our customers, including centralizing work streams to lower-cost locations and creating a more streamlined organization.

Outlook for Our Operating Businesses

The outlook for each of our businesses and management initiatives to improve growth and performance in 2014 and over the longer term is summarized below. See our 2013 Annual Report for additional information concerning strategic initiatives and opportunities for each of our businesses.

AIG PROPERTY CASUALTY STRATEGIC INITIATIVES AND OUTLOOK

Executive Overview

Growth and Business Mix — Grow higher value business to increase profitability and expand in attractive growth economies.

Underwriting Excellence — Enhance risk selection and pricing to earn returns commensurate with the risk assumed.

Claims Best Practices — Improve claims practices, analytics and tools to improve customer service, increase efficiency and lower the loss ratio.

Operating Expense Discipline — Apply operating expense discipline and increase efficiencies by taking full advantage of AIG Property Casualty's global footprint.

Capital Efficiency — Enhance capital management through initiatives to streamline AIG Property Casualty's legal entity structure, optimize AIG Property Casualty's reinsurance program and improve tax efficiency.

Investment Strategy — Execute AIG Property Casualty's investment strategy, which includes increased asset diversification and yield-enhancement opportunities that meet AIG Property Casualty's liquidity, capital, risk and return objectives.

Market Conditions and Industry Trends

AIG Property Casualty expects the current low interest rate environment relative to historical levels, currency volatility, and ongoing uncertainty in global economic conditions will continue to challenge the growth of net investment income and limit growth in some markets. Due to these conditions and overcapacity in the property casualty insurance industry, AIG Property Casualty has sought to modify terms and conditions, grow profitable segments of the business, exit unprofitable businesses and develop advanced data analytics to improve profitability.

AIG Property Casualty has observed improving trends in certain key indicators that may offset the effect of current economic challenges. In recent years, AIG Property Casualty has benefitted from favorable pricing trends, particularly in its U.S. commercial business. However, such trends have tapered off in recent quarters. The property casualty insurance industry is experiencing modest growth as a result of this positive rate trend and an increase in overall exposures in certain markets. AIG Property Casualty also expects that expansion in certain growth economies will occur at a faster pace than in developed countries, although at levels lower than those previously expected due to revised economic assumptions.

Since the second quarter of 2014, within the U.S. commercial property business, AIG Property Casualty observed continued rate pressure in the U.S. Excess and Surplus lines market, particularly with respect to its natural catastrophe exposed business. AIG Property Casualty continues to differentiate its capacity from its peers through leveraging management's significant experience with catastrophic events, providing loss prevention expertise and maintaining discipline in pricing to internal targets despite intense competition.

In the U.S., AIG Property Casualty's exposure to terrorism risk is mitigated by the Terrorism Risk Insurance Program Reauthorization Act of 2007 (TRIPRA) in addition to limited private reinsurance protections. TRIPRA is set to expire on December 31, 2014. AIG Property Casualty is closely monitoring the legislative developments related to the TRIPRA renewal or expiration, and has implemented appropriate business strategies for potential legislation outcomes, including non-renewal of the law. For additional information on TRIPRA, see Item 1A. Risk Factors — Reserves and Exposures and Item 7. MD&A — Enterprise Risk Management — Insurance Operations Risks — AIG Property Casualty Key Insurance Risks — Terrorism Risk in the 2013 Annual Report.

AIG Property Casualty discounts loss reserves on certain lines of business, in a manner consistent with rates and factors approved or prescribed on an annual basis by state regulatory authorities. In the fourth quarter of 2014, AIG Property Casualty will seek approval from the authorities to update the discount rate to reflect interest rates then in effect.

Strategic Initiatives

Growth and Business Mix

AIG Property Casualty continues efforts to better segment its business by industry, geography and type of coverage in order to enhance its decision making regarding risk acceptance and pricing. For example, within workers' compensation, AIG Property Casualty has observed different experience and trends based on this segmentation, which helps inform its risk appetite, pricing and loss mitigation decisions.

On August 6, 2014, AIG announced that it has agreed to acquire Ageas Protect Limited (Ageas Protect) from Ageas Group, a Belgium-based international insurer. Total transaction consideration is approximately $293 million, subject to closing adjustments. The transaction is expected to close in the fourth quarter of 2014 or early 2015, pending regulatory approval. Ageas Protect is a leading provider of life protection products in the United Kingdom, offering term life, critical illness, and income protection coverage to consumers. Ageas Protect will become part of AIG's global consumer business, which in the United Kingdom offers personal accident, health, and travel insurance coverage to consumers, as well as customized insurance solutions for high net worth individuals through AIG Private Client Group.

As part of AIG Property Casualty's strategy to expand its consumer operations in growth economies, on May 29, 2013, AIG Property Casualty entered into a joint venture agreement with PICC Life Insurance Company Limited (PICC Life), a subsidiary of the People's Insurance Company (Group) of China Limited (PICC Group), to form an agency distribution company in China to distribute life and retirement products. The joint venture company distributes jointly developed life and retirement insurance products, existing PICC Life products, PICC Property & Casualty Company Limited (PICC P&C) insurance products, AIG Property Casualty products, as well as other products aimed at meeting the needs of this developing market. AIG owns 24.9 percent of the joint venture company with PICC Life holding the remaining 75.1 percent. AIG's participation in the joint venture is managed by AIG Property Casualty. The joint venture commenced operations in March 2014.

AIG Property Casualty continues to explore other potential life insurance and accident and health opportunities internationally.

Capital Efficiency

AIG Property Casualty 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, AIG Property Casualty remains focused on enhancing its global reinsurance strategy to improve overall capital efficiency, which may lead to periodic income statement volatility.

AIG Property Casualty also continues to streamline its legal entity structure to enhance transparency for regulators and optimize capital and tax efficiency. The legal entity restructuring initiatives have enhanced AIG Property Casualty's dividend capacity, reduced required capital, and provided tax benefits. Additionally, the restructurings allow AIG Property Casualty to simplify its reinsurance arrangements, which further facilitates increased capital optimization. In the nine months ended September 30, 2014, AIG Property Casualty completed the integration of its Japan operations through the conversion of the American Home Assurance Company's Japan branch to a subsidiary of the Japan holding company effective on April 1, 2014. AIG Property Casualty expects its overall legal entity restructuring to be substantially completed in 2015, subject to regulatory approvals in the relevant jurisdictions.

AIG LIFE AND RETIREMENT STRATEGIC INITIATIVES AND OUTLOOK

Executive Overview

Product Diversity and Capacity for Growth – Continue to expand AIG Life and Retirement's comprehensive portfolio with superior, differentiated product solutions designed to meet consumer needs for financial and retirement security, using scale and capital strength to pursue growth opportunities.

Integrated Distribution – Grow assets under management by leveraging an extensive distribution organization of over 300,000 financial professionals and expanding relationships with key distribution partners to effectively market diverse product offerings across multiple channels under a more unified branding strategy.

Investment Portfolio – Maintain a diversified, high quality portfolio of fixed maturity securities that largely match the duration characteristics of liabilities with assets of comparable duration, and pursue yield-enhancement opportunities that meet liquidity, risk and return objectives.

Operational Initiatives – Continue to streamline life insurance and annuity operations and systems into a lower-cost, more agile model that provides superior service and ease of doing business.

Effective Risk and Capital Management – Deliver solid earnings through disciplined pricing and diversification of risk and increase capital efficiency within life insurance entities to enhance return on equity.

Market Conditions and Industry Trends

Baby boomers reaching retirement age expect to live longer in retirement and place less reliance on traditional pensions and government retirement benefits than previous generations. These demographic trends, combined with favorable equity markets and low volatility, have provided a favorable environment for sales of individual variable annuities, and have contributed to growth in separate account assets under management in the Retirement Income Solutions product line. An increasing demographic of Americans approaching retirement and seeking guaranteed income features, combined with changes in the competitive landscape, provide opportunities to continue growing AIG Life and Retirement’s position in the individual variable annuities market.

The interest rate environment has a significant impact on the life and annuity industry. Low long-term interest rates put pressure on long-term investment returns, negatively affect sales of interest rate sensitive products such as fixed annuities, and reduce future profits on certain existing fixed rate products. Low interest rates may also affect future investment margins, and may affect the recoverability and amortization rate of DAC assets in variable annuity, fixed annuity and universal life businesses. The modest increase in rates since the first quarter of 2013 provided some improvement in demand for fixed annuity products in the first half of 2014, but long-term interest rates have continued to remain low relative to historical levels. As long as the sustained low interest rate environment continues, market conditions will be challenging, particularly for the fixed annuity market.

AIG Life and Retirement will continue to actively manage renewal and new business crediting rates. Also, as market conditions change, asset and liability interest rate exposures and strategic asset allocation are managed to emphasize lower or higher durations in the investment portfolio.

Product Diversity and Capacity for Growth

AIG Life and Retirement has been able to meet the demand for guaranteed products and grow sales while managing risk, by offering competitive products with strong de-risking features, such as volatility control funds, rider fees indexed to a market volatility index and required minimum allocations to fixed accounts and to the volatility control funds, and using a dynamic risk management hedging program. In addition to individual variable annuities, the Retirement Income Solutions product line is expanding the offerings of index annuities, including those with guarantee features, to provide additional income solutions for consumers approaching retirement.

Sales in the Fixed Annuities product line improved in the first six months of 2014 compared to the same period in the prior year but were dampened in the three-month period ended September 30, 2014 by the continued 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.

Industry sales of individual life products have continued an overall downward trend. AIG Life and Retirement is targeting growth by offering differentiated product solutions to better meet consumer needs, and by expanding distribution of life products through new channels and relationships, while maintaining pricing discipline as an integral component of its overall strategy.

The Institutional Markets product line is expected to continue contributing to growth in assets under management from increased stable value wrap business in the defined contribution market as well as from disciplined growth through the pursuit of select opportunities related to the terminal funding and pension buyout business.

OTHER OPERATIONS STRATEGIC INITIATIVES AND OUTLOOK

Mortgage Guaranty (UGC)

Executive Overview

Superior Risk Selection – Ensure the high quality of UGC's new business through disciplined underwriting by using its proprietary multi-variant risk-based pricing model. UGC's pricing model is based on a comprehensive range of risk attributes to generate a price reflecting the credit risk of each loan.

Customer focus – Provide exceptional service and transparency to all customers through collaboration and continuous innovation that enhances the mortgage origination process.

Product Selection – Provide a complete and competitively priced mortgage insurance product line that delivers flexible submission options and innovative solutions.

Expense Management – Streamline UGC's processes through the use of technology and shared services.

Market Conditions and Industry Trends

Beginning in the third quarter of 2013, higher residential mortgage interest rates reduced refinancing activity. However, in the third quarter of 2014, the rate of decline in new insurance written was reduced as residential mortgage interest rates began to stabilize. UGC anticipates that new insurance written for the remainder of 2014 and 2015 will continue to be impacted by rate volatility as well as competition in the market place.

While higher residential mortgage interest rates have had an unfavorable impact on new mortgage loan volumes, particularly on refinancing activity, UGC expects current residential mortgage interest rates to have a favorable impact on the persistency of business written from 2011 through 2013 since refinancing of mortgage loans would be unattractive to homeowners who originated mortgages at the historically low residential mortgage interest rates prevalent during that period. UGC expects that this higher persistency will continue to benefit its results throughout 2014 and into 2015.

UGC also expects that newly reported delinquencies will decline during 2014 and into 2015 and cure rates will improve as a result of home value appreciation, which will encourage homeowners with delinquent mortgages to refinance or sell and purchase another home. UGC believes the combination of higher persistency, lower new delinquencies and improving cure rates, partially offset by a decline in new mortgage loan volumes, will result in favorable operating results for UGC for the remainder of 2014 and into 2015.

UGC's continued success, as well as the success of the mortgage insurance industry, can be significantly affected by changes in regulatory and legislative developments and changes in the charters and business practices of Freddie Mac and Fannie Mae (collectively, the GSEs).

On July 10, 2014, the GSEs issued in draft form for public comment new eligibility requirements used to approve private mortgage insurers that provide insurance on loans owned or guaranteed by the GSEs. It is unclear what the final eligibility requirements will be; however, if adopted as issued, new requirements would include, among other things, higher capital requirements and heightened liquidity requirements.

The National Association of Insurance Commissioners (the NAIC) has begun drafting a new model law for mortgage insurance. A primary focus of the NAIC's effort is to develop a risk based capital (RBC) model that will replace or supplement the current 25:1 risk-to-surplus requirements. This RBC model law may impact the amount of statutory surplus certain UGC subsidiaries must maintain. In addition, the new model law may have an impact on various other business practices, such as underwriting and claims mitigation practices in addition to possible impacts on liquidity and other financial thresholds.

UGC cannot predict the potential effects new GSE eligibility requirements and a new model law may have on its business, results of operations, cash flows and financial condition.

Strategic Initiatives

Risk Selection

For the remainder of 2014 and into 2015, UGC expects to continue to be a leading private provider of mortgage insurance and to differentiate itself from its competitors by providing superior service and products to its customers by utilizing its proprietary risk-based pricing strategy. This pricing strategy provides UGC's customers with mortgage insurance products that are priced commensurate with the underwriting risk, which UGC believes will result in an appropriately priced, high-quality book of business. UGC plans to continue to execute this strategy throughout 2014 and into 2015. The business generated under this strategy, which was initiated during 2009, accounted for approximately 69 percent of net premiums earned in the nine-month period ended September 30, 2014.

Global Capital Markets

AIG Markets acts as the derivatives intermediary between AIG and its subsidiaries and third parties to provide hedging services for AIG entities. The derivative portfolio of AIG Markets consists primarily of interest rate and currency derivatives.

The remaining derivatives portfolio of AIGFP consists primarily of hedges of the assets and liabilities of the DIB and a portion of the legacy hedges for AIG and its subsidiaries. AIGFP's derivatives portfolio consists primarily of interest rate, currency, credit, commodity and equity derivatives. Additionally, AIGFP has a credit default swap portfolio that is being managed for economic benefit and with limited risk. The AIGFP portfolio continues to be wound down and is managed consistently with our risk management objectives. Although the portfolio may experience periodic fair value volatility, it consists predominantly of transactions that we believe are of low complexity, low risk or currently not economically appropriate to unwind based on a cost versus benefit analysis.

Direct Investment Book

The DIB consists of a portfolio of assets and liabilities held directly by AIG Parent in the MIP and certain non-derivative assets and liabilities of AIGFP. The DIB portfolio is being wound down and is managed with the objective of ensuring that at all times it maintains the liquidity we believe is necessary to meet all of its liabilities as they come due, even under stress scenarios, and to maximize returns consistent with our risk management objectives.

The DIB's assets consist primarily of cash, short-term investments, fixed maturity securities issued by corporations, U.S. government and government sponsored entities and mortgage and asset-backed securities. The value of these assets is impacted by macro-economic trends in U.S. and core European markets, including corporate credit spreads, commercial and residential real estate markets, and to a lesser extent, interest rates and foreign exchange rates, among other factors. The majority of these assets are carried at fair value with changes in fair value recognized through earnings. The DIB's liabilities consist primarily of notes and other borrowings supported by assets as well as other short-term financing obligations. The DIB has both liabilities held at cost and liabilities held at fair value. The liabilities held at fair value vary in price based on changes in AIG's credit spreads with changes in fair value reflected in earnings. Changes in the fundamental drivers of the fair value of DIB assets and liabilities will create earnings volatility for the DIB on a period-to-period comparative basis.

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, 2014 and 2013. 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, in the 2013 Annual Report.

The following table presents AIG's condensed consolidated results of operations:

(in millions)	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Percentage Change	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013	Percentage Change
Revenues:						
Premiums	$ 9,453	$ 9,352	1 %	$ 27,949	$ 27,924	- %
Policy fees	743	645	15	2,136	1,883	13
Net investment income	4,028	3,573	13	12,108	11,581	5
Net realized capital gains	470	252	87	358	2,143	(83)
Aircraft leasing revenue	-	1,118	NM	1,602	3,303	(51)
Other income	1,960	1,004	95	4,718	4,498	5
Total revenues	16,654	15,944	4	48,871	51,332	(5)
Benefits, claims and expenses:						
Policyholder benefits and claims incurred	7,203	7,416	(3)	20,771	22,234	(7)
Interest credited to policyholder account balances	882	924	(5)	2,800	2,913	(4)
Amortization of deferred policy acquisition costs	1,288	1,220	6	3,989	3,859	3
Other acquisition and insurance expenses	2,117	2,251	(6)	6,447	6,734	(4)
Interest expense	430	516	(17)	1,372	1,628	(16)
Aircraft leasing expenses	-	1,119	NM	1,585	3,243	(51)
Loss on extinguishment of debt	742	81	NM	1,014	459	121
Net (gain) loss on sale of divested businesses	(18)	-	NM	(2,196)	47	NM
Other expenses	991	1,239	(20)	3,317	2,997	11
Total benefits, claims and expenses	13,635	14,766	(8)	39,099	44,114	(11)
Income from continuing operations before income tax expense (benefit)	3,019	1,178	156	9,772	7,218	35
Income tax expense (benefit)	820	(970)	NM	2,908	172	NM
Income from continuing operations	2,199	2,148	2	6,864	7,046	(3)
Income (loss) from discontinued operations, net of income tax expense (benefit)	2	(18)	NM	(15)	73	NM
Net income	2,201	2,130	3	6,849	7,119	(4)
Less: Net income (loss) attributable to noncontrolling interests	9	(40)	NM	(25)	12	NM
Net income attributable to AIG	$ 2,192	$ 2,170	1 %	$ 6,874	$ 7,107	(3) %

Consolidated Quarterly and Year-to-Date Comparison for 2014 and 2013

Income from continuing operations before income tax expense was $3.0 billion for the three-month period ended September 30, 2014 compared to $1.2 billion in the same period in the prior year and reflected pre-tax income from insurance operations of $1.2 billion, $1.9 billion and $135 million from AIG Property Casualty, AIG Life and Retirement and Mortgage Guaranty in the three-month period ended September 30, 2014, respectively, compared to pre-tax income of $1.1 billion, $1.2 billion and $43 million for these operations in the same period in the prior year, respectively.

Income from continuing operations before income tax expense was $9.8 billion for the nine-month period ended September 30, 2014 compared to $7.2 billion in the same period in the prior year and reflected pre-tax income from insurance operations of $4.0 billion, $4.4 billion and $423 million from AIG Property Casualty, AIG Life and Retirement and Mortgage Guaranty in the nine-month period ended September 30, 2014, respectively, compared to pre-tax income of $3.9 billion, $4.5 billion and $162 million for these operations in the same period in the prior year, respectively.

See the business segment discussions that follow for an analysis of results for these operations.

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 for the three- and nine-month periods ended September 30, 2014 on income from continuing operations differs from the statutory tax rate of 35 percent primarily due to tax benefits associated with tax-exempt interest income, income excludable from gross income related to the global resolution of certain residential mortgage-related disputes and a decrease in AIG Life and Retirement's capital loss carryforward valuation allowance.

For the three- and nine-month periods ended September 30, 2013, the effective tax rate on income from continuing operations was (82.3) percent and 2.4 percent, respectively. The effective tax rate for the three- and nine-month periods ended September 30, 2013 on income from continuing operations differs from the statutory tax rate of 35 percent primarily due to tax effects associated with tax exempt interest income, effective settlements of certain uncertain tax positions and decreases primarily in AIG Life and Retirement's capital loss carryforward valuation allowance and certain other valuation allowances associated with foreign jurisdictions. The decrease in the capital loss carryforward valuation allowance was primarily attributable to the actual and projected gains on sales of AIG Life and Retirement's available-for-sale securities. For the nine-month period ended September 30, 2013, these items were partially offset by changes in uncertain tax positions.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2014**	2013	**2014**	2013
Net income attributable to AIG	**$ 2,192**	$ 2,170	**$ 6,874**	$ 7,107
(Income) loss from discontinued operations	**(2)**	18	**15**	(73)
(Income) loss from divested businesses, including gain on the sale of ILFC	**(42)**	24	**(1,453)**	20
Uncertain tax positions and other tax adjustments	**(25)**	36	**(14)**	726
Legal reserves (settlements) related to legacy crisis matters	**(569)**	260	**(250)**	(61)
Deferred income tax valuation allowance releases	**(21)**	(1,159)	**(161)**	(2,697)
Changes in fair value of AIG Life and Retirement fixed maturity securities designated to hedge living benefit liabilities, net of interest expense	**(21)**	19	**(105)**	83
Changes in benefit reserves and DAC, VOBA and SIA related to net realized capital gains (losses)	**21**	176	**37**	1,065
Loss on extinguishment of debt	**482**	52	**659**	298
Net realized capital gains	**(270)**	(175)	**(243)**	(1,410)
After-tax operating income attributable to AIG	**$ 1,745**	$ 1,421	**$ 5,359**	$ 5,058
Weighted average diluted shares outstanding	**1,442,067,842**	1,485,322,858	**1,459,483,233**	1,481,410,873
Income per common share attributable to AIG (diluted)	**$ 1.52**	$ 1.46	**$ 4.71**	$ 4.80
After-tax operating income per common share attributable to AIG (diluted)	**$ 1.21**	$ 0.96	**$ 3.67**	$ 3.41

After-tax operating income attributable to AIG increased in the three- and nine-month periods ended September 30, 2014 compared to the same periods in the prior year, primarily due to increases in income from insurance operations.

For the three-month periods ended September 30, 2014 and 2013, the effective tax rate on pre-tax operating income was 34.1 percent and 18.0 percent, respectively. For the nine-month periods ended September 30, 2014 and 2013, the effective tax rate on pre-tax operating income was 33.1 percent and 27.7 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, and the impact of discrete tax benefits.

Segment Results

We report the results of our operations through two reportable segments: AIG Property Casualty and AIG Life and Retirement. The Other Operations category consists of businesses and items not allocated to our reportable segments.

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

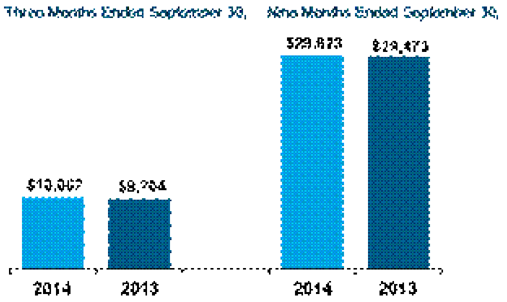
	Three Months Ended September 30,		Percentage	Nine Months Ended September 30,		Percentage
(in millions)	**2014**	2013	Change	**2014**	2013	Change
Total revenues:						
AIG Property Casualty	**$ 10,007**	$ 9,704	3 %	**$ 29,623**	$ 29,473	1 %
AIG Life and Retirement	**5,074**	4,644	9	**13,995**	15,432	(9)
Total reportable segments	**15,081**	14,348	5	**43,618**	44,905	(3)
Other Operations	**1,733**	1,796	(4)	**5,797**	7,073	(18)
Consolidation and eliminations	**(160)**	(200)	20	**(544)**	(646)	16
Total revenues	**$ 16,654**	$ 15,944	4	**$ 48,871**	$ 51,332	(5)
Pre-tax income (loss):						
AIG Property Casualty	**$ 1,207**	$ 1,126	7	**$ 4,006**	$ 3,945	2
AIG Life and Retirement	**1,931**	1,241	56	**4,412**	4,530	(3)
Total reportable segments	**3,138**	2,367	33	**8,418**	8,475	(1)
Other Operations:						
Mortgage Guaranty	**135**	43	214	**423**	162	161
Global Capital Markets	**58**	29	100	**332**	431	(23)
Direct Investment book	**228**	52	338	**855**	1,084	(21)
Corporate & Other	**(676)**	(1,347)	50	**(544)**	(3,093)	82
Aircraft Leasing	**-**	(1)	NM	**17**	60	(72)
Consolidation and eliminations	**(1)**	1	NM	**1**	3	(67)
Other Operations	**(256)**	(1,223)	79	**1,084**	(1,353)	NM
Consolidation and eliminations	**137**	34	303	**270**	96	181
Total pre-tax income	**$ 3,019**	$ 1,178	156	**$ 9,772**	$ 7,218	35
Pre-tax operating income (loss):						
AIG Property Casualty	**$ 1,096**	$ 1,079	2	**$ 3,610**	$ 3,722	(3)
AIG Life and Retirement	**1,348**	1,144	18	**3,945**	3,689	7
Total reportable segments	**2,444**	2,223	10	**7,555**	7,411	2

Other Operations:						
Mortgage Guaranty	**135**	43	214	**421**	157	168
Global Capital Markets	**58**	29	100	**332**	431	(23)
Direct Investment book	**314**	110	185	**1,067**	1,030	4
Corporate & Other	**(302)**	(758)	60	**(1,423)**	(2,118)	33
Consolidation and eliminations	**(1)**	1	NM	**1**	3	(67)
Other Operations	**204**	(575)	NM	**398**	(497)	NM
Consolidations, eliminations and other adjustments	**(9)**	61	NM	**36**	124	(71)
Total pre-tax operating income	**$ 2,639**	$ 1,709	54 %	**$ 7,989**	$ 7,038	14 %

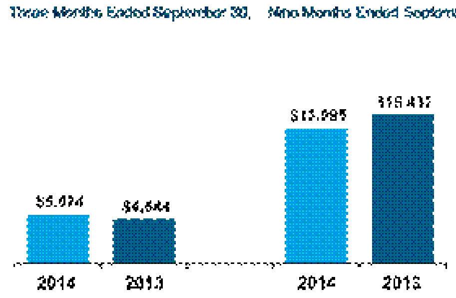
TOTAL REVENUES

(in millions)

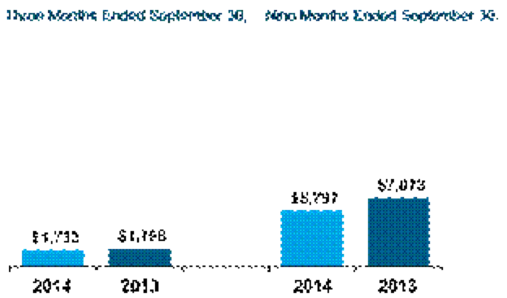
AIG PROPERTY CASUALTY



AIG LIFE AND RETIREMENT



OTHER OPERATIONS



A discussion of significant items affecting pre-tax segment income follows. Factors that affect pre-tax operating income for a specific business segment are discussed in the detailed business segment analysis.

Quarterly and Year-to-date Pre-tax Income Comparison for 2014 and 2013

AIG Property Casualty – Pre-tax income increased in the three-month period ended September 30, 2014 compared to the same period in the prior year. Higher net investment income, improved loss experience in Consumer Insurance, a lower Commercial Insurance current accident year loss ratio, as adjusted, reduced severe losses and an increase in net realized capital gains were partially offset by higher net adverse prior year loss reserve development and higher catastrophe losses. In addition, AIG Property Casualty incurred higher general operating expenses primarily due to an increase in technology-related expenses. Pre-tax income increased in the nine-month period ended September 30, 2014 compared to the same period in the prior year primarily due to an increase in underwriting loss as well as a decrease in net investment income that were more than offset by an increase in net realized capital gains. The increase in underwriting loss resulted from an increase in the frequency of severe losses, mostly in Commercial Insurance, higher adverse prior year loss reserve development and higher catastrophe losses, which were partially offset by improved claim experience in Consumer Insurance and a reserve discount benefit.

AIG Life and Retirement – Pre-tax income for the three-month period ended September 30, 2014 increased compared to the same period in the prior year primarily due to higher pre-tax operating income, legal settlement proceeds and lower loss recognition expense primarily attributable to sales in the prior year period related to capital loss carryforward utilization, partially offset by lower net realized capital gains. For the nine-month period ended September 30, 2014, pre-tax income was lower than the same period in the prior year, as the decrease in net realized capital gains (losses) more than offset the increases from lower loss recognition expense, improved pre-tax operating income and higher legal settlement proceeds. Pre-tax income for the three- and nine-month periods ended September 30, 2014 included net realized capital losses from changes in the fair value of embedded derivatives related to variable annuity guarantee features, net of hedges, primarily as a result of decreases in interest rates. Pre-tax income for the three- and nine-month periods ended September 30, 2013 included significant net realized capital gains primarily due to investment sales related to capital loss carryforward utilization.

Other Operations – Pre-tax income improved in the three- and nine-month periods ended September 30,2014 compared to the same periods in the prior year primarily due to a gain on sale of divested business related to the sale of ILFC and declines in interest expense from ongoing debt management activities. The pre-tax income improvement for the three-month period ended September 30, 2014 reflected increases in pre-tax income from GCM and the DIB while the pre-tax income improvement for the nine-month period ended September 30, 2014 was partially offset by decreases in pre-tax income from GCM and the DIB.

GCM's pre-tax income increased in the three-month period ended September 30, 2014 compared to the same period in the prior year primarily due to increases in unrealized market valuation gains related to the super senior CDS portfolio and a decrease in operating expenses, partially offset by declines in net credit valuation adjustments on derivative assets and liabilities. GCM's pre-tax income decreased in the nine-month period ended September 30, 2014 compared to the same period in the prior year primarily due to declines in net credit valuation adjustments on derivative assets and liabilities and declines in unrealized market valuation gains related to the super senior CDS portfolio, partially offset by gains realized upon unwinding certain positions and a decrease in operating expenses. As previously disclosed, a state regulatory agency has requested additional information relating to the unwinding of a position on which we realized gains of $196 million in the nine-month period ended September 30, 2014.

The DIB's pre-tax income increased in the three-month period ended September 30, 2014 compared to the same period in the prior year primarily due to higher fair value appreciation on asset-backed security (ABS) collateralized debt obligation (CDOs), an increase in net credit valuation adjustments on assets and liabilities for which the fair value option was elected and lower interest expense on borrowings resulting from redemptions and repurchases of DIB debt in 2014. The increase in pre-tax income in the three-month period ended September 30, 2014 was partially offset by a loss on extinguishment of debt. The DIB's pre-tax income decreased in the nine-month period ended September 30, 2014 compared to the same period in the prior year primarily due to a loss on extinguishment of debt.

The following table presents reconciliations of pre-tax income (loss) to pre-tax operating income (loss) by reportable segment and after-tax operating income attributable to AIG, which are non-GAAP measures. See Use of Non-GAAP Measures for additional information.

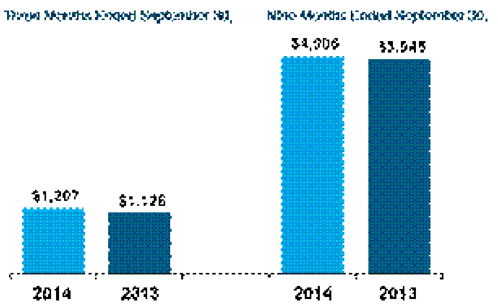
	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2014**	2013	**2014**	2013
AIG Property Casualty				
Pre-tax income	**$ 1,207**	$ 1,126	**$ 4,006**	$ 3,945
Net realized capital gains	**(92)**	(50)	**(361)**	(213)
Legal settlements	**(19)**	-	**(27)**	(3)
Other (income) expense – net	**-**	3	**(8)**	(7)
Pre-tax operating income	**$ 1,096**	$ 1,079	**$ 3,610**	$ 3,722
AIG Life and Retirement				
Pre-tax income	**$ 1,931**	$ 1,241	**$ 4,412**	$ 4,530
Legal settlements	**(479)**	-	**(521)**	(467)
Changes in fair value of fixed maturity securities designated to hedge living benefit liabilities, net of interest expense	**(32)**	30	**(162)**	128
Changes in benefit reserves and DAC, VOBA and SIA related to net realized capital gains (losses)	**33**	271	**44**	1,482
Net realized capital (gains) losses	**(105)**	(398)	**172**	(1,984)
Pre-tax operating income	**$ 1,348**	$ 1,144	**$ 3,945**	$ 3,689
Other Operations				
Pre-tax income (loss)	**$ (256)**	$ (1,223)	**$ 1,084**	$ (1,353)
Changes in benefit reserves and DAC, VOBA and SIA related to net realized capital gains (losses)	**-**	-	**13**	-
Net realized capital (gains) losses	**(126)**	166	**69**	33
Net (gain) loss on sale of divested businesses	**(18)**	-	**(2,168)**	47
Legal reserves	**17**	400	**546**	425
Legal settlements	**(155)**	-	**(143)**	(48)
Loss on extinguishment of debt	**742**	81	**1,014**	459
Aircraft Leasing	**-**	1	**(17)**	(60)
Pre-tax operating income (loss)	**$ 204**	$ (575)	**$ 398**	$ (497)
Total				
Pre-tax operating income of reportable segments and Other Operations	**$ 2,648**	$ 1,648	**$ 7,953**	$ 6,914
Consolidations, eliminations and other adjustments	**(9)**	61	**36**	124
Pre-tax operating income	**2,639**	1,709	**7,989**	7,038
Income tax expense	**(900)**	(307)	**(2,645)**	(1,947)
Noncontrolling interests excluding net realized capital (gains) losses	**6**	19	**15**	(33)
After-tax operating income attributable to AIG	**$ 1,745**	$ 1,421	**$ 5,359**	$ 5,058

TABLE OF CONTENTS

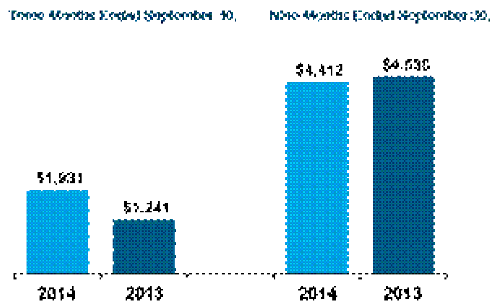
PRE-TAX INCOME (LOSS)

(in millions)

AIG PROPERTY CASUALTY



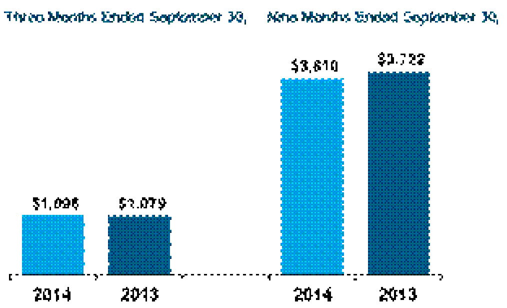
AIG LIFE AND RETIREMENT



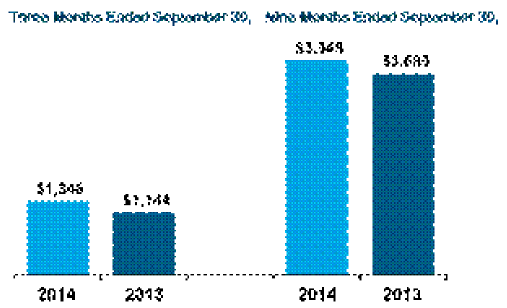
PRE-TAX OPERATING INCOME (LOSS)

(in millions)

AIG PROPERTY CASUALTY



AIG LIFE AND RETIREMENT



AIG PROPERTY CASUALTY

AIG Property Casualty presents its financial information in two operating segments – Commercial Insurance and Consumer Insurance – as well as an Other category.

Commercial Insurance provides insurance solutions for large and small businesses. Commercial Insurance products are primarily distributed through a network of independent retail and wholesale brokers, and through an independent agency network.

Consumer Insurance provides personal insurance solutions for individuals, organizations and families. Products are distributed primarily through agents and brokers, as well as through direct marketing, partner organizations such as bancassurance, and the internet.

The **Other** category consists primarily of run-off lines of business, including excess workers' compensation, asbestos and legacy environmental (1986 and prior); certain environmental liability businesses written prior to 2004; operations and expenses not attributable to the Commercial Insurance or Consumer Insurance operating segments; unallocated net investment income; net realized capital gains and losses; other income and expense items; and adverse loss development, net of the related amortization of deferred gains for a retroactive reinsurance arrangement.

See Part I, Item 1. Business – AIG Property Casualty in AIG's 2013 Annual Report for further discussion of AIG Property Casualty's products and geographic regions where it distributes its products.

AIG Property Casualty continues to enhance the value-based metrics that provide management with enhanced measures to evaluate its profitability, such as a risk-adjusted profitability model. Along with underwriting results, this risk-adjusted profitability model incorporates elements of capital allocations, costs of capital and net investment income. AIG Property Casualty believes that such performance measures will allow it to better assess the true economic returns of its business.

AIG Property Casualty Quarterly and Year-to-Date 2014 Highlights

Pre-tax operating income increased in the three-month period ended September 30, 2014, compared to the same period in the prior year. Higher net investment income, improved loss experience in Consumer Insurance, a lower Commercial Insurance current accident year loss ratio, as adjusted, and reduced severe losses were partially offset by higher net adverse prior year loss reserve development and higher catastrophe losses. In addition, AIG Property Casualty incurred higher general operating expenses primarily due to an increase in technology-related expenses, including strategic and infrastructure improvement expenses, partially offset by lower employee-related and other operating expenses.

Pre-tax operating income decreased in the nine-month period ended September 30, 2014 compared to the same period in the prior year primarily due to an increase in the frequency of severe losses, higher adverse prior year loss reserve development, higher catastrophe losses and a decrease in net investment income, which were partially offset by improved accident year claim experience in Consumer Insurance.

Net premiums written increased in the three- and nine-month periods ended September 30, 2014 compared to the same periods in the prior year primarily due to growth in Commercial Insurance. Excluding the effect of foreign exchange and additional premiums on loss sensitive business, net premiums written increased by approximately three percent and two percent for Commercial Insurance in the three- and nine-month periods ended September 30, 2014, respectively, compared to the same periods in the prior year, reflecting new business growth in Commercial Insurance, particularly in Property and Financial lines. Consumer Insurance net premiums written declined in the nine-month period ended September 30, 2014, due to the effect of foreign exchange as a result of the strengthening of the U.S. dollar against the Japanese yen. Excluding the effect of foreign exchange, net premiums written increased by approximately two percent and three percent for Consumer

Insurance in the three- and nine-month periods ended September 30, 2014, respectively, compared to the same periods in the prior year, reflecting growth in AIG Fuji Life and personal property in both Japan and U.S., partially offset by a decrease in the U.S. warranty business and decreases in certain classes of A&H business due to strict underwriting discipline.

The loss ratio increased by 0.4 points in the three-month period ended September 30, 2014, compared to the same period in the prior year primarily due to an increase in adverse prior year loss reserve development and higher catastrophe losses which were largely offset by an improvement in accident year loss ratio, as adjusted. The improvement in Commercial Insurance accident year loss ratio, as adjusted, was primarily due to an improvement in Financial lines as well as lower severe losses. The improvement in the Consumer Insurance accident year loss ratio, as adjusted, was primarily due to rate increases, improved claim experience in the Japan automobile business, and rate actions and coverage changes in the U.S. warranty business.

The loss ratio increased by 0.2 points in the nine-month period ended September 30, 2014, compared to the same period in the prior year, primarily due to an increase in the frequency of severe losses and higher catastrophe losses as well as higher adverse prior year loss reserve development. These were partially offset by an improvement in the accident year loss ratio, as adjusted, in Consumer Insurance and an increase in discount for certain workers' compensation reserves in Commercial Insurance. The increase in discount for these reserves improved the loss ratio by approximately 0.5 points compared to the same period in the prior year.

The acquisition ratio decreased by 0.3 points and 0.2 points in the three and nine-month periods ended September 30, 2014, respectively, compared to the same periods in the prior year primarily due to a reduction in expenses of personnel engaged in sales support activities, and lower premium taxes and guaranty fund and other assessments.

The general operating expense ratio increased by 0.3 points and 0.1 point in the three- and nine-month periods ended September 30, 2014, respectively, compared to the same periods in the prior year, primarily due to an increase in technology-related expenses partially offset by lower employee-related and other operating expenses. In addition, general operating expenses for the nine-month period ended September 30, 2013 included the expense of the implementation of a voluntary early retirement plan in Japan.

Net investment income increased by four percent in the three-month period ended September 30, 2014, compared to the same period in the prior year, primarily due to an increase in returns on alternative investments partially offset by the effects of lower reinvestment yields compared to interest rates on matured or sold investments and lower income on investments accounted for under the fair value option.

Net investment income decreased by two percent in the nine-month period ended September 30, 2014, compared to the same period in the prior year primarily due to lower income on investments accounted for under the fair value option and the effects of lower reinvestment yields compared to interest rates on matured or sold investments partially offset by higher returns on alternative investments.

Dividends paid by AIG Property Casualty to AIG Parent in the form of cash and fixed maturity securities were $800 million and $1.5 billion during the three- and nine-month periods ended September 30, 2014, respectively. The fixed maturity securities included investment-grade government, corporate and sovereign bonds, as well as agency RMBS. Additionally, in the nine-month period ended September 30, 2014, AIG Property Casualty paid other non-cash dividends of $178 million to AIG Parent.

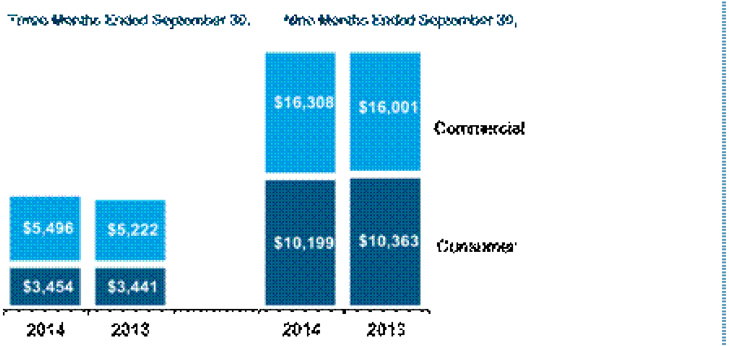
AIG Property Casualty Results

The following table presents AIG Property Casualty results:

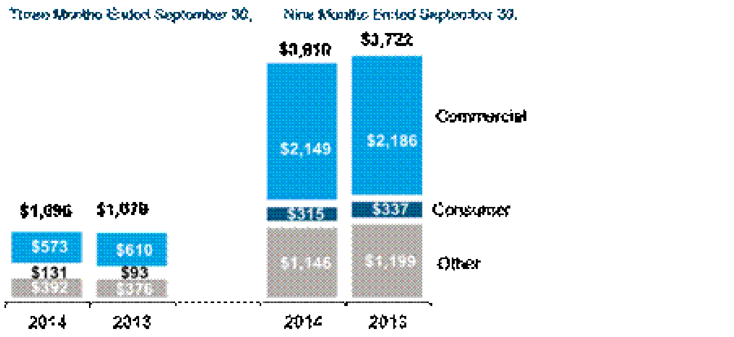
	Three Months Ended September 30,		Percentage	Nine Months Ended September 30,		Percentage
(in millions)	2014	2013	Change	2014	2013	Change
Commercial Insurance						
Underwriting results:						
Net premiums written	$ 5,496	$ 5,222	5 %	$ 16,308	$ 16,001	2 %
Increase in unearned premiums	(152)	(80)	(90)	(657)	(658)	-
Net premiums earned	5,344	5,142	4	15,651	15,343	2
Claims and claims adjustment expenses incurred	3,968	3,692	7	11,033	10,706	3
Acquisition expenses	821	812	1	2,451	2,479	(1)
General operating expenses	609	646	(6)	1,869	1,858	1
Underwriting income (loss)	(54)	(8)	NM	298	300	(1)
Net investment income	627	618	1	1,851	1,886	(2)
Pre-tax operating income	$ 573	$ 610	(6) %	$ 2,149	$ 2,186	(2) %
Consumer Insurance						
Underwriting results:						
Net premiums written	$ 3,454	$ 3,441	- %	$ 10,199	$ 10,363	(2) %
Increase in unearned premiums	(183)	(171)	(7)	(503)	(430)	(17)
Net premiums earned	3,271	3,270	-	9,696	9,933	(2)
Claims and claims adjustment expenses incurred	1,809	1,922	(6)	5,567	5,807	(4)
Acquisition expenses	853	852	-	2,516	2,544	(1)
General operating expenses	569	492	16	1,564	1,524	3
Underwriting income	40	4	NM	49	58	(16)
Net investment income	91	89	2	266	279	(5)
Pre-tax operating income	$ 131	$ 93	41 %	$ 315	$ 337	(7) %
Other						
Underwriting results:						
Net premiums written	$ 3	$ (3)	NM%	$ (7)	$ (4)	(75) %
Decrease in unearned premiums	12	18	(33)	51	60	(15)
Net premiums earned	15	15	-	44	56	(21)
Claims and claims adjustment expenses incurred	62	55	13	271	248	9
General operating expenses	108	90	20	285	291	(2)
Underwriting loss	(155)	(130)	(19)	(512)	(483)	(6)
Net investment income	547	506	8	1,658	1,682	(1)
Pre-tax operating income	392	376	4	1,146	1,199	(4)
Net realized capital gains	92	50	84	361	213	69
Legal settlements	19	-	NM	27	3	NM
Other income (expense) - net	-	(3)	NM	8	7	14
Pre-tax income	$ 503	$ 423	19 %	$ 1,542	$ 1,422	8 %
Total AIG Property Casualty						
Underwriting results:						
Net premiums written	$ 8,953	$ 8,660	3 %	$ 26,500	$ 26,360	1 %
Increase in unearned premiums	(323)	(233)	(39)	(1,109)	(1,028)	(8)
Net premiums earned	8,630	8,427	2	25,391	25,332	-
Claims and claims adjustment expenses incurred	5,839	5,669	3	16,871	16,761	1
Acquisition expenses	1,674	1,664	1	4,967	5,023	(1)
General operating expenses	1,286	1,228	5	3,718	3,673	1
Underwriting loss	(169)	(134)	(26)	(165)	(125)	(32)

Net investment income	**1,265**	1,213	4	**3,775**	3,847	(2)
Pre-tax operating income	**1,096**	1,079	2	**3,610**	3,722	(3)
Net realized capital gains	**92**	50	84	**361**	213	69
Legal settlements	**19**	-	NM	**27**	3	NM
Other income (expense) - net	**-**	(3)	NM	**8**	7	14
Pre-tax income	**$ 1,207**	$ 1,126	7 %	**$ 4,006**	$ 3,945	2 %

NET PREMIUMS WRITTEN*
(in millions)



PRE-TAX OPERATING INCOME
(in millions)



* The operations reported as part of Other do not have meaningful levels of Net premiums written.

AIG Property Casualty Quarterly Results

Pre-tax operating income increased in the three-month period ended September 30, 2014 compared to the same period in the prior year. Higher net investment income, improved loss experience in Consumer Insurance, a lower Commercial Insurance current accident year loss ratio, as adjusted, and reduced severe losses were partially offset by higher net adverse prior year loss reserve development and higher catastrophe losses. Net adverse prior year loss reserve development including related premium adjustments was $227 million and $70 million in the three-month periods ended September 30, 2014 and 2013, respectively. Catastrophe losses were $284 million and $222 million for the three-month periods ended September 30, 2014 and 2013, respectively. The current accident year losses for the three-month period ended September 30, 2014 included nine severe losses totaling $188 million compared to seven severe losses totaling $211 million in the same period in the prior year. Net investment income increased due to an increase in returns on alternative investments, which was partially offset by the effects of lower reinvestment yields compared to the interest rates on matured or sold investments and lower income on investments accounted for under the fair value option.

Acquisition expenses increased slightly in the three-month period ended September 30, 2014 compared to the same period in the prior year, primarily reflecting an increase in production in Commercial Insurance that was largely offset by a reduction in expenses of personnel engaged in sales support activities as well as lower premium taxes and guaranty fund and other assessments.

General operating expenses increased in the three-month period ended September 30, 2014 compared to the same period in the prior year, primarily due to an increase in technology-related expenses partially offset by reductions in employee-related and other operating expenses.

AIG Property Casualty Year-to-Date Results

Pre-tax operating income decreased in the nine-month period ended September 30, 2014 compared to the same period in the prior year primarily due to an increase in underwriting loss as well as a decrease in net investment income. The increase in underwriting loss resulted from an increase in the frequency of severe losses, mostly in Commercial Insurance, higher adverse prior year loss reserve development and higher catastrophe losses, which were partially offset by improved claim experience in Consumer Insurance and a reserve discount benefit. See Discounting of Reserves for further discussion of the discount benefit. The current accident year losses for the nine-month period ended September 30, 2014 included 28 severe losses totaling $567 million compared to 13 severe losses totaling $309 million in the same period in the prior year. Net adverse loss reserve development including related premium adjustments was $375 million and $172 million in the nine-month periods ended September 30, 2014 and 2013, respectively. Catastrophe losses were $685 million and $579 million for the nine-month periods ended September 30, 2014 and 2013, respectively. The loss reserve discount was a benefit of $90 million in the nine-month period ended September 30, 2014 compared to a charge of $16 million in the same period in the prior year. Net investment income decreased due to lower income associated with investments accounted for under the fair value option and the effects of lower reinvestment yields compared to the interest rates on matured or sold investments, which were partially offset by higher returns on alternative investments.

Acquisition expenses decreased in the nine-month period ended September 30, 2014 compared to the same period in the prior year primarily due to the effect of foreign exchange as a result of the strengthening of the U.S. dollar against the Japanese yen. Excluding the effect of foreign exchange, acquisition expenses increased in the nine-month period ended September 30, 2014 compared to the same period in the prior year, as a result of change in business mix to higher value lines, which was partially offset by a reduction in expenses of personnel engaged in sales support activities as well as lower premium taxes and guaranty fund and other assessments in Commercial Insurance.

General operating expenses increased in the nine-month period ended September 30, 2014 compared to the same period in the prior year, primarily due to an increase in technology-related expenses partially offset by reductions in employee-related and other operating expenses. The employee-related expenses in the nine-month period ended September 30, 2013, included a $42 million charge related to the implementation of a voluntary early retirement plan in Japan.

Commercial Insurance Quarterly Results

Pre-tax operating income decreased in the three-month period ended September 30, 2014 compared to the same period in the prior year. Lower Commercial Insurance current accident year loss ratio, as adjusted, and reduced severe losses were more than offset by higher net adverse prior year loss reserve development and higher catastrophe losses. Net adverse prior year loss reserve development, including related premium adjustments, was $226 million and $102 million in the three-month periods ended September 30, 2014 and 2013, respectively. Catastrophe losses were $262 million and $182 million in the three-month periods ended September 30, 2014 and 2013, respectively. The current accident year losses for the three-month period ended September 30, 2014 include severe losses of $188 million compared to severe losses of $211 million, which included a single severe loss consisting of property damage and related contingent business interruption claims, totaling $110 million, in the same period in the prior year.

Acquisition expenses increased slightly in the three-month period ended September 30, 2014 compared to the same period in the prior year primarily due to an increase in production, which was largely offset by a reduction in expenses of personnel engaged in sales support activities.

General operating expenses decreased in the three-month period ended September 30, 2014 compared to the same period in the prior year primarily due to a decrease in employee-related and other operating expenses partially offset by increased technology-related expenses.

Commercial Insurance Year-to-Date Results

Pre-tax operating income decreased in the nine-month period ended September 30, 2014 compared to the same period in the prior year due to decreases in underwriting income and allocated net investment income. The decrease in underwriting income was due to higher accident year losses reflecting an increase in the frequency of severe losses in the Property and Specialty businesses, higher adverse prior year loss reserve development and higher catastrophe losses, which were partially offset by a benefit in reserve discount. The current accident year losses for the nine-month period ended September 30, 2014 included 25 severe losses totaling $526 million compared to 13 severe losses totaling $309 million in the same period in the prior year. Net adverse prior year loss reserve development, including related premium adjustments, was $323 million and

$218 million in the nine-month periods ended September 30, 2014 and 2013, respectively. The loss reserve discount was a benefit of $158 million in the nine-month period ended September 30, 2014, compared to no benefit in the prior year period. Catastrophe losses were $567 million and $522 million in the nine-month periods ended September 30, 2014 and 2013, respectively. Allocated net investment income decreased primarily due to a reduction in net loss reserves and decreases in capital required to support the segment's operations as a result of changes in the mix of business written.

Acquisition expenses decreased in the nine-month period ended September 30, 2014 compared to the same period in the prior year primarily due to lower premium taxes and guaranty fund and other assessments as well as a reduction in expenses of personnel engaged in sales support activities.

General operating expenses increased in the nine-month period ended September 30, 2014 compared to the same period in the prior year, primarily due to an increase in technology-related expenses, partially offset by a decrease in employee-related and other operating expenses. In addition, general operating expenses in the nine-month period ended September 30, 2013 included unusually low bad debt expense.

Consumer Insurance Quarterly Results

Pre-tax operating income increased in the three-month period ended September 30, 2014 compared to the same period in the prior year due to an increase in underwriting income. The increase in underwriting income reflected lower current accident year losses and a slight decrease in catastrophe losses partially offset by lower favorable prior year loss reserve development. Net favorable loss reserve development was $12 million in the three-month period ended September 30, 2014 compared to net favorable loss reserve development of $30 million in the same period in the prior year.

Acquisition expenses remained unchanged in the three-month period ended September 30, 2014 compared to the same period in the prior year. Direct marketing expenses, which are included within acquisition expenses, excluding commissions were $109 million for the three-month period ended September 30, 2014 compared to $110 million in the same period in the prior year. These expenses, while not deferrable, are expected to generate business that has an average expected overall persistency of approximately five years and, in Japan, approximately nine years.

General operating expenses increased in the three-month period ended September 30, 2014 compared to the same period in the prior year primarily due to higher expenses related to the ongoing integration of AIG Property Casualty's Japan entities and investment in growth targeted areas, partially offset by a decrease in employee-related and other operating expenses.

Consumer Insurance Year-to-Date Results

Pre-tax operating income decreased in the nine-month period ended September 30, 2014 compared to the same period in the prior year due to decreases in underwriting income and allocated net investment income. The decrease in underwriting income was primarily due to higher catastrophe and severe losses and lower favorable prior year loss reserve development which were partially offset by improved claim experience in the Japan automobile business and rate actions and coverage changes in the U.S. warranty business. Catastrophe losses in the nine-month period ended September 30, 2014 were $118 million compared to $57 million in the same period in the prior year. Severe losses, which are included in current accident year losses, were $41 million in the nine-month period ended September 30, 2014, compared to zero in the same period in the prior year. Net favorable prior year loss reserve development was $42 million in the nine-month period ended September 30, 2014, compared to $125 million in the same period in the prior year. The decrease in allocated net investment income was due to a decline in risk-free rates used in AIG Property Casualty's investment income allocation model.

Acquisition expenses decreased in the nine-month period ended September 30, 2014 compared to the same period in the prior year, primarily due to the effect of foreign exchange as a result of the strengthening of the U.S. dollar against the Japanese yen. Direct marketing expenses excluding commissions, were $304 million for the nine-month period ended September 30, 2014, compared to $335 million in the same period in the prior year. Excluding the effect of foreign exchange, acquisition expenses increased in the nine-month period ended September 30, 2014, compared to the same period in the prior year, as a result of change in business mix and higher costs in growth-targeted lines of business.

General operating expenses increased in the nine-month period ended September 30, 2014 compared to the same period in the prior year due to higher expenses primarily related to the ongoing integration of AIG Property Casualty's Japan entities which were partially offset by the effect of foreign exchange and a decrease in employee-related and other operating expenses.

Other Quarterly Results

Pre-tax operating income increased in the three-month period ended September 30, 2014 compared to the same period in the prior year, primarily due to an increase in allocated net investment income partially offset by an increase in general operating expenses. Net adverse prior year loss reserve development was $13 million in the three-month period ended September 30, 2014 compared to favorable development of $2 million in the same period in the prior year.

General operating expenses increased in the three-month period ended September 30, 2014 compared to the same period in the prior year primarily due to higher technology-related expenses.

Other Year-to-Date Results

Pre-tax operating income decreased in the nine-month period ended September 30, 2014 compared to the same period in the prior year primarily due to lower allocated net investment income coupled with an increase in net adverse prior year loss reserve development. Net adverse prior year loss reserve development was $94 million in the nine-month period ended September 30, 2014 compared to $79 million in the same period in the prior year.

General operating expenses decreased in the nine-month period ended September 30, 2014 compared to the same period in the prior year primarily due to a decrease in employee-related expenses partially offset by higher technology-related expenses. In the nine-month period ended September 30, 2013, AIG Property Casualty incurred a $42 million charge related to the implementation of a voluntary early retirement plan in Japan.

AIG Property Casualty Net Premiums Written

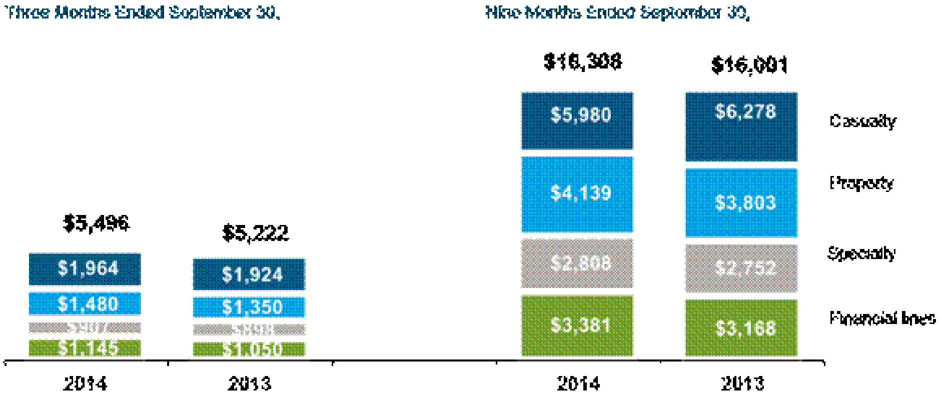
The following table presents AIG Property Casualty net premiums written by major line of business:

	Three Months Ended September 30,		Percentage	Nine Months Ended September 30,		Percentage
(in millions)	**2014**	2013	Change	**2014**	2013	Change
Commercial Insurance						
Casualty	**$ 1,964**	$ 1,924	2 %	**$ 5,980**	$ 6,278	(5) %
Property	**1,480**	1,350	10	**4,139**	3,803	9
Specialty	**907**	898	1	**2,808**	2,752	2
Financial lines	**1,145**	1,050	9	**3,381**	3,168	7
Total net premiums written	**$ 5,496**	$ 5,222	5 %	**$ 16,308**	$ 16,001	2 %
Consumer Insurance						
Accident & Health	**$ 1,650**	$ 1,651	- %	**$ 4,933**	$ 5,089	(3) %
Personal lines	**1,804**	1,790	1	**5,266**	5,274	-
Total net premiums written	**$ 3,454**	$ 3,441	- %	**$ 10,199**	$ 10,363	(2) %
Other	**3**	(3)	NM	**(7)**	(4)	(75)
Total AIG Property Casualty net premiums written	**$ 8,953**	$ 8,660	3 %	**$ 26,500**	$ 26,360	1 %

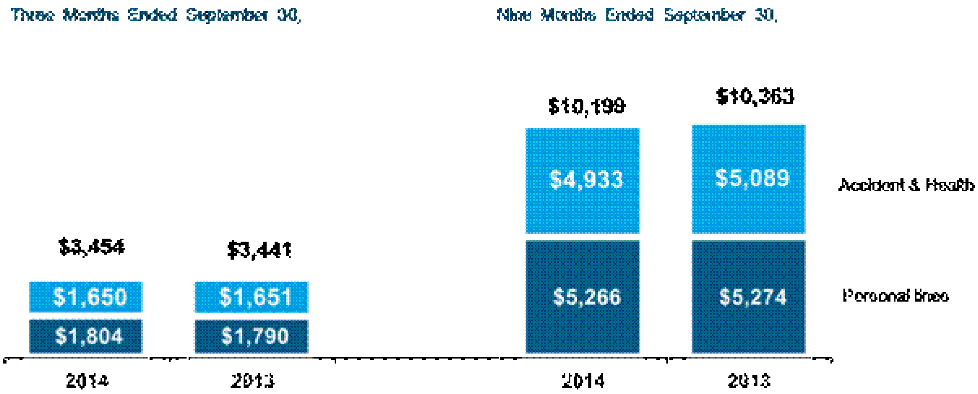
WORLDWIDE NET PREMIUMS WRITTEN BY LINE OF BUSINESS

(in millions)

Commercial Insurance



Consumer Insurance



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

Commercial Insurance net premiums written increased during the three- and nine-month periods ended September 30, 2014, reflecting new business increases related to targeted growth products in Property and Financial lines. Commercial Insurance continued to focus on the execution of its strategic objectives.

AIG Property Casualty entered into a catastrophe bond reinsurance transaction, effective as of January 1, 2014, with Tradewynd Re Ltd., which provides AIG Property Casualty with up to $400 million of indemnity reinsurance protection against

U.S., Gulf of Mexico and Caribbean named storms, and U.S. and Canadian earthquakes. To fund its potential obligations to AIG Property Casualty, Tradewynd Re Ltd. issued three tranches of notes. The transaction provides AIG Property Casualty with fully collateralized coverage against losses from the events described above on a per-occurrence basis through December 2016. However, the transaction has the effect of reducing net premiums written as further discussed below.

Casualty net premiums written increased in the three-month period ended September 30, 2014 compared to the same period in the prior year primarily due to additional premium associated with prior year loss reserve development in the loss-sensitive business, which increased by $90 million. Excluding the effect of foreign exchange and additional premiums on loss sensitive business, net premiums written decreased by three percent in the three-month period ended September 30, 2014 compared to the same period in the prior year. The decrease was primarily due to the declining rate environment and increased competition, coupled with the effect on renewals from AIG Property Casualty's strategy to enhance risk selection, particularly in the Americas, which were partially offset by new business growth in EMEA.

Net premiums written decreased in nine-month period ended September 30, 2014 compared to the same period in the prior year primarily due to the declining rate environment and increased competition, coupled with the effect on renewals from AIG Property Casualty's strategy to enhance risk selection, particularly in the Americas. Strong growth and new writings in certain lines of business, particularly in EMEA, were more than offset by rate declines or market compression in others. Overall rate increases in retained business, especially in the U.S. and Canada, partially offset these rate declines.

Property net premiums written increased in the three- and nine-month periods ended September 30, 2014 compared to the same periods in the prior year primarily due to new business increases in targeted growth products, improvement in retention in renewal business and changes to optimize AIG Property Casualty's reinsurance structure as part of its decision to retain more favorable risks while continuing to manage aggregate exposure particularly in the U.S. and EMEA.

Net premiums written in the nine-month period ended September 30, 2014 reflected the effect of the catastrophe bond reinsurance transactions described above. Catastrophe bond reinsurance transactions reduced net premiums written by $56 million and $140 million in the nine-month periods ended September 30, 2014 and 2013, respectively.

Specialty net premiums written increased slightly in the three- and nine-month periods ended September 30, 2014, compared to the same periods in the prior year primarily reflecting new business increases related to targeted growth products, including growth in small- and medium-sized enterprise markets in the Americas region.

Financial lines net premiums written increased in the three- and nine-month periods ended September 30, 2014, compared to the same periods in the prior year reflecting growth in new business related to targeted growth products across all regions, as well as a favorable rate environment in the U.S.

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

Consumer Insurance net premiums written, excluding the effect of foreign exchange, increased in the three- and nine-month periods ended September 30, 2014, compared to the same periods in the prior year as the business continued to grow through multiple product and distribution channels. In the three- and nine-month periods ended September 30, 2014, direct marketing accounted for approximately 15 percent and 16 percent of Consumer Insurance net premiums written, respectively.

A&H net premiums written, excluding the effect of foreign exchange, increased in the three- and nine-month periods ended September 30, 2014 compared to the same periods in the prior year. The increase in net premiums written was due to the continued growth of AIG Fuji Life, partially offset by decreases in certain classes of business due to strict underwriting discipline.

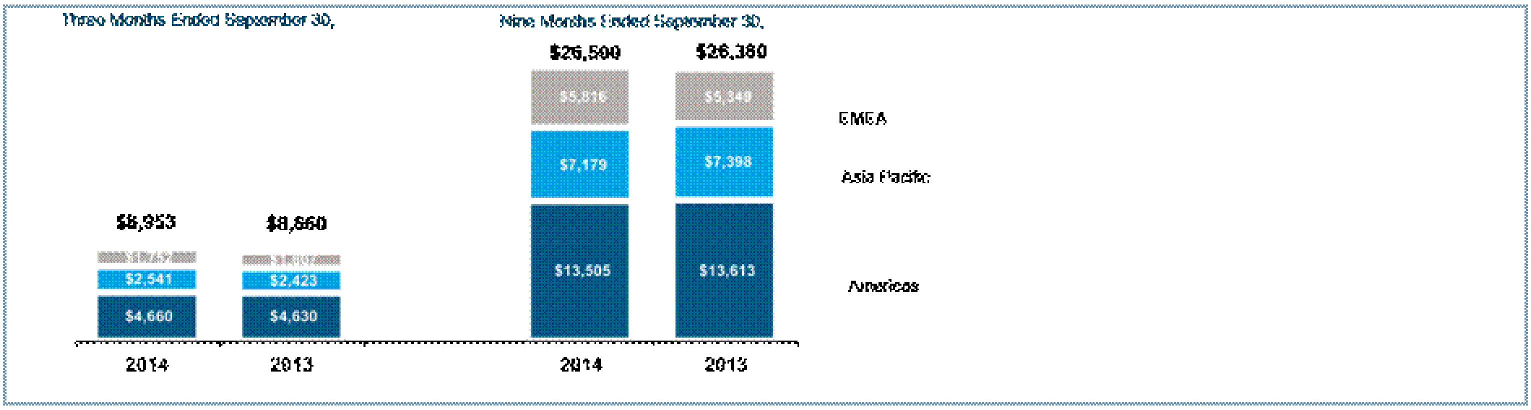
Personal lines net premiums written, excluding the effect of foreign exchange, increased in the three- and nine-month periods ended September 30, 2014 compared to the same periods in the prior year. The increase was primarily due to new business sales and changes in reinsurance programs to retain more favorable business in Japan personal property, increased rates and improved retention in U.S. private client group, and continued growth of automobile business outside of Japan, partially offset by declines in the U.S. warranty business.

AIG Property Casualty Net Premiums Written by Region

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

(in millions)	Three Months Ended September 30, 2014	2013	Percentage Change in U.S. dollars	Percentage Change in Original Currency	Nine Months Ended September 30, 2014	2013	Percentage Change in U.S. dollars	Percentage Change in Original Currency
Commercial Insurance:								
Americas	$ 3,637	$ 3,548	3 %	3 %	$ 10,545	$ 10,627	(1) %	(1) %
Asia Pacific	588	523	12	13	1,545	1,540	-	6
EMEA	1,271	1,151	10	8	4,218	3,834	10	8
Total net premiums written	$ 5,496	$ 5,222	5 %	5 %	$ 16,308	$ 16,001	2 %	2 %
Consumer Insurance:								
Americas	$ 1,019	$ 1,085	(6) %	(4) %	$ 2,966	$ 2,990	(1) %	2 %
Asia Pacific	1,954	1,900	3	6	5,635	5,858	(4)	3
EMEA	481	456	5	3	1,598	1,515	5	3
Total net premiums written	$ 3,454	$ 3,441	- %	2 %	$ 10,199	$ 10,363	(2) %	3 %
Other:								
Americas	$ 4	$ (3)	NM%	NM%	$ (6)	$ (4)	(50) %	NM%
Asia Pacific	(1)	-	NM	NM	(1)	-	NM	NM
Total net premiums written	$ 3	$ (3)	NM%	NM%	$ (7)	$ (4)	(75) %	NM%
Total AIG Property Casualty:								
Americas	$ 4,660	$ 4,630	1 %	1 %	$ 13,505	$ 13,613	(1) %	- %
Asia Pacific	2,541	2,423	5	7	7,179	7,398	(3)	4
EMEA	1,752	1,607	9	7	5,816	5,349	9	7
Total net premiums written	$ 8,953	$ 8,660	3 %	4 %	$ 26,500	$ 26,360	1 %	2 %

WORLDWIDE NET PREMIUMS WRITTEN BY REGION *(in millions)*



AIG Property Casualty's business is transacted in most major foreign currencies. The following table presents the quarterly weighted average exchange rates of the currencies that have the most significant impact to our businesses:

	Three Months Ended September 30,		Percentage	Nine Months Ended September 30,		Percentage
Rate for 1 USD	2014	2013	Change	2014	2013	Change
Currency:						
JPY	102.24	97.84	4 %	102.53	93.14	10 %
EUR	0.74	0.77	(4) %	0.73	0.76	(4) %
GBP	0.59	0.66	(11) %	0.60	0.65	(8) %

The Americas net premiums written increased in the three-month period ended September 30, 2014 compared to the same period in the prior year primarily due to increases in new business growth in Property and Financial lines in Commercial Insurance, which were mostly offset by decreases in Consumer Insurance accident and health and U.S. warranty businesses. The Americas net premiums written decreased in the nine-month period ended September 30, 2014 compared to the same period in the prior year primarily due to decreases in new business growth and rate pressure in Commercial Insurance, particularly in the Casualty business, as well as a decrease in U.S warranty business in Consumer Insurance. Additionally, for the nine-month period ended September 30, 2014, the decrease in net premiums written was partially offset by the effect of catastrophe bond reinsurance transactions.

Asia Pacific net premiums written increased in the three-month period ended September 30, 2014 compared to the same period in the prior year primarily reflecting growth in both Commercial and Consumer Insurance across all lines of businesses, particularly from Japan.

Asia Pacific net premiums written decreased in the nine-month period ended September 30, 2014 compared to the same period in the prior year primarily due to the strengthening of the U.S. dollar against the Japanese yen. Excluding the effect of foreign exchange, net premiums written increased, primarily due to growth of AIG Fuji Life and new business sales and changes in reinsurance programs to retain more favorable business in Japan personal property in Consumer Insurance.

EMEA net premiums written increased in the three- and nine-month periods ended September 30, 2014 compared to the same periods in the prior year due to Commercial Insurance new business growth, particularly in Property, Casualty and Financial lines, and rate improvements on retained business, as well as growth in Consumer Insurance Personal lines, primarily in the automobile business.

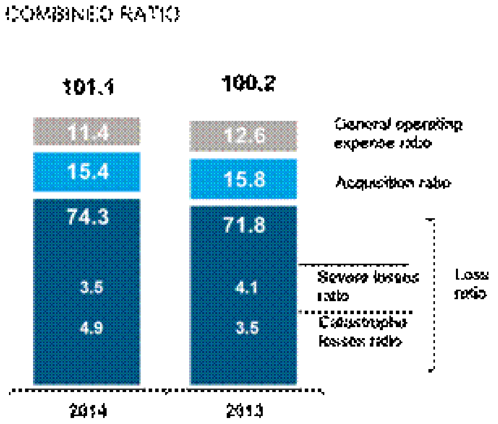
AIG Property Casualty Underwriting Ratios

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

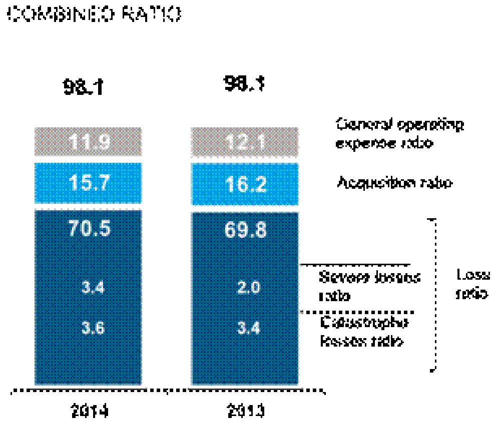
	Three Months Ended September 30,		Increase	Nine Months Ended September 30,		Increase
	2014	2013	(Decrease)	**2014**	2013	(Decrease)
Commercial Insurance						
Loss ratio	**74.3**	71.8	2.5	**70.5**	69.8	0.7
Catastrophe losses and reinstatement premiums	**(4.9)**	(3.5)	(1.4)	**(3.6)**	(3.4)	(0.2)
Prior year development net of premium adjustments	**(4.9)**	(2.1)	(2.8)	**(2.4)**	(1.8)	(0.6)
Net reserve discount benefit	**0.3**	-	0.3	**1.0**	-	1.0
Accident year loss ratio, as adjusted	**64.8**	66.2	(1.4)	**65.5**	64.6	0.9
Acquisition ratio	**15.4**	15.8	(0.4)	**15.7**	16.2	(0.5)
General operating expense ratio	**11.4**	12.6	(1.2)	**11.9**	12.1	(0.2)
Expense ratio	**26.8**	28.4	(1.6)	**27.6**	28.3	(0.7)
Combined ratio	**101.1**	100.2	0.9	**98.1**	98.1	-
Catastrophe losses and reinstatement premiums	**(4.9)**	(3.5)	(1.4)	**(3.6)**	(3.4)	(0.2)
Prior year development net of premium adjustments	**(4.9)**	(2.1)	(2.8)	**(2.4)**	(1.8)	(0.6)
Net reserve discount benefit	**0.3**	-	0.3	**1.0**	-	1.0
Accident year combined ratio, as adjusted	**91.6**	94.6	(3.0)	**93.1**	92.9	0.2
Consumer Insurance						
Loss ratio	**55.3**	58.8	(3.5)	**57.4**	58.5	(1.1)
Catastrophe losses and reinstatement premiums	**(0.7)**	(1.2)	0.5	**(1.2)**	(0.6)	(0.6)
Prior year development net of premium adjustments	**0.4**	0.9	(0.5)	**0.4**	1.2	(0.8)
Accident year loss ratio, as adjusted	**55.0**	58.5	(3.5)	**56.6**	59.1	(2.5)
Acquisition ratio	**26.1**	26.1	-	**25.9**	25.6	0.3
General operating expense ratio	**17.4**	15.0	2.4	**16.1**	15.3	0.8
Expense ratio	**43.5**	41.1	2.4	**42.0**	40.9	1.1
Combined ratio	**98.8**	99.9	(1.1)	**99.4**	99.4	-
Catastrophe losses and reinstatement premiums	**(0.7)**	(1.2)	0.5	**(1.2)**	(0.6)	(0.6)
Prior year development net of premium adjustments	**0.4**	0.9	(0.5)	**0.4**	1.2	(0.8)
Accident year combined ratio, as adjusted	**98.5**	99.6	(1.1)	**98.6**	100.0	(1.4)
Total AIG Property Casualty						
Loss ratio	**67.7**	67.3	0.4	**66.4**	66.2	0.2
Catastrophe losses and reinstatement premiums	**(3.3)**	(2.7)	(0.6)	**(2.7)**	(2.3)	(0.4)
Prior year development net of premium adjustments	**(3.1)**	(0.8)	(2.3)	**(1.7)**	(0.9)	(0.8)
Net reserve discount benefit	**-**	(0.1)	0.1	**0.4**	(0.1)	0.5
Accident year loss ratio, as adjusted	**61.3**	63.7	(2.4)	**62.4**	62.9	(0.5)
Acquisition ratio	**19.4**	19.7	(0.3)	**19.6**	19.8	(0.2)
General operating expense ratio	**14.9**	14.6	0.3	**14.6**	14.5	0.1
Expense ratio	**34.3**	34.3	-	**34.2**	34.3	(0.1)
Combined ratio	**102.0**	101.6	0.4	**100.6**	100.5	0.1
Catastrophe losses and reinstatement premiums	**(3.3)**	(2.7)	(0.6)	**(2.7)**	(2.3)	(0.4)
Prior year development net of premium adjustments	**(3.1)**	(0.8)	(2.3)	**(1.7)**	(0.9)	(0.8)
Net reserve discount benefit	**-**	(0.1)	0.1	**0.4**	(0.1)	0.5
Accident year combined ratio, as adjusted	**95.6**	98.0	(2.4)	**96.6**	97.2	(0.6)

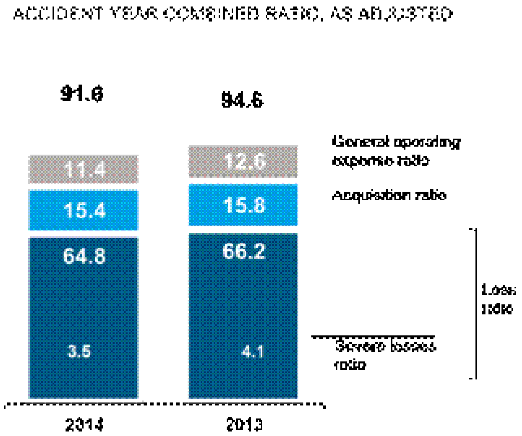
COMMERCIAL INSURANCE RATIOS

Three Months Ended September 30,



Nine Months Ended September 30,





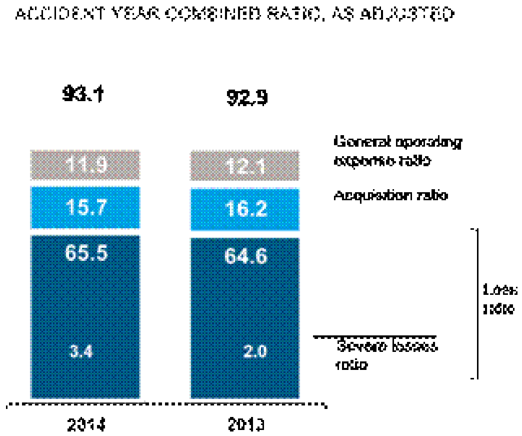
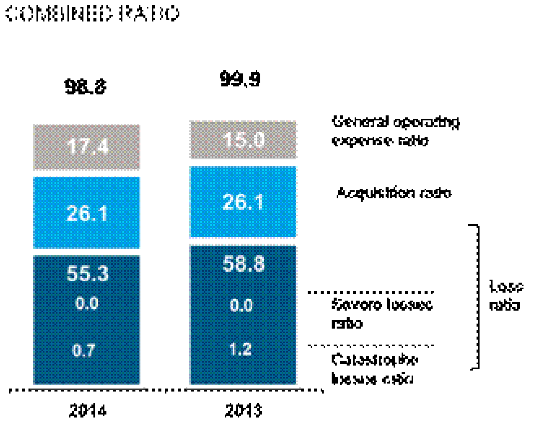
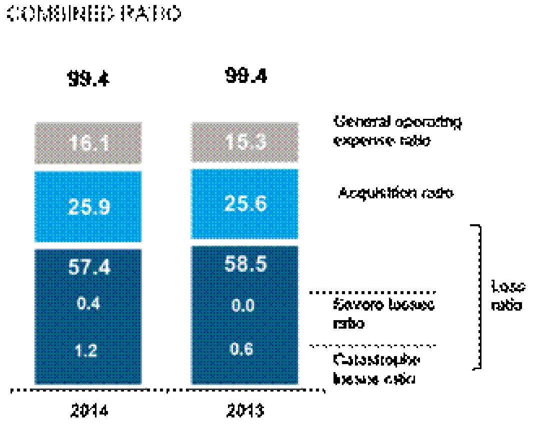


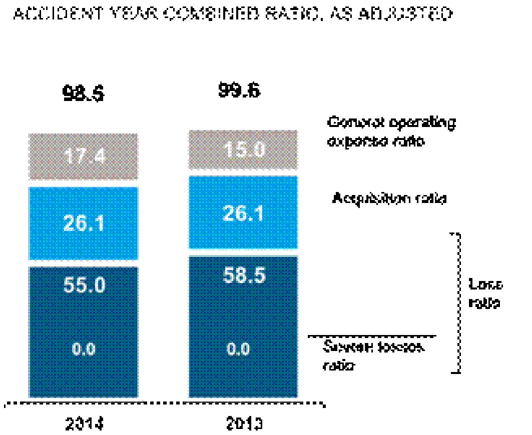
TABLE OF CONTENTS

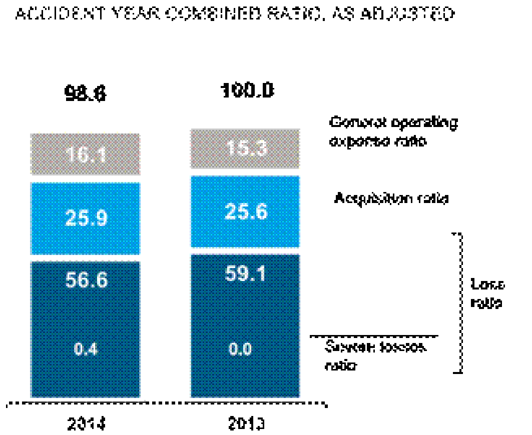
CONSUMER INSURANCE RATIOS

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









Given the nature of the lines of business and the expenses included in Other, AIG Property Casualty determined that the traditional underwriting measures of loss ratio, acquisition ratio, general operating expense ratio and combined ratio do not provide a relevant measure of underwriting performance. Therefore, these ratios are not presented for Other.

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

Catastrophes*

(in millions)	# of Events		Americas		Asia Pacific		EMEA		Total
Three Months Ended September 30, 2014									
Flooding	**2**	**$**	**37**	**$**	**-**	**$**	**-**	**$**	**37**
Windstorms and hailstorms	**5**		**152**		**31**		**12**		**195**
Earthquakes	**1**		**50**		**-**		**-**		**50**
Reinstatement premiums			**-**		**-**		**2**		**2**
Total catastrophe-related charges	**8**	**$**	**239**	**$**	**31**	**$**	**14**	**$**	**284**
Commercial Insurance		**$**	**227**	**$**	**21**	**$**	**14**	**$**	**262**
Consumer Insurance		**$**	**12**	**$**	**10**	**$**	**-**	**$**	**22**
Three Months Ended September 30, 2013									
Flooding	2	$	106	$	-	$	-	$	106
Windstorms and hailstorms	3		29		40		34		103
Wildfire	1		13		-		-		13
Total catastrophe-related charges	6	$	148	$	40	$	34	$	222
Commercial Insurance		$	129	$	21	$	32	$	182
Consumer Insurance		$	19	$	19	$	2	$	40
Nine Months Ended September 30, 2014									
Flooding	**2**	**$**	**37**	**$**	**-**	**$**	**-**	**$**	**37**
Windstorms and hailstorms	**14**		**442**		**120**		**34**		**596**
Earthquakes	**1**		**50**		**-**		**-**		**50**
Reinstatement premiums			**-**		**-**		**2**		**2**
Total catastrophe-related charges	**17**	**$**	**529**	**$**	**120**	**$**	**36**	**$**	**685**
Commercial Insurance		**$**	**466**	**$**	**66**	**$**	**35**	**$**	**567**
Consumer Insurance		**$**	**63**	**$**	**54**	**$**	**1**	**$**	**118**
Nine Months Ended September 30, 2013									
Flooding	6	$	217	$	9	$	1	$	227
Windstorms and hailstorms	7		218		40		81		339
Wildfire	1		13		-		-		13
Total catastrophe-related charges	14	$	448	$	49	$	82	$	579
Commercial Insurance		$	415	$	30	$	77	$	522
Consumer Insurance		$	33	$	19	$	5	$	57

* Catastrophes are generally weather or seismic events having a net impact on AIG Property Casualty in excess of $10 million each.

Severe Losses*

(in millions)	# of Events		Americas		Asia Pacific		EMEA		Total
Three Months Ended September 30, 2014									
Commercial Insurance	**9**	**$**	**62**	**$**	**18**	**$**	**108**	**$**	**188**
Consumer Insurance	**-**		**-**		**-**		**-**		**-**
Total severe losses	**9**	**$**	**62**	**$**	**18**	**$**	**108**	**$**	**188**
Three Months Ended September 30, 2013									
Commercial Insurance	7	$	10	$	131	$	70	$	211
Consumer Insurance	-		-		-		-		-
Total severe losses	7	$	10	$	131	$	70	$	211

Nine Months Ended September 30, 2014									
Commercial Insurance	**25**	**$**	**170**	**$**	**73**	**$**	**283**	**$**	**526**
Consumer Insurance	**3**		**37**		**4**		**-**		**41**
Total severe losses	**28**	**$**	**207**	**$**	**77**	**$**	**283**	**$**	**567**
Nine Months Ended September 30, 2013									
Commercial Insurance	13	$	50	$	151	$	108	$	309
Consumer Insurance	-		-		-		-		-
Total severe losses	13	$	50	$	151	$	108	$	309

* 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.

Commercial Quarterly and Year-to-Date Insurance Ratios

The combined ratio increased by 0.9 points in the three-month period ended September 30, 2014, compared to the same period in the prior year due primarily to an increase in the loss ratio. The loss ratio increased by 2.5 points in the three-month period ended September 30, 2014, compared to the same period in the prior year, primarily due to higher adverse net prior year loss reserve development and higher catastrophe losses. The combined ratio remained unchanged for the nine-month period ended September 30, 2014 compared to the same period in the prior year reflecting an increase in the loss ratio offset by a decrease in the expense ratio.

The accident year combined ratio, as adjusted, decreased by 3.0 points in the three-month period ended September 30, 2014, compared to the same period in the prior year primarily due to a lower accident year loss ratio, as adjusted, and an improvement in expense ratio. The accident year combined ratio, as adjusted, increased by 0.2 points in the nine-month period ended September 30, 2014, compared to the same period in the prior year primarily due to higher accident year loss ratio, as adjusted.

The accident year loss ratio, as adjusted, decreased by 1.4 points in the three-month period ended September 30, 2014, compared to the same period in the prior year primarily due to an improvement in Financial lines and lower severe losses which were partially offset by an increase in frequency of non-severe losses in Property and Specialty business, particularly in the Americas and EMEA. Severe losses represented approximately 3.5 points and 4.1 points of the accident year loss ratio, as adjusted, in the three-month periods ended September 30, 2014 and 2013, respectively.

The accident year loss ratio, as adjusted, increased by 0.9 points in the nine-month period ended September 30, 2014, compared to the same period in the prior year primarily due to higher frequency in severe losses, particularly in Property and Specialty businesses. Severe losses represented approximately 3.4 points and 2.0 points of the accident year loss ratio, as adjusted, in the nine-month periods ended September 30, 2014 and 2013, respectively.

The acquisition ratio decreased by 0.4 points and 0.5 points in the three- and nine- month periods ended September 30, 2014, respectively, compared to the same periods in the prior year primarily due to a reduction in expenses of personnel engaged in sales support activities, lower premium taxes and guaranty fund and other assessments.

The general operating expense ratio decreased by 1.2 points and 0.2 points in the three- and nine- month periods ended September 30, 2014, respectively, compared to the same periods in the prior year, due to a decrease in employee-related and other operating expenses, partially offset by an increase in technology-related expenses. In addition, the general operating expense ratio in the nine-month period ended September 30, 2013 benefitted from unusually low bad debt expense.

Consumer Quarterly and Year-to-Date Insurance Ratios

The combined ratio decreased by 1.1 points in the three-month period ended September 30, 2014 compared to the same period in the prior year, primarily due to a lower loss ratio, as discussed below. In the nine-month period ended September 30, 2014, the combined ratio remained unchanged compared to the same period in the prior year reflecting a lower loss ratio offset by a higher expense ratio.

The accident year combined ratio, as adjusted, decreased by 1.1 points and 1.4 points in the three- and nine-month periods ended September 30, 2014, respectively, due to lower accident year loss ratios, as adjusted, compared to the same periods in the prior year.

The accident year loss ratio, as adjusted, decreased by 3.5 points and 2.5 points in the three- and nine-month periods ended September 30, 2014, respectively, compared to the same periods in the prior year, primarily as a result of rate increases and improved claim experience in the Japan automobile business, and rate actions and coverage changes in the U.S. warranty business. The severe losses of $41 million, resulting largely from three fire claims, accounted for 0.4 points of the accident year loss ratio, as adjusted, in the nine-month period ended September 30, 2014.

The acquisition ratio remained unchanged in the three-month period ended September 30, 2014 compared to the same period in the prior year. The acquisition ratio increased by 0.3 points in the nine-month period ended September 30, 2014 compared to the same period in the prior year, primarily due to the combined effect of the change in business mix and higher acquisition costs in growth-targeted lines of business.

The general operating expense ratio increased by 2.4 points and 0.8 points in the three- and nine-month periods ended September 30, 2014, respectively, compared to the same periods in the prior year, due to higher expenses related to the ongoing integration of AIG Property Casualty's Japan entities and investment in targeted growth areas, partially offset by a decrease in employee-related and other operating expenses.

AIG Property Casualty Net Investment Income and Net Realized Capital Gains (Losses)

The following table presents AIG Property Casualty's net investment income and net realized capital gains (losses):

	Three Months Ended September 30,		Percentage	Nine Months Ended September 30,		Percentage
(in millions)	**2014**	2013	Change	**2014**	2013	Change
Net Investment Income by Component						
Interest and dividends	**$ 1,014**	$ 1,071	(5) %	**$ 2,959**	$ 3,083	(4) %
Alternative investments	**194**	69	181	**651**	567	15
Fair value option assets	**29**	88	(67)	**108**	203	(47)
Other income (loss) - net	**28**	(15)	NM	**57**	(6)	NM
Total net investment income	**$ 1,265**	$ 1,213	4 %	**$ 3,775**	$ 3,847	(2) %
Net Investment Income by Operating Segment						
Commercial Insurance	**$ 627**	$ 618	1 %	**$ 1,851**	$ 1,886	(2) %
Consumer Insurance	**91**	89	2	**266**	279	(5)
Other	**547**	506	8	**1,658**	1,682	(1)
Total net investment income	**$ 1,265**	$ 1,213	4 %	**$ 3,775**	$ 3,847	(2) %
Net realized capital gains	**$ 92**	$ 50	84 %	**$ 361**	$ 213	69 %

AIG Property Casualty manages and accounts for its invested assets on a legal entity basis in conformity with regulatory requirements. Within a legal entity, invested assets are available to pay claims and expenses of both Commercial Insurance and Consumer Insurance operating segments as well as the Other category. Invested assets are not segregated or otherwise separately identified for the Commercial Insurance and Consumer Insurance operating segments.

Investment income is allocated to the Commercial Insurance and Consumer Insurance operating segments based on an internal investment income allocation model. The model estimates investable funds based primarily on loss reserves, unearned premiums and a capital allocation for each segment. The 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. The actual yields in excess of the allocated amounts and the investment income from the assets not attributed to the Commercial Insurance or the Consumer Insurance operating segments are assigned to the Other category.

Net realized capital gains (losses) and Other income (expense) — net are not allocated to Commercial Insurance and Consumer Insurance, but are reported as part of the Other category.

Quarterly and Year-to-Date Net Investment Income

Net investment income is influenced by a number of factors, including equity market performance, changes in overall asset allocation, changes in the timing and amount of expected cash flows on certain structured securities, and the movements of interest rates. Net investment income increased by $52 million, or four percent in the three-month period ended September 30, 2014, compared to the same period in the prior year, primarily due to higher income on alternative investments, driven by stronger equity market performance partially offset by lower income associated with investments accounted for under the fair value option as well as a decrease in interest income. The decrease in interest rates during the three- and nine-month periods ended September 30, 2014 was primarily offset by continued portfolio diversification, which helped mitigate the effects of higher interest rates on matured or sold investments versus reinvestment yields.

Net investment income decreased by $72 million, or two percent in the nine-month period ended September 30, 2014, compared to the same period in the prior year, primarily due to lower income associated with investments accounted for under the fair value option as the prior year period included a $58 million gain related to the PICC P&C rights offering in June 2013 and the effects of lower reinvestment yields partially offset by higher income on alternative investments. The decrease in interest rates during the three- and nine-month periods ended September 30, 2014 was primarily offset by continued portfolio diversification, which helped mitigate the effects of higher interest rates on matured or sold investments versus reinvestment yields.

Corporate debt securities continued to be the largest asset category. AIG Property Casualty continued to focus on risk-weighted opportunistic investments in higher yielding assets such as structured securities and mortgage loans. In addition, AIG Property Casualty continued to maintain a defensive strategy on the rise of interest rates since the first quarter of 2013 by continuing to invest in floating rate securities. This asset diversification has maintained stable average yields while the overall credit ratings of AIG Property Casualty's fixed maturity securities were largely unchanged. AIG Property Casualty expects to continue to refine its investment strategy during the remainder of 2014 to meet its liquidity, duration and credit quality objectives as well as current risk-return and tax objectives.

The fair value of AIG Property Casualty's invested assets portfolio increased compared to December 31, 2013, primarily due to an increase in unrealized appreciation, which was driven by lower interest rates and the narrowing of investment grade credit spreads.

Quarterly and Year-to-Date Net Realized Capital Gains (Losses)

Net realized capital gains increased in the three and nine-month periods ended September 30, 2014 compared to the same periods in the prior year, primarily due to gains on sales of securities, which were accomplished along with AIG Property Casualty's portfolio diversification and derisking strategy. In addition to the higher overall gains on sales of securities, gains were also recorded on derivatives used to economically hedge foreign currency positions compared to losses in the same period in the prior year. AIG Property Casualty recognized other-than-temporary impairment charges of $18 million and $53 million in the three- and nine-month periods ended September 30, 2014, respectively, slightly higher than the same periods in the prior year.

Liability for Unpaid Claims and Claims Adjustment Expense

The following discussion of the consolidated liability for unpaid claims and claims adjustment expense (loss reserves) presents loss reserves for AIG Property Casualty, as well as the loss reserves pertaining to the Mortgage Guaranty reporting unit, which is reported in Other Operations.

The following table presents the components of AIG's gross loss reserves by major lines of business on a U.S. statutory basis*:

(in millions)	September 30, 2014	December 31, 2013
Other liability occurrence (including asbestos and environmental)	$ 19,856	$ 21,023
International	17,223	17,126
Workers' compensation (net of discount)	14,756	15,390
Other liability claims made	10,252	10,645
Property	3,683	4,111
Auto liability	2,502	2,581
Products liability	1,453	1,463
Medical malpractice	1,587	1,714
Mortgage guaranty / credit	1,104	1,348
Accident and health	1,340	1,378
Commercial multiple peril	1,886	1,886
Aircraft	1,424	1,276
Fidelity/surety	545	538
Other	1,063	1,068
Total	$ 78,674	$ 81,547

* Presented by lines of business pursuant to statutory reporting requirements as prescribed by the National Association of Insurance Commissioners.

Gross loss reserves represent the accumulation of estimates of ultimate losses, including estimates for incurred but not reported (IBNR) and loss expenses, less applicable discount for future investment income. AIG Property Casualty regularly reviews and updates 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.

The net loss reserves represent loss reserves reduced by estimated salvage and subrogation, reinsurance recoverable, net of an allowance for unrecoverable reinsurance, and applicable discount for future investment income.

The following table presents the components of net loss reserves:

(in millions)	September 30, 2014	December 31, 2013
Gross loss reserves before reinsurance and discount	$ 82,319	$ 85,102
Less: discount	(3,645)	(3,555)
Gross loss reserves, net of discount, before reinsurance	78,674	81,547
Less: reinsurance recoverable*	(16,310)	(17,231)
Net liability for unpaid claims and claims adjustment expense	$ 62,364	$ 64,316

* Includes $1.5 billion and $1.6 billion of reinsurance recoverable under a retroactive reinsurance agreement at September 30, 2014 and December 31, 2013, respectively.

Gross loss reserves before reinsurance and discount are net of contractual deductible recoverable amounts due from policyholders of approximately $12.4 billion and $12.0 billion at September 30, 2014 and December 31, 2013, respectively. These recoverable amounts are related to certain policies with high deductibles, primarily for U.S. commercial casualty business, where AIG Property Casualty manages and pays the entire claim on behalf of the insured and is reimbursed by the insured for the deductible portion of the claim. At September 30, 2014 and December 31, 2013, AIG Property Casualty held collateral totaling $9.6 billion and $9.0 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[(a)]:

(in millions)		September 30, 2014		December 31, 2013
AIG Property Casualty:				
Commercial Insurance				
Casualty	$	33,730	$	34,494
Financial lines		9,644		9,803
Specialty		5,660		5,485
Property		4,157		4,293
Total Commercial Insurance[(b)]		53,191		54,075
Consumer Insurance				
Personal lines		2,994		3,385
Accident and health		2,016		2,094
Total Consumer Insurance[(b)]		5,010		5,479
Other		3,095		3,475
Total AIG Property Casualty		61,296		63,029
Other Operations - Mortgage Guaranty		1,068		1,287
Net liability for unpaid claims and claims adjustment expense	$	62,364	$	64,316

(a) Excludes future policyholder benefits of $3.6 billion and $3.5 billion at September 30, 2014 and December 31, 2013, respectively.

(b) The December 31, 2013 balances have been reclassified between lines of businesses of Commercial Insurance and Consumer Insurance. The impact of this correction was a total decrease of $325 million in Commercial Insurance and a corresponding increase in Consumer Insurance, with no income statement or balance sheet impact.

Discounting of Reserves

The following table presents the components of AIG Property Casualty's loss reserve discount included above:

	September 30, 2014						December 31, 2013					
(in millions)		Commercial Insurance		Other		Total		Commercial Insurance		Other		Total
U.S. workers' compensation:												
Tabular	$	597	$	201	$	798	$	597	$	201	$	798
Non-tabular		1,780		1,051		2,831		1,622		1,102		2,724
Asbestos		-		16		16		-		33		33
Total reserve discount	$	2,377	$	1,268	$	3,645	$	2,219	$	1,336	$	3,555

The following table presents the net reserve discount benefit (charge):

	Three Months Ended September 30,												Nine Months Ended September 30,											
	2014						2013						2014						2013					
(in millions)		Commercial Insurance		Other		Total		Commercial Insurance		Other		Total		Commercial Insurance		Other		Total		Commercial Insurance		Other		Total
Change in loss reserve discount - current accident year	$	68	$	-	$	68	$	71	$	-	$	71	$	203	$	-	$	203	$	213	$	-	$	213
Change in loss reserve discount - prior year development		-		-		-		-		-		-		110		(15)		95		-		-		-
Accretion of reserve discount		(52)		(16)		(68)		(71)		(6)		(77)		(155)		(53)		(208)		(213)		(16)		(229)
Net reserve discount benefit (charge)	$	16	$	(16)	$	-	$	-	$	(6)	$	(6)	$	158	$	(68)	$	90	$	-	$	(16)	$	(16)

Commencing January 1, 2014, AIG Property Casualty merged its two internal pooling arrangements into one pool, and changed the participation percentages of the pool members. This resulted in an additional workers' compensation loss reserve discount benefit of approximately $110 million recorded during the first quarter of 2014. As a result of changes in the participation percentages and domiciliary states of the participants of the combined pool, a portion of the workers' compensation reserves that had been held in New York subsidiaries and discounted pursuant to New York discounting rules which generally do not permit non-tabular discounting on IBNR and prescribe a fixed 5 percent discount rate for application to case reserves, are now held in Pennsylvania and Delaware subsidiaries and discounted pursuant to Pennsylvania and Delaware rules. Pennsylvania discounting rules permit non-tabular discounting on IBNR and allow a variable discount rate for application to case reserves. AIG Property Casualty received a permitted practice from the Delaware Department of Insurance to allow discounting on the same basis as its Pennsylvania domiciled companies.

Quarterly Reserving Conclusion

AIG net loss reserves represent our best estimate of our liability for net losses and loss expenses as of September 30, 2014. While we regularly review the adequacy of established loss reserves, there can be no assurance that our ultimate loss reserves will not develop adversely and materially exceed our loss reserves as of September 30, 2014. 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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2014**	2013	**2014**	2013
Net liability for unpaid claims and claims adjustment expense at beginning of period	**$ 63,090**	$ 65,592	**$ 64,316**	$ 68,782
Foreign exchange effect	**(46)**	29	**(2)**	(880)
Other, including dispositions	**-**	-	**-**	(79)
Change due to retroactive asbestos reinsurance transaction	**35**	19	**121**	85
Losses and loss expenses incurred:				
Current year, undiscounted	**5,413**	5,539	**16,125**	16,330
Prior years unfavorable development, undiscounted[(a)]	**307**	100	**457**	260
Change in discount	**-**	6	**(90)**	16
Losses and loss expenses incurred[(b)]	**5,720**	5,645	**16,492**	16,606
Losses and loss expenses paid[(b)]	**6,435**	6,507	**18,563**	19,736
Net liability for unpaid claims and claims adjustment expense at end of period	**$ 62,364**	$ 64,778	**$ 62,364**	$ 64,778

(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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2014**	2013	**2014**	2013
Prior accident year development by major class of business:				
Commercial Insurance - U.S. & Canada:				
Excess casualty	**$ (44)**	$ (153)	**$ (34)**	$ (165)
Financial lines including professional liability	**(9)**	(48)	**(76)**	(42)
Environmental (post 1986 - ongoing)	**44**	112	**44**	112

Primary casualty:								
Loss-sensitive		93		3		157		83
Other		237		243		324		291
Healthcare		-		-		10		-
Specialty		11		(29)		109		(24)
Property excluding natural catastrophes		13		(16)		8		(79)
Natural catastrophes		(31)		(37)		(104)		142
All other, net		17		66		60		75
Total Commercial Insurance - U.S. & Canada		331		141		498		393
Commercial Insurance International:								
Excess casualty		-		(15)		-		(15)
Primary casualty		10		(20)		3		(22)
Financial lines		-		43		119		33
Specialty		(9)		1		(21)		(33)
Property excluding natural catastrophes		(6)		(16)		(63)		7
Natural catastrophes		(7)		(24)		(54)		(47)
All other, net		-		(5)		(2)		(15)
Total Commercial Insurance - International		(12)		(36)		(18)		(92)
Total Commercial Insurance		319		105		480		301
Consumer Insurance - U.S. & Canada:								
Natural catastrophes		(1)		(10)		(2)		(57)
All other, net		(5)		(10)		(27)		(30)
Total Consumer Insurance - U.S. & Canada		(6)		(20)		(29)		(87)
Consumer Insurance - International:								
Natural catastrophes		-		(1)		(6)		(3)
All other, net		(6)		(9)		(7)		(35)
Total Consumer Insurance - International		(6)		(10)		(13)		(38)
Total Consumer Insurance		(12)		(30)		(42)		(125)
Other - U.S. & Canada:								
Asbestos and environmental (1986 and prior)		5		(2)		52		31
Run-off environmental (1987 to 2004)		-		-		23		37
Total all other, net		-		-		16		-
Total Other - U.S. & Canada		5		(2)		91		68
Other - International:								
Asbestos and environmental (1986 and prior)		2		-		(2)		11
Total all other, net		6		-		5		-
Total Other - International		8		-		3		11
Total Other		13		(2)		94		79
Total AIG Property Casualty		320		73		532		255
Other Operations - Mortgage Guaranty		(13)		27		(75)		5
Total prior year unfavorable development	$	307	$	100	$	457	$	260
AIG Property Casualty prior year development	$	320	$	73	$	532	$	255
Premium adjustments - Commercial Insurance		(93)		(3)		(157)		(83)
AIG Property Casualty prior year development, net of premium adjustments	$	227	$	70	$	375	$	172

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 larger 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, 2014, the net adverse prior year loss reserve development, net of premium accruals of $93 million, was $227 million, which was primarily driven by net adverse prior year loss reserve development in U.S. Commercial Insurance, partially offset by net favorable prior year loss reserve development in Consumer Insurance. The U.S. Commercial Insurance net adverse loss reserve development was primarily driven by Primary Casualty especially general liability and auto liability, partially offset by reserve decreases in Canada Casualty and Financial lines, as well as Natural catastrophes of $31 million. The net adverse prior year loss reserve development in Primary Casualty lines was primarily driven by several large construction defects claims and increased costs with New York labor law claims. Commercial auto liability had an increase in frequency of large claims in the accident years 2010 to 2013, where the economic recovery has contributed to increased frequency and severity of claims, especially for claims in excess of $500,000, which generally take several years to emerge and settle. The net favorable loss reserve development in Canada Casualty (including Primary and Excess Casualty business) and Financial lines was primarily due to our updated study reflecting the better than expected loss emergence over the last several calendar years.

We completed an updated analysis of our U.S. Excess Casualty business (excluding Canada) in the three-month period ended September 30, 2014 and while we have not changed our estimate of aggregate prior year losses, our revised business class segmentation led to lower 2005 and subsequent accident year estimates for non-mass tort claims where we expect underwriting actions and reductions to policy limits to have a favorable effect on ultimate losses from accident years 2007 to 2013 in particular. This was entirely offset by adverse development in our 2004 and prior year estimates as a result of updated loss development patterns for mass tort claims that we segmented more extensively from non-mass tort claims in this business class.

In the nine-month period ended September 30, 2014, the adverse prior year loss development, net of premium accruals of $157 million, was $375 million, which was driven by reserve increases on claims in U.S. Commercial Insurance and Other – U.S. The net adverse prior year loss reserve development in U.S. Commercial Insurance was driven by Primary Casualty and Specialty lines, partially offset by Natural catastrophes, while the adverse development in Other – U.S. was driven by adverse development on legacy pollution exposures (1986 and prior) and run-off environmental exposures (1987 – 2004).

For the three- and nine-month periods ended September 30, 2013, the net adverse development, net of premium accruals of $3 million and $83 million, was $70 million and $172 million, respectively, which was driven by reserve increases on claims in U.S. Commercial Insurance and Other – U.S., partially offset by net favorable development in U.S. Consumer Insurance, International Commercial and International Consumer lines. The net adverse development in U.S. Commercial Insurance was primarily attributable to domestic property exposures, mostly due to the increase in reserves for Storm Sandy, with adverse development in non-loss sensitive Primary Casualty lines, driven by higher than expected legal costs on claims for construction defects claims from accident years 2004 and prior. The adverse development on those classes was partially offset by case reductions on some large claims and favorable development on non-natural catastrophe Property business. The adverse development in Other – U.S. for the nine-month periods ended September 30, 2013 included adverse development on legacy asbestos and environmental exposures (1986 and prior). In addition, the nine-month period ended September 30, 2013 included adverse development on run off environmental exposures (1987 – 2004).

See AIG Property Casualty Results herein and Other Operations — Other Operations Results — Mortgage Guaranty for further discussion of net loss development.

The following table summarizes development, (favorable) or unfavorable, of incurred losses and loss expenses for prior years, net of reinsurance, by accident year:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2014**	2013	**2014**	2013
Prior accident year development by accident year:				
Accident Year				
2013	**$ (62)**	$ -	**$ (189)**	$ -
2012	**6**	(82)	**(84)**	(48)
2011	**(30)**	(33)	**(76)**	(70)
2010	**(20)**	(282)	**31**	(292)
2009	**(62)**	(7)	**36**	(23)
2008	**(47)**	77	**5**	105
2007	**(55)**	93	**(64)**	119
2006	**45**	(37)	**52**	(15)
2005	**109**	21	**122**	61
2004 and prior	**423**	350	**624**	423
Total prior year unfavorable development	**$ 307**	$ 100	**$ 457**	$ 260

Asbestos and Environmental Reserves

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 2013 Annual Report, AIG Property Casualty's 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, 2014, AIG Property Casualty increased its gross asbestos reserves by $29 million and the net asbestos reserves by $28 million primarily due to minor changes in estimates, accretion of discount, and anticipated uncollectible reinsurance. For the same period, AIG Property Casualty increased its gross environmental reserves by $121 million and its net environmental reserves by $52 million to reflect the results of a top-down analysis completed in the second quarter and a minor change in estimates in the third quarter.

In addition to the U.S. asbestos and environmental reserve amounts shown in the tables below, AIG Property Casualty also has asbestos reserves relating to foreign risks written by non-U.S. entities of $137 million gross and $110 million net as of September 30, 2014. The asbestos reserves relating to non-U.S. risks written by non-U.S. entities were $134 million gross and $108 million net as of December 31, 2013.

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,	2014		2013	
(in millions)	Gross	Net	Gross	Net
Asbestos:				
Liability for unpaid claims and claims adjustment expense at beginning of year	$ 4,720	$ 529	$ 4,896	$ 427
Change in net loss reserves due to retroactive reinsurance:				
Paid losses recoverable under retroactive reinsurance contracts	-	123	-	89
Re-estimation of amounts recoverable under retroactive reinsurance contracts[(a)]	-	(3)	-	(4)
Change in net loss reserves due to retroactive reinsurance	-	120	-	85
Dispositions	-	-	(12)	(12)
Loss and loss expenses incurred:				
Undiscounted	(6)	11	(5)	4
Change in discount	35	20	38	17
Losses and loss expenses incurred[(b)]	29	31	33	21
Losses and loss expenses paid[(b)]	(514)	(316)	(347)	(112)
Liability for unpaid claims and claims adjustment expense at end of period	$ 4,235	$ 364	$ 4,570	$ 409
Environmental:				
Liability for unpaid claims and claims adjustment expense at beginning of year	$ 313	$ 163	$ 309	$ 163
Dispositions	-	-	(1)	(1)
Losses and loss expenses incurred	121	52	61	38
Losses and loss expenses paid	(40)	(25)	(69)	(43)
Liability for unpaid claims and claims adjustment expense at end of period	$ 394	$ 190	$ 300	$ 157
Combined:				
Liability for unpaid claims and claims adjustment expense at beginning of year	$ 5,033	$ 692	$ 5,205	$ 590
Change in net loss reserves due to retroactive reinsurance:				
Paid losses recoverable under retroactive reinsurance contracts	-	123	-	89
Re-estimation of amount recoverable under retroactive reinsurance contracts	-	(3)	-	(4)
Change in net loss reserves due to retroactive reinsurance	-	120	-	85
Dispositions	-	-	(13)	(13)
Losses and loss expenses incurred:				
Undiscounted	115	63	56	42
Change in discount	35	20	38	17
Losses and loss expenses incurred	150	83	94	59
Losses and loss expenses paid	(554)	(341)	(416)	(155)
Liability for unpaid claims and claims adjustment expense at end of period	$ 4,629	$ 554	$ 4,870	$ 566

(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.

AIG LIFE AND RETIREMENT

AIG Life and Retirement presents its financial information in two operating segments – Retail and Institutional.

Retail products are generally marketed directly to individual consumers through independent and career insurance agents, retail banks, direct-to-consumer platforms, and national, regional and independent broker-dealers. The primary products offered by the Retail segment include term and universal life insurance, A&H, individual fixed and variable annuities, retail mutual funds and advisory services.

Institutional products are generally marketed to groups or large institutions through affiliated financial advisors or intermediaries including benefit consultants, independent marketing organizations, structured settlement brokers and broker-dealers. Institutional segment products include fixed and variable group annuities, group mutual funds, stable value wrap products, structured settlement and terminal funding annuities, high net worth products, corporate- and bank-owned life insurance, guaranteed investment contracts and a wide range of group benefit products.

AIG Life and Retirement Quarterly and Year-to-date 2014 Highlights

Pre-tax operating income for the three- and nine-month periods ended September 30, 2014 improved compared to the same periods in the prior year, reflecting higher fee income from growth in assets under management and higher alternative investment income. Pre-tax operating income in the three- and nine-month periods included a net positive adjustment of $120 million related to an annual review of actuarial assumptions, compared to a $118 million net positive adjustment in the same periods in the prior year. The $120 million net adjustment in the 2014 periods included a $207 million net increase in pre-tax operating income to update certain estimated gross profit assumptions used to amortize DAC and related items in the interest-sensitive product lines, partially offset by loss recognition expense of $87 million related to certain discontinued long-term care business. The $118 million net positive adjustment in the same periods in the prior year was exclusively related to the update of estimated gross profit assumptions. Net investment income for the three-month period ended September 30, 2014 increased compared to the same period in the prior year, primarily due to strong returns on alternative investments. For both periods, compared to the same periods in the prior year, active crediting rate management and growth in invested assets largely offset the impact of lower investment yields.

Pre-tax income for the three-month period ended September 30, 2014 increased compared to the same period in the prior year primarily due to higher pre-tax operating income as discussed above, legal settlement proceeds and lower loss recognition expense attributable to reinvestment in the low interest rate environment, partially offset by lower net realized capital gains. For the nine-month period ended September 30, 2014, pre-tax income was lower than the same period in the prior year, as the decrease in net realized capital gains (losses) more than offset the increases from lower loss recognition expense, improved pre-tax operating income and higher legal settlement proceeds. Pre-tax income for the three- and nine-month periods ended September 30, 2014 included realized capital losses from changes in the fair value of embedded derivatives related to variable annuity guarantee features, net of hedges, primarily as a result of decreases in interest rates. Pre-tax income for the three- and nine-month periods ended September 30, 2013 included significant realized capital gains primarily due to investment sales related to capital loss carryforward utilization.

Premiums and deposits increased in the three- and nine-month periods ended September 30, 2014 compared to the same periods in the prior year, primarily due to a stable value wrap funding agreement deposit in the Institutional Markets product line and continued strong demand for variable and index annuities in the Retirement Income Solutions product line. The increases in those product lines were partially offset by lower Retail Mutual Fund sales in the three-and nine- month periods ended September 30, 2014, and lower Fixed Annuities sales in the three-month period ended September 30, 2014, compared to the same periods in the prior year. Higher surrenders and withdrawals in both the three- and nine-month periods ended September 30, 2014, primarily in the Group Retirement and Retail Mutual Fund product lines, resulted in negative net flows in the three-month period ended September 30, 2014 and a significant decrease in net flows for both periods compared to the same periods in the prior year. See AIG Life and Retirement – Premiums, Deposits and Net Flows for discussion of premiums, as well as net flows by product line.

Dividends and loan repayments paid by AIG Life and Retirement subsidiaries to AIG Parent in the three-month period ended September 30, 2014 were $1.7 billion, which included approximately $465 million of legal settlement proceeds. Dividends and loan repayments paid by AIG Life and Retirement subsidiaries to AIG Parent in the nine-month period ended September 30, 2014 totaled $4.9 billion, which was comprised of $4.3 billion of cash and $642 million of preferred equity interests in two aircraft trust entities, and included approximately $829 million of legal settlement proceeds. In addition, AIG Life and Retirement distributed an additional $635 million to AIG Parent in the form of cash and fixed maturity securities in October 2014, which represented the remainder of dividends that were declared by AIG Life and Retirement subsidiaries in the three-month period ended September 30, 2014.

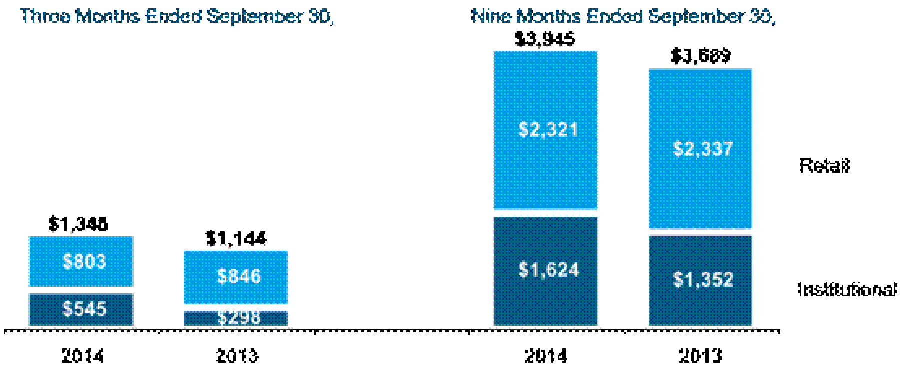
AIG Life and Retirement Results

The following table presents AIG Life and Retirement results:

	Three Months Ended September 30,		Percentage	Nine Months Ended September 30,		Percentage
(in millions)	**2014**	2013	Change	**2014**	2013	Change
Retail						
Revenue:						
Premiums	**$ 371**	$ 403	(8) %	**$ 1,189**	$ 1,150	3 %
Policy fees	**576**	509	13	**1,654**	1,487	11
Net investment income	**1,526**	1,445	6	**4,618**	4,612	-
Other income	**456**	409	11	**1,335**	1,156	15
Operating expenses:						
Policyholder benefits and claims incurred	**857**	765	12	**2,328**	2,089	11
Interest credited to policyholder account balances	**492**	503	(2)	**1,620**	1,698	(5)
Amortization of deferred policy acquisition costs	**79**	2	NM	**462**	342	35
Other acquisition and insurance expenses	**698**	650	7	**2,065**	1,939	6
Pre-tax operating income	**803**	846	(5)	**2,321**	2,337	(1)
Legal settlements	**300**	-	NM	**328**	297	10
Changes in fair value of fixed maturity securities designated to hedge living benefit liabilities, net of interest expense	**32**	(30)	NM	**162**	(128)	NM
Changes in benefit reserves and DAC, VOBA and SIA related to net realized capital gains (losses)	**(32)**	(23)	(39)	**(18)**	(144)	88
Net realized capital gains (losses)	**57**	148	(61)	**(230)**	752	NM
Pre-tax income	**$ 1,160**	$ 941	23 %	**$ 2,563**	$ 3,114	(18) %
Institutional						
Revenue:						
Premiums	**$ 228**	$ 318	(28) %	**$ 707**	$ 840	(16) %
Policy fees	**167**	136	23	**482**	396	22
Net investment income	**1,088**	1,022	6	**3,374**	3,369	-
Other income	**46**	34	35	**125**	99	26
Operating expenses:						
Policyholder benefits and claims incurred	**437**	551	(21)	**1,350**	1,508	(10)
Interest credited to policyholder account balances	**389**	421	(8)	**1,176**	1,214	(3)
Amortization of deferred policy acquisition costs	**(20)**	74	NM	**20**	124	(84)
Other acquisition and insurance expenses	**178**	166	7	**518**	506	2
Pre-tax operating income	**545**	298	83	**1,624**	1,352	20
Legal settlements	**179**	-	NM	**193**	170	14
Changes in benefit reserves and DAC, VOBA and SIA related to net realized capital gains (losses)	**(1)**	(248)	100	**(26)**	(1,338)	98
Net realized capital gains (losses)	**48**	250	(81)	**58**	1,232	(95)
Pre-tax income	**$ 771**	$ 300	157 %	**$ 1,849**	$ 1,416	31 %

Total AIG Life and Retirement						
Revenue:						
Premiums	$ 599	$ 721	(17) %	$ 1,896	$ 1,990	(5) %
Policy fees	743	645	15	2,136	1,883	13
Net investment income	2,614	2,467	6	7,992	7,981	-
Other income	502	443	13	1,460	1,255	16
Operating expenses:						
Policyholder benefits and claims incurred	1,294	1,316	(2)	3,678	3,597	2
Interest credited to policyholder account balances	881	924	(5)	2,796	2,912	(4)
Amortization of deferred policy acquisition costs	59	76	(22)	482	466	3
Other acquisition and insurance expenses	876	816	7	2,583	2,445	6
Pre-tax operating income	1,348	1,144	18	3,945	3,689	7
Legal settlements	479	-	NM	521	467	12
Changes in fair value of fixed maturity securities designated to hedge living benefit liabilities, net of interest expense	32	(30)	NM	162	(128)	NM
Changes in benefit reserves and DAC, VOBA and SIA related to net realized capital gains (losses)	(33)	(271)	88	(44)	(1,482)	97
Net realized capital gains (losses)	105	398	(74)	(172)	1,984	NM
Pre-tax income	$ 1,931	$ 1,241	56 %	$ 4,412	$ 4,530	(3) %

AIG LIFE AND RETIREMENT PRE-TAX OPERATING INCOME *(in millions)*



AIG Life and Retirement Quarterly and Year-to-date Results

Pre-tax operating income for the three- and nine-month periods ended September 30, 2014 improved compared to the same periods in the prior year, which reflected higher fee income from growth in assets under management and higher net investment income, primarily due to strong returns on alternative investments.

Pre-tax operating income in the three- and nine-month periods ended September 30, 2014 included a net positive adjustment of $120 million related to an annual review of actuarial assumptions, compared to a $118 million net positive adjustment in the same periods in the prior year. The adjustments in both years included updates of certain estimated gross profit assumptions used to amortize DAC and related items in the interest-sensitive product lines, which resulted in a $207 million net increase in pre-tax operating income in the three- and nine-month periods ended September 30, 2014, compared to a $118 million net increase in pre-tax operating income in the same periods in the prior year. The net positive adjustment related to estimated gross profit assumptions in the 2014 periods was primarily due to higher investment spread and lower lapse assumptions in the Fixed Annuities and Group Retirement product lines than previously assumed, partially offset by higher mortality assumptions for universal life insurance, which were still within pricing assumptions, and loss recognition expense of $87 million for certain discontinued long-term care business. See AIG Life and Retirement DAC and Reserves - Estimated Gross Profit Assumptions for Interest-Sensitive Products, and AIG Life and Retirement DAC and Reserves – Loss Recognition, for additional discussion.

Net investment income for the three-month period ended September 30, 2014 increased compared to the same period in the prior year, primarily due to strong returns on alternative investments, as well as higher call and tender income. For both the three-and nine-month periods ended September 30, 2014, compared to the same periods in the prior year, higher investment income from growth in average invested assets was largely offset by lower base investment yield due to reinvestment in the sustained low interest rate environment. See AIG Life and Retirement Investments for additional discussion. Active crediting rate management has helped mitigate the impact of declining base yields on pre-tax operating income.

Advisory fees and other income increased in the three- and nine-month periods ended September 30, 2014 compared to the same periods in the prior year due to higher volumes of advisory services, which were offered in the Brokerage Services, Retirement Income Solutions and Retail Mutual Fund product lines in the Retail operating segment. The increases in advisory fees and other income were partially offset by a related increase in advisory expense, which was the primary driver of the increase in other acquisition and insurance expense for the three- and nine-month periods ended September 30, 2014 compared to the same periods in the prior year. The remaining increase in other acquisition and insurance expense was largely due to non-deferrable expenses related to business growth.

Pre-tax income for the three-month period ended September 30, 2014 increased compared to the same period in the prior year primarily due to higher pre-tax operating income as discussed above, legal settlement proceeds and lower loss recognition expense, which was primarily attributable to investment sales related to capital loss carryforward utilization in the prior year period, partially offset by lower net realized capital gains.

For the nine-month period ended September 30, 2014, pre-tax income was lower than the same period in the prior year, as the decrease in net realized capital gains (losses) more than offset the increases from lower loss recognition expense attributable to investment sales, improved pre-tax operating income and higher legal settlement proceeds.

Net realized capital gains (losses) reflect investment activity as well as the change in fair value of embedded derivatives primarily related to variable annuities with GMWB living benefit guarantee features, net of hedges. The decreases in net realized capital gains (losses) from investment activity in the three- and nine-month periods ended September 30, 2014 were primarily due to investment sales made during 2013 to utilize capital loss carryforwards. See AIG Life and Retirement Investments for additional discussion of realized capital gains (losses) on invested assets.

Net realized capital gains (losses) from the change in the fair value of embedded derivatives primarily related to variable annuities with GMWB living benefit guarantee features, net of hedges, included net losses of $77 million and $412 million in the three- and nine-month periods ended September 30, 2014, respectively, compared to net gains of $19 million and $150 million in the respective periods in the prior year. These embedded derivatives are primarily in the Retirement Income Solutions product line of the Retail operating segment and, to a lesser extent, in the Group Retirement product line of the Institutional operating segment. The embedded derivative fair value losses were partially offset by the rider fees collected for the embedded derivatives, which are reported in policy fees, and by increases in the fair value of U.S. Treasury bonds used to hedge interest rate risk, discussed below.

The variance in net realized capital gains (losses) related to these embedded derivatives in the three-month period ended September 30, 2014 compared to the same period in the prior year was primarily due to adjustments to reflect the update of assumptions for these products, which were partially offset by DAC adjustments reported within changes in benefit reserves and DAC, VOBA and SIA related to net realized capital gains (losses).

The variance in net realized capital gains (losses) related to these embedded derivatives for the nine-month period ended September 30, 2014 compared to the same period in the prior year included the change from the update of assumptions, and also reflected a decrease in interest rates offset by changes in the non-performance spread adjustment. The fair value calculation for these embedded derivatives reflects a market participant's view of AIG Life and Retirement's claims-paying ability by adjusting the interest rate swap curve used to discount the expected cash flows with an additional spread to reflect non-performance risk. This non-performance spread adjustment is derived from corporate credit spreads in the marketplace.

AIG Life and Retirement has a dynamic economic hedging program designed to manage risk exposure related to its guaranteed living benefit features from changes in equity markets, interest rates and volatilities. This program utilizes derivative instruments, including equity options, futures contracts and interest rate swap contracts, as well as U.S. Treasury bonds. While a small portion of AIG Life and Retirement's interest rate risk related to these products is unhedged, the majority of the interest rate exposure related to guaranteed living benefit features is hedged with derivative instruments and, to a lesser extent, with U.S. Treasury bonds, which AIG Life and Retirement began purchasing in 2012 as a capital-efficient strategy to reduce interest rate risk exposure over time. The hedging-related change in the fair value of the U.S. Treasury bonds is also excluded from pre-tax operating income and reported in changes in fair value of fixed maturity securities designated to hedge living benefit liabilities.

Loss recognition expense primarily attributable to investment sales related to capital loss carryforward utilization was excluded from pre-tax operating income and reported in changes in benefit reserves and DAC, VOBA and SIA related to net realized capital gains (losses). Such loss recognition expense for certain traditional product lines was less than $1 million in the three-month period ended September 30, 2014 and $21 million in the nine-month period ended September 30, 2014, in both cases significantly lower than $244 million and $1.5 billion in the three- and nine-month periods, respectively, in the prior year. Loss recognition recorded in the 2013 periods was primarily a result of proceeds from investment sales related to the program to utilize capital loss carryforwards that were reinvested in the low interest rate environment. See AIG Life and Retirement DAC and Reserves – Loss Recognition for additional discussion.

Retail Quarterly and Year-to-date Results

Pre-tax operating income for the Retail operating segment in the three- and nine-month periods ended September 30, 2014 decreased compared to the same periods in the prior year, primarily due to a $71 million net positive adjustment to update certain actuarial assumptions in the 2014 periods, compared to a $198 million net positive adjustment in the same periods in the prior year. The net adjustment related to the update of estimated gross profit assumptions used to amortize DAC and related items in the interest-sensitive product lines totaled $158 million in the three- and nine-month periods ended September 30, 2014, which was comprised of a $196 million net positive adjustment in the Fixed Annuities product line, primarily due to more favorable investment spread assumptions than previously assumed, and a $14 million net positive adjustment in Retirement Income Solutions, primarily due to improved mortality assumptions, partially offset by $52 million of net negative adjustments in the Life and A&H product line, which reflected higher mortality assumptions and, to a lesser extent, lower investment spreads. The net adjustment to update assumptions in the 2014 periods was also reduced by loss recognition expense of $87 million for certain discontinued long-term care business. The decrease in pre-tax operating income due to updated assumptions was partially offset by higher fee income in the Retirement Income Solutions product line, which reflected growth in assets under management driven by strong sales of variable annuities, positive net flows and favorable equity market performance, and by higher net investment income.

Net investment income in the Retail operating segment for the three-month period ended September 30, 2014 increased compared to the same period in the prior year, primarily due to strong returns on alternative investments. For both the three- and nine-month periods ended September 30, 2014, compared to the same periods in the prior year, higher investment income from growth in average invested assets was largely offset by lower base investment yield due to reinvestment in the sustained low interest rate environment. Base spread (defined as base net investment income less interest credited) for the Fixed Annuities product line was stable in both of the 2014 periods compared to the same periods in the prior year, as declining base yields were partially offset by active crediting rate management and the run-off of older business with relatively high crediting rates.

DAC amortization expense for the Retail operating segment, excluding the portion of the adjustment to update estimated gross profit assumptions discussed above that reduced DAC amortization expense, increased compared to the nine-month period ended September 30, 2013, as the favorable impact of equity market performance reduced amortization expense in the prior year period but had a less significant impact on the same period in 2014.

Advisory fees and other income increased in the three- and nine-month periods ended September 30, 2014 compared to the same periods in the prior year due to higher volumes of advisory services, which were offered in the Brokerage Services, Retirement Income Solutions and Retail Mutual Fund product lines. The increase in advisory fee and other income was partially offset by a related increase in advisory expense, which is included in other acquisition and insurance expense.

Pre-tax income for the Retail operating segment in the three- and nine-month periods ended September 30, 2014 compared to the same periods in the prior year was reduced by lower pre-tax operating income discussed above, as well as fair value net losses in the current year periods on embedded derivatives primarily related to variable annuity guarantee features, net of hedges, compared to fair value net gains in the same periods in the prior year. The variance in the embedded derivative fair value gains (losses) for the three-month period ended September 30, 2014 compared to the same period in the prior year was primarily due to adjustments in both periods to update assumptions for these products. The variance in the embedded derivative fair value gains (losses) for the nine-month period ended September 30, 2014 compared to the same period in the prior year included the adjustments to update assumptions as well as a decrease in interest rates. For the three-month period ended September 30, 2014, these decreases in pre-tax income were more than offset by legal settlement proceeds.

Fair value gains (losses) on embedded derivatives reported in net realized capital gains (losses) in the 2014 periods were partially offset by rider fees collected for the embedded derivatives, which are recorded in policy fees, and by changes in fair value of the U.S. Treasury bonds used to hedge interest rate risk related to these living benefit liabilities, which are also excluded from pre-tax operating income.

Institutional Quarterly and Year-to-date Results

Pre-tax operating income for the Institutional operating segment increased in the three- and nine-month periods ended September 30, 2014 compared to the same periods in the prior year, primarily due to a net positive adjustment of $49 million related to an annual review and update of certain estimated gross profit assumptions used to amortize DAC and related items for interest-sensitive products in both 2014 periods, compared to an $80 million net unfavorable adjustment in the same periods in the prior year. The adjustments in both the current and prior year periods were primarily in the Group Retirement product line, and the net positive adjustment in the 2014 periods was primarily due to more favorable annuity spread and lapse assumptions than previously assumed. Pre-tax operating income for the Institutional operating segment also reflected higher fee income and higher net investment income. The increase in fee income was driven by growth in assets under management, principally from favorable equity market performance and development of the stable value wrap business.

Net investment income for the three- and nine-month periods ended September 30, 2014 increased compared to the same periods in the prior year, primarily due to higher income from alternative investments and higher call income. For both of the 2014 periods, compared to the same periods in the prior year, higher investment income from growth in average invested assets was largely offset by lower base investment yield due to reinvestment in the sustained low interest rate environment. Effective crediting rate management in the Group Retirement product line has helped offset the pressure on yields from reinvestment in the sustained low interest rate environment.

Pre-tax income for the Institutional operating segment increased in the three- and nine-month periods ended September 30, 2014 compared to the same periods in the prior year, primarily due to higher pre-tax operating income, higher legal settlement proceeds and lower loss recognition expense, partially offset by lower net realized capital gains from investments sold in the 2013 periods to utilize capital loss carryforwards. Loss recognition expense in the 2013 periods was triggered primarily by reinvestment of proceeds from investment sales to utilize capital loss carryforwards. See AIG Life and Retirement DAC and Reserves – Loss Recognition for additional information.

AIG Life and Retirement Investments

Investments

AIG Life and Retirement invests 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. Income from these investments, as well as cash and short-term investments, is included in the measure of base net investment income, after excluding certain items such as call and tender income, mortgage prepayment fees, change in accretion of discount for certain high credit quality structured securities and impairment charges on investments in leased commercial aircraft.

In addition, AIG Life and Retirement seeks to enhance returns through investments in a diversified portfolio of private equity funds, hedge funds, and affordable housing partnerships. AIG Life and Retirement's investment portfolio also includes, to a lesser extent, common and preferred stocks and yield-enhancement items, such as securities for which the fair value option has been elected.

See MD&A - Investments for additional information on AIG Life and Retirement's invested assets, investment strategy and asset-liability management process.

Investment Yields

Overall, AIG Life and Retirement's fixed maturity portfolio yields in the three- and nine-month periods ended September 30, 2014 declined compared to the same periods in the prior year, primarily as a result of investment purchases and reinvestment of portfolio cash flows from investment sales, interest and maturities at yields lower than the weighted average yield of the existing portfolio due to the sustained historically low interest rate environment.

For the nine-month period ended September 30, 2014, the decrease in base yield (calculated using base net investment income as defined above) reflected strong performance of commercial mortgage loans and structured securities in the prior year period, as well as the investment of proceeds from sales made during 2013 to offset capital loss carryforwards, at rates below the weighted average yield of the overall portfolio.

Although portfolio yields continue to be under pressure from the investment of premiums, deposits and portfolio cash flows in the sustained low interest rate environment, AIG Life and Retirement expects to continue pursuing opportunities to maintain or increase yields without assuming additional credit risk through the purchase of less liquid asset classes, such as private placement debt, commercial mortgage loans and asset-backed securities.

Net Investment Income

Quarterly Net Investment Income

Net investment income for the three-month period ended September 30, 2014 increased compared to the same period in the prior year, including a $153 million increase in income from alternative investments primarily due to strong returns on hedge funds and $29 million higher call and tender income. Net gains on fair value option assets were $68 million in the three-month period ended September 30, 2014, compared to $74 million of net gains in the same period in the prior year, due to lower gains on fair value option bonds partially offset by higher gains from PICC Group. AIG Life and Retirement sold its interest in the PICC Group shares to AIG Parent on August 13, 2014.

Base net investment income for the three-month period ended September 30, 2013 decreased compared to the same period in the prior year, as growth in invested assets was more than offset by lower base yield.

Year-to-Date Net Investment Income

Net investment income for the nine-month period ended September 30, 2014 increased compared to the same period in the prior year, which included a $20 million increase in income from alternative investments, $19 million higher call and tender income and $7 million higher net gains on fair value option assets, partially offset by a reversal of accrued interest on restructured loans. Fair value option net gains were $48 million in the nine-month period ended September 30, 2014 compared to $41 million of net gains in the same period in the prior year, which reflected higher gains on fair value option bonds, partially offset by losses from PICC Group of $54 million in the 2014 period compared to losses of $39 million for the same period in the prior year.

Base net investment income for the nine-month period ended September 30, 2014 was comparable to the same period in the prior year as growth in invested assets was offset by lower base yield. The current period included participation income on a commercial mortgage loan and income from the redemption of an asset classified in Other invested assets, while the same period in the prior year also benefitted from strong results in commercial mortgage loans and structured securities.

AIG Life and Retirement maintains investment portfolios for each product line which, to the extent practicable, match established duration targets based on the characteristics of liabilities. AIG Life and Retirement has not made significant changes during 2014 in the duration targets or credit quality of assets supporting its business lines. Net investment income from assets that support liabilities is allocated to the product line supported by those assets. Net investment income from investments in excess of liabilities, which include the majority of the alternative investments and fair value option assets, is allocated to the product lines using a capital-based internal allocation model. As a result, the variances in alternative investment income and fair value option assets discussed above were also reflected in net investment income of both the Retail and Institutional operating segments.

Net Realized Capital Gains (Losses)

The decreases in AIG Life and Retirement's net realized capital gains in the three- and nine-month periods ended September 30, 2014 compared to the same periods in the prior year were largely due to investment sales made during 2013 to utilize capital loss carryforwards. Net capital gains on the sales of investments were $210 million and $406 million in the three- and nine-month periods ended September 30, 2014, respectively, compared to $460 million and $2.1 billion in the same periods in the prior year. The realized gains in the three- and nine-month periods ended September 30, 2014 included sales to monetize gains in certain long-held investment real estate. Other-than-temporary impairments remained at relatively low levels in the three- and nine-month periods ended September 30, 2014.

In addition to investment activity, AIG Life and Retirement's net realized capital gains (losses) also reflect variability from the effect of changes in the fair value of embedded derivatives in variable annuities with GMWB living benefit features and related hedges, primarily in the Retail operating segment. See AIG Life and Retirement Results for additional discussion of such activity.

NAIC Designations of Fixed Maturity Securities

The Securities Valuation Office (SVO) of the 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 AIG Life and Retirement's 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 AIG Life and Retirement categorized by NAIC Designation, at fair value:

September 30, 2014

(in millions)

NAIC Designation	1	2	Total Investment Grade	3	4	5	6	Total Below Investment Grade	Total
Other fixed maturity securities	$ 48,488	$ 62,396	$ 110,884	$ 4,772	$ 2,259	$ 287	$ 118	$ 7,436	$ 118,320
Mortgage-backed, asset-backed and collateralized	40,974	1,919	42,893	754	482	245	756	2,237	45,130
Total*	$ 89,462	$ 64,315	$ 153,777	$ 5,526	$ 2,741	$ 532	$ 874	$ 9,673	$ 163,450

* Excludes $1.0 billion of fixed maturity securities for which no NAIC Designation is available because they are not held in legal entities within AIG Life and Retirement that require a statutory filing.

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

September 30, 2014
(in millions)

Composite AIG Credit Rating	AAA/AA/A	BBB	Total Investment Grade	BB	B	CCC and Lower	Total Below Investment Grade	Total
Other fixed maturity securities	$ 48,137	$ 63,206	$ 111,343	$ 4,263	$ 2,403	$ 311	$ 6,977	$ 118,320
Mortgage-backed, asset-backed and collateralized	25,734	3,036	28,770	1,442	1,759	13,159	16,360	45,130
Total*	$ 73,871	$ 66,242	$ 140,113	$ 5,705	$ 4,162	$ 13,470	$ 23,337	$ 163,450

* Excludes $1.0 billion of fixed maturity securities for which no NAIC Designation is available because they are not held in legal entities within AIG Life and Retirement that require a statutory filing.

AIG Life and Retirement DAC and Reserves

The following table summarizes the major components of the changes in AIG Life and Retirement DAC:

Nine Months Ended September 30, *(in millions)*	2014	2013
Balance, beginning of year	$ 6,723	$ 5,672
Acquisition costs deferred	759	665
Amortization expense	(497)	(489)
Change related to unrealized depreciation (appreciation) of investments	(361)	661
Balance, end of period*	$ 6,624	$ 6,509

* DAC balance excluding the amount related to unrealized depreciation (appreciation) of investments was $8.1 billion and $7.7 billion at September 30, 2014 and 2013, respectively.

Estimated Gross Profits for Investment-Oriented Products

Policy acquisition costs and policy issuance costs that are incremental and directly related to the successful acquisition of new or renewal of existing contracts for investment-oriented products are deferred and amortized, with interest, in relation to the incidence of estimated gross profits to be realized over a period that approximates the estimated lives of the contracts. Estimated gross profits 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 reserves) 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 the three-month period ended September 30, 2014, AIG Life and Retirement completed its annual review and update of estimated gross profit assumptions used to amortize DAC and related items for its interest-sensitive products. The result of this review was a $207 million net positive adjustment to pre-tax operating income for the three- and nine-month periods ended September 30, 2014, including $158 million in the Retail operating segment and $49 million in the Institutional operating segment. The net positive adjustment in the Retail operating segment included $196 million in the Fixed Annuities product line, primarily due to better investment spreads than previously assumed, and $14 million in the Retirement Income Solutions product line, primarily due to improved mortality assumptions, partially offset by $52 million of net negative adjustments in the Life and A&H product line, due to lower investment spread and higher mortality assumptions. The updated mortality assumptions are still within pricing assumptions. The net positive adjustment in the Institutional segment was primarily due to more favorable assumptions for investment spreads and surrender rates in the Group Retirement product line than previously assumed. These adjustments do not include loss recognition on long-term care products; see AIG Life and Retirement DAC and Reserves – Loss Recognition for additional discussion of the update of assumptions for long-term care products.

The $207 million net positive adjustment included in pre-tax operating income in the three- and nine-month periods ended September 30, 2014 to reflect updated actuarial assumptions was comprised of a $165 million net decrease in DAC amortization expense, a $93 million decrease in SIA amortization expense within interest credited to policyholder account balances and a $27 million increase in unearned revenue amortization within policy fees, partially offset by a $78 million increase in liabilities for future policy benefits for life and health insurance contracts and policyholder contract deposits. The net adjustment to DAC amortization represented less than 2 percent of the DAC balance excluding the amount related to unrealized depreciation (appreciation) of investments as of September 30, 2014.

In the three-month period ended September 30, 2013, AIG Life and Retirement's annual review and update of the estimated gross profit assumptions resulted in a $118 million net increase in pre-tax operating income, which included a $198 million increase in the Retail operating segment and an $80 million decrease in the Institutional operating segment. The net increase in Retail pre-tax operating income in the three-month period ended September 30, 2013 was primarily due to favorable adjustment in the Fixed Annuities product line due to active spread management of crediting rates and higher future investment yields than those previously assumed. The updates of variable annuity spreads, surrender rates and life insurance mortality assumptions had an unfavorable impact on the pre-tax operating income of the Life Insurance and A&H, Retirement Income Solutions and Group Retirement product lines in the three-month period ended September 30, 2013.

The $118 million net increase in the 2013 pre-tax operating income to reflect the update of assumptions was comprised of $98 million net decrease in DAC amortization expense, a $61 million decrease in SIA amortization expense within interest credited to policyholder account balances, and a $28 million increase in unearned revenue amortization within the policy fees, partially offset by a $69 million increase in future policy benefits for life and health insurance contracts. The net adjustment to DAC amortization represented less than 2 percent of the DAC balance excluding the amount related to unrealized depreciation (appreciation) of investments as of September 30, 2013.

The update of actuarial assumptions also included a $27 million net negative adjustment and a $61 million net positive adjustment in the three-month periods ended September 30, 2014 and 2013, respectively, related to updated mortality assumptions for GMWB embedded derivative liabilities, which resulted in a negative adjustment of $32 million and a positive adjustment of $82 million reported in net realized capital gains (losses) in the three-month periods ended September 30, 2014 and 2013, respectively, partially offset by DAC adjustments reported within changes in benefit reserves and DAC, VOBA and SIA related to net realized capital gains (losses).

Reversion to the Mean

In estimating future gross profits for variable annuity products, a long-term annual asset growth assumption is applied to estimate the future growth in assets and related asset-based fees. In determining the asset growth rate, the effect of short-term fluctuations in the equity markets is partially mitigated through the use of a "reversion to the mean" methodology, whereby short-term asset growth above or below the long-term annual rate assumption will impact the growth assumption applied to the five-year period subsequent to the current balance sheet date. When actual performance significantly deviates from the annual long-term growth assumption, as evidenced by growth assumptions for the five-year reversion to the mean period remaining below a certain rate (floor) or above a certain rate (cap) for a sustained period, judgment may be applied to revise or "unlock" the growth rate assumptions to be used for both the five-year reversion to the mean period as well as the long-term annual growth assumption applied to subsequent periods.

For variable annuities in the Retirement Income Solutions product line, the assumed annual growth rate has remained above zero percent for the five-year reversion to the mean period and therefore has not met the criteria for adjustment; however, additional favorable equity market performance in excess of long-term assumptions could result in "unlocking" in this product line in the future, with a positive effect on pre-tax income in the period of the unlocking.

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. The change in DAC related to unrealized appreciation of investments generally moves in the opposite direction of the changes in unrealized appreciation of the available for sale securities portfolio. The increases in the unrealized appreciation of investments in the nine-month period ended September 30, 2014 of $5.1 billion, which were driven by the decline in market interest rates, resulted in a decrease in DAC and an increase in shadow loss reserves related to unrealized appreciation of investments. Shadow loss reserves were insignificant at December 31, 2013 and increased to $850 million at September 30, 2014. The change in this component of DAC and shadow loss reserves in the nine-month period ended September 30, 2014 was greater than the change in the same period of the prior year, due to a larger movement in unrealized appreciation of investments.

AIG Life and Retirement Insurance Reserves

The following table presents a rollforward of AIG Life and Retirement's insurance reserves and mutual fund assets under management:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2014**	2013	**2014**	2013
Retail				
Balance at beginning of period, gross	**$ 142,571**	$ 128,027	**$ 137,278**	$ 123,699
Premiums and deposits	**5,004**	6,133	**15,531**	14,285
Surrenders and withdrawals	**(2,746)**	(2,248)	**(8,262)**	(7,316)
Death and other contract benefits	**(1,005)**	(853)	**(2,855)**	(2,627)
Subtotal	**1,253**	3,032	**4,414**	4,342
Change in fair value of underlying assets and reserve accretion, net of policy fees	**(348)**	1,355	**1,497**	2,998
Cost of funds	**534**	546	**1,598**	1,678
Other reserve changes	**(267)**	(301)	**(1,044)**	(58)
Balance at end of period	**143,743**	132,659	**143,743**	132,659
Reserves related to unrealized appreciation of investments	**98**	9	**98**	9
Reinsurance ceded	**(1,459)**	(1,493)	**(1,459)**	(1,493)
Total insurance reserves and retail mutual fund assets under management	**$ 142,382**	$ 131,175	**$ 142,382**	$ 131,175
Institutional				
Balance at beginning of period, gross	**$ 122,834**	$ 113,857	**$ 119,892**	$ 110,494
Premiums and deposits	**4,658**	2,289	**8,620**	6,482
Surrenders and withdrawals	**(2,983)**	(2,980)	**(6,642)**	(8,078)
Death and other contract benefits	**(531)**	(525)	**(1,617)**	(1,498)
Subtotal	**1,144**	(1,216)	**361**	(3,094)
Change in fair value of underlying assets and reserve accretion, net of policy fees	**(718)**	2,903	**2,559**	6,518
Cost of funds	**395**	396	**1,175**	1,174
Other reserve changes	**(149)**	159	**(481)**	1,007
Balance at end of period	**123,506**	116,099	**123,506**	116,099
Reserves related to unrealized appreciation of investments	**752**	-	**752**	-
Reinsurance ceded	**(194)**	(211)	**(194)**	(211)
Total insurance reserves and group mutual fund assets under management	**$ 124,064**	$ 115,888	**$ 124,064**	$ 115,888
Total AIG Life and Retirement:				
Balance at beginning of period, gross	**$ 265,405**	$ 241,884	**$ 257,170**	$ 234,193
Premiums and deposits	**9,662**	8,422	**24,151**	20,767
Surrenders and withdrawals	**(5,729)**	(5,228)	**(14,904)**	(15,394)
Death and other contract benefits	**(1,536)**	(1,378)	**(4,472)**	(4,125)
Subtotal	**2,397**	1,816	**4,775**	1,248

Change in fair value of underlying assets and reserve accretion, net of policy fees	**(1,066)**	4,258	**4,056**	9,516
Cost of funds	**929**	942	**2,773**	2,852
Other reserve changes	**(416)**	(142)	**(1,525)**	949
Balance at end of period	**267,249**	248,758	**267,249**	248,758
Reserves related to unrealized appreciation of investments	**850**	9	**850**	9
Reinsurance ceded	**(1,653)**	(1,704)	**(1,653)**	(1,704)
Total insurance reserves and mutual fund assets under management	**$ 266,446**	$ 247,063	**$ 266,446**	$ 247,063

Loss Recognition

Other reserve changes in the table above include loss recognition expense and shadow loss recognition. Loss recognition attributable primarily to investment sales related to capital loss carryforward utilization was excluded from pre-tax operating income and reported within changes in benefit reserves and DAC, VOBA and SIA related to net realized capital gains (losses) in the AIG Life and Retirement Results table herein.

In the three- and nine-month periods ended September 30, 2014, AIG Life and Retirement recorded loss recognition expense of $87 million to increase reserves for certain discontinued long-term care business, primarily as a result of lower future premium increase assumptions and, 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 also result in additional loss recognition reserves. AIG Life and Retirement does not currently offer long-term care products.

Sales of investment securities in connection with the program to utilize capital loss carryforwards and other investment sales with subsequent reinvestment at lower yields triggered loss recognition expense, primarily on certain long-term payout annuity contracts, of less than $1 million in the three-month period ended September 30, 2014 and $21 million in the nine-month period ended September 30, 2014, which was significantly lower than $244 million and $1.5 billion in the respective three- and nine-month periods in the prior year.

Shadow loss recognition was insignificant at December 31, 2013 and increased to $850 million at September 30, 2014 primarily due to the increase in unrealized appreciation of investments during the nine-month period.

Spread Management

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

Disciplined pricing on new business is used to continue to pursue new sales of life and annuity products at targeted net investment spreads in the current low interest rate environment. AIG Life and Retirement has a dynamic product management process to ensure that new business offerings appropriately reflect the current interest rate environment. To the extent that AIG Life and Retirement cannot achieve targeted net investment spreads on new business, products are re-priced or no longer sold. Additionally, existing products with higher minimum rate guarantees have been re-filed with lower crediting rates as permitted under state insurance product regulations.

- New sales of fixed annuity products generally have minimum interest rate guarantees of 1 percent.
- 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 be sufficiently low to meet targeted net investment spreads. AIG Life and Retirement is in the process of lowering the minimum guaranteed interest rates on new universal life products, and expects this process to be substantially completed in 2014.

Renewal crediting rate management is done under contractual provisions in annuity and universal life products that were designed to allow crediting rates to be reset at pre-established intervals subject to minimum crediting rate guarantees. AIG Life and Retirement has adjusted, and will continue to adjust, crediting rates to maintain targeted net investment spreads on both new business and in-force business where crediting rates are above minimum guarantees. In addition to annuity and universal life products, certain traditional long-duration products for which AIG Life and Retirement does not have the ability to adjust interest rates, such as payout annuities, expose AIG Life and Retirement to reduced earnings and potential loss recognition reserve increases in a prolonged low interest rate environment. See AIG Life and Retirement Reserves – Loss Recognition for additional discussion of loss recognition.

As of September 30, 2014, AIG Life and Retirement's universal life and annuity products had minimum guaranteed interest rates ranging from 1 percent to 5.5 percent, with the higher rates representing guarantees on older products. As indicated in the table below, approximately 70 percent of annuity and universal life account values were at their minimum crediting rates as of September 30, 2014, compared to 73 percent at December 31, 2013. As a result of disciplined pricing on new business and the run-off of older business with higher minimum interest crediting rates, fixed annuity account values having contractual minimum guaranteed rates above 1 percent decreased from 84 percent at December 31, 2013 to 80 percent at September 30, 2014.

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

September 30, 2014 Contractual Minimum Guaranteed Interest Rate *(in millions)*	Current Crediting Rates: At Contractual Minimum Guarantee	1-50 Basis Points Above Minimum Guarantee	More than 50 Basis Points Above Minimum Guarantee	Total
Universal life insurance				
1%	$ 75	$ -	$ 6	$ 81
> 1% - 2%	37	98	215	350
> 2% - 3%	458	415	1,401	2,274
> 3% - 4%	2,052	593	1,178	3,823
> 4% - 5%	4,083	189	-	4,272
> 5% - 5.5%	335	-	-	335
Subtotal	$ 7,040	$ 1,295	$ 2,800	$ 11,135
Fixed annuities *				
1%	$ 1,614	$ 8,171	$ 9,565	$ 19,350
> 1% - 2%	12,746	3,472	4,790	21,008
> 2% - 3%	31,822	152	1,971	33,945
> 3% - 4%	13,343	58	20	13,421
> 4% - 5%	8,019	11	4	8,034
> 5% - 5.5%	229	-	5	234
Subtotal	$ 67,773	$ 11,864	$ 16,355	$ 95,992
Total	$ 74,813	$ 13,159	$ 19,155	$ 107,127
Percentage of total	70 %	12 %	18 %	100 %

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

AIG Life and Retirement Premiums, Deposits and Net Flows

Premiums represent amounts received on traditional life insurance policies, group benefit policies and deposits on life-contingent payout annuities. Premiums and deposits is a non-GAAP financial measure that includes direct and assumed premiums as well as deposits received on universal life insurance, investment-type annuity contracts and mutual funds.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2014**	2013	**2014**	2013
Premiums and deposits	**$ 9,662**	$ 8,422	**$ 24,151**	$ 20,767
Deposits	**(8,927)**	(7,543)	**(21,926)**	(18,304)
Other	**(136)**	(158)	**(329)**	(473)
Premiums	**$ 599**	$ 721	**$ 1,896**	$ 1,990

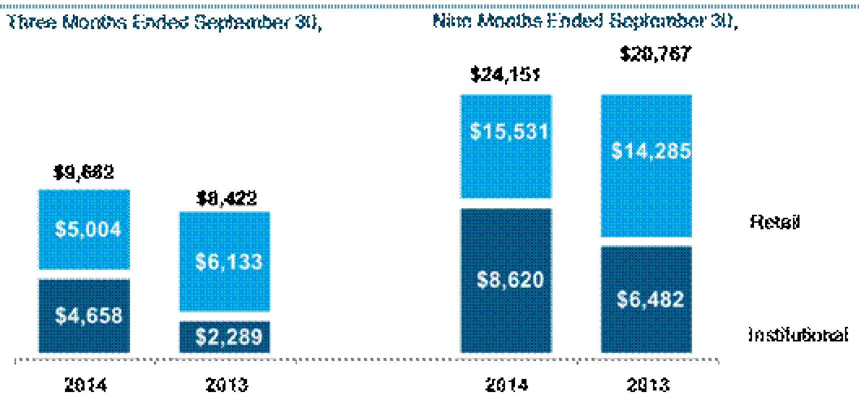
Premiums decreased in the three- and nine-month periods ended September 30, 2014 compared to the same periods in the prior year, primarily due to lower terminal funding annuity and structured settlement premiums in the Institutional Markets product line. The decrease in premiums for those product lines in the nine-month period ended September 30, 2014 was partially offset by higher immediate annuity premiums in the Fixed Annuities product line.

The following table presents premiums and deposits by operating segment and product line:

	Three Months Ended September 30,		Percentage	Nine Months Ended September 30,		Percentage
(in millions)	**2014**	2013	Change	**2014**	2013	Change
Retail						
Life Insurance and A&H	**$ 807**	$ 822	(2) %	**$ 2,470**	$ 2,497	(1) %
Fixed Annuities	**692**	1,188	(42)	**2,713**	1,919	41
Retirement Income Solutions	**2,887**	2,460	17	**7,630**	6,106	25
Retail Mutual Funds	**598**	1,633	(63)	**2,656**	3,682	(28)
Closed blocks	**20**	30	(33)	**62**	81	(23)
Total Retail	**$ 5,004**	$ 6,133	(18) %	**$ 15,531**	$ 14,285	9 %
Institutional						
Group Retirement	**$ 1,686**	$ 1,838	(8) %	**$ 5,034**	$ 5,283	(5) %
Institutional Markets	**2,840**	293	NM	**3,182**	697	357
Group Benefits	**132**	158	(16)	**404**	502	(20)
Total Institutional	**4,658**	2,289	103	**8,620**	6,482	33
Total Life and Retirement premiums and deposits	**$ 9,662**	$ 8,422	15 %	**$ 24,151**	$ 20,767	16 %

Premiums and deposits increased in the three- and nine-month periods ended September 30, 2014 compared to the same periods in the prior year, primarily due to continued strong demand for variable and index annuities in the Retirement Income Solutions product line and a stable value wrap deposit in the Institutional Markets product line. Institutional Markets premiums and deposits for the three-and nine-month periods ended September 30, 2014 included a $2.5 billion deposit to the separate accounts of an AIG Life and Retirement subsidiary in connection with a stable value wrap funding agreement. The increase in premiums and deposits from individual variable annuities and the stable value wrap deposit was partially offset by lower Retail Mutual Fund sales in both periods and lower Fixed Annuities sales in the three-month period ended September 30, 2014, compared to the same periods in the prior year.

TOTAL PREMIUMS AND DEPOSITS BY OPERATING SEGMENT *(in millions)*



Net Flows

Net flows are presented for investment product lines, which include Fixed Annuities, Retirement Income Solutions, Retail Mutual Funds and Group Retirement. Net flows from annuities, which are 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 the Retail Mutual Funds and Group Retirement product lines, represent deposits less withdrawals.

The following table summarizes net flows for investment product lines:

(in millions)	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Net flows				
Fixed Annuities	**$ (733)**	$ (104)	**$ (1,572)**	$ (2,367)
Retirement Income Solutions	**1,952**	1,638	**4,826**	3,501
Retail Mutual Funds	**(315)**	1,119	**78**	2,108
Group Retirement	**(1,061)**	(159)	**(1,534)**	(575)
Total net flows*	**$ (157)**	$ 2,494	**$ 1,798**	$ 2,667

* Excludes activity related to closed blocks of fixed and variable annuities, which had reserves of approximately $5.4 billion and $6.0 billion at September 30, 2014 and 2013, respectively.

Quarterly and Year-to-date Net Flows

Total net flows from annuities and mutual funds in AIG Life and Retirement's investment product lines decreased in the three- and nine-month periods ended September 30, 2014 compared to the same periods in the prior year, as growth in sales of variable and index annuities in the Retirement Income Solutions product line was more than offset by lower sales of Retail Mutual Funds and, in the three-month period ended September 30, 2014, lower sales of Fixed Annuities. Higher surrenders and withdrawals in both the three-and nine-month periods ended September 30, 2014, primarily in the Group Retirement and Retail Mutual Fund product lines, resulted in slightly negative net flows in the three-month period and a significant decrease in net flows for both periods compared to the same periods in the prior year. A discussion of the significant variances in net flows for each of these product lines follows, including variances in premiums and deposits, a key component of net flows.

Retail Net Flows

Fixed Annuities premiums and deposits and net flows decreased significantly in the three-month period ended September 30, 2014 compared to the same period in the prior year. Interest rates in the three-month period ended September 30, 2014 remained at historic low levels, resulting in low demand for fixed annuity products in the consumer marketplace. By contrast, in August 2013, a sharp increase in market interest rates allowed annuity crediting rates to rise to the highest level in that year, above levels offered in the preceding four quarters, causing fixed annuity industry sales to rise substantially in the three-month period ended September 30, 2013. In the nine-month period ended September 30, 2014, deposits for Fixed Annuities increased compared to the same period in the prior year, due to modest increases in interest rates and steepening of the yield curve in the first half of 2014, compared to sustained lower rates in the first half of 2013. While Fixed Annuities net flows continued to be negative for the three- and nine-month periods ended September 30, 2014, the net flows for the nine-month period remained higher compared to the same period in the prior year, due to the increase in deposits during the first half of 2014, and relatively stable surrender rates.

Retirement Income Solutions premiums and deposits and net flows increased significantly in the three- and nine-month periods ended September 30, 2014 compared to the same periods in the prior year, reflecting a lower surrender rate and a continued high volume of variable and index annuity sales, which have benefitted from product enhancements, expanded distribution and a more favorable competitive environment.

Retail Mutual Fund deposits and net flows decreased in the three- and nine-month periods ended September 30, 2014 compared to the same periods in the prior year. These decreases were primarily driven by activity in the Focused Dividend Strategy Fund, which had record sales in the 2013 periods. Although the Focused Dividend Strategy Fund's performance was below that of similar funds in the first half of 2014, which contributed to lower level of sales and net flows in the three- and nine-month periods ended September 30, 2014 compared to the same periods in the prior year, the fund posted strong, competitive performance in the three-month period ended September 30, 2014.

Institutional Net Flows

Group Retirement net flows decreased in the three- and nine-month periods ended September 30, 2014 compared to the same periods in the prior year, primarily due to higher group surrender activity, as well as lower premiums and deposits. The increase in surrenders and surrender rates for the three- and nine-month periods ended September 30, 2014 compared to the same periods in the prior year included an expected large group surrender of approximately $700 million in the three-month period. An additional large group surrender is anticipated in the fourth quarter of 2014. The large group market has become increasingly competitive and has been impacted by the consolidation of healthcare providers and other employers. This trend of heightened competition is expected to continue as plan sponsors perform reviews of existing retirement plan relationships.

The following table presents reserves for selected investment product lines by surrender charge category at September 30, 2014 and December 31, 2013:

	September 30, 2014			December 31, 2013		
(in millions)	Group Retirement Products[(a)]	Individual Fixed Annuities	Retirement Income Solutions	Group Retirement Products[(a)]	Individual Fixed Annuities	Retirement Income Solutions
No surrender charge[(b)]	**$ 61,148**	**$ 32,787**	**$ 1,916**	$ 60,962	$ 30,906	$ 2,065
0% - 2%	**1,582**	**2,819**	**17,043**	1,508	2,261	16,839
Greater than 2% - 4%	**1,755**	**3,735**	**3,593**	1,967	4,349	2,734
Greater than 4%	**5,959**	**13,865**	**24,080**	5,719	16,895	19,039
Non-surrenderable	**691**	**3,400**	**178**	315	2,758	67
Total reserves	**$ 71,135**	**$ 56,606**	**$ 46,810**	$ 70,471	$ 57,169	$ 40,744

(a) Excludes mutual fund assets under management of $15.5 billion and $15.1 billion at September 30, 2014 and December 31, 2013, respectively.

(b) Group Retirement Products include reserves of approximately $6.2 billion that are subject to 20 percent annual withdrawal limitations at both September 30, 2014 and December 31, 2013.

The following table presents surrender rates for selected investment product lines for the three- and nine-month periods ended September 30, 2014 and 2013:

	Three Months Ended September 30,				Nine Months Ended September 30,			
(in millions)	**2014**		2013		**2014**		2013	
Surrenders as a percentage of average account value								
Fixed Annuities	**6.3**	**%**	5.9	%	**6.6**	%	6.5	%
Retirement Income Solutions	**6.8**		8.1		**7.3**		9.0	
Group Retirement	**12.0**		9.3		**9.5**		9.3	

OTHER OPERATIONS

AIG's Other Operations include results from Mortgage Guaranty, GCM, DIB, Corporate & Other (after allocations to AIG's business segments), Aircraft Leasing through May 14, 2014 and, subsequent to May 14, 2014, AIG's share of AerCap earnings based on its 46 percent ownership interest.

Mortgage Guaranty (or UGC) offers private residential mortgage guaranty insurance, which protects mortgage lenders and investors from loss due to borrower default and loan foreclosure. The coverage we provide – which is called mortgage guaranty insurance, mortgage insurance, or simply "MI" – enables borrowers to purchase a house with a modest down payment by protecting lenders against the increased risk of borrower default related to high loan-to-value (LTV) mortgages – those with less than 20 percent equity.

Prior to 2009, UGC also offered default insurance on domestic second-lien mortgages, private student loans and on mortgages issued in various countries outside the United States. In 2008, UGC ceased offering all types of default insurance other than on mortgages in the United States and Hong Kong and placed the other lines of business into runoff.

Global Capital Markets consists of the operations of AIG Markets and the remaining derivatives portfolio of AIGFP. AIG Markets acts as the derivatives intermediary between AIG and its subsidiaries and third parties to provide hedging services for AIG entities. The AIGFP portfolio continues to be wound down and is managed consistently with our risk management objectives.

Direct Investment Book consists of a portfolio of assets and liabilities held directly by AIG Parent in the MIP and certain non-derivative assets and liabilities of AIGFP. The DIB portfolio is being wound down and is managed with the objective of ensuring that at all times it maintains the liquidity we believe is necessary to meet all of its liabilities as they come due, even under stress scenarios, and to maximize returns consistent with our risk management objectives.

Corporate & Other consists primarily of interest expense, consolidation and eliminations, expenses of corporate staff not attributable to specific reportable segments, certain expenses related to internal controls and the financial and operating platforms, corporate initiatives, certain compensation plan expenses, corporate level net realized capital gains and losses, certain litigation-related charges and credits, the results of AIG's other business operations, net gain (loss) on sale of divested businesses that did not meet the criteria for discontinued operations accounting treatment, and equity in the earnings of AerCap.

Aircraft Leasing consists of ILFC. See Note 4 to the Condensed Consolidated Financial Statements for a discussion on the sale of ILFC effective May 14, 2014.

Other Operations Results

The following table presents AIG's Other operations results:

	Three Months Ended September 30,		Percentage	Nine Months Ended September 30,		Percentage
(in millions)	2014	2013	Change	2014	2013	Change
Other operations pre-tax operating loss:						
Mortgage Guaranty	$ 135	$ 43	214 %	$ 421	$ 157	168 %
Global Capital Markets	58	29	100	332	431	(23)
Direct Investment book	314	110	185	1,067	1,030	4
Corporate & Other:						
Interest expense	(310)	(334)	7	(962)	(1,084)	11
Corporate expenses, net	(280)	(282)	1	(805)	(796)	(1)
Equity in pre-tax operating earnings of AerCap[(a)]	196	-	NM	249	-	NM
Fair value earnings on PICC Group shares[(b)]	(30)	-	NM	(30)	-	NM
Other businesses	122	(142)	NM	125	(238)	NM
Total Corporate & Other operating loss	(302)	(758)	60	(1,423)	(2,118)	33
Consolidation and eliminations	(1)	1	NM	1	3	(67)
Total Other operations pre-tax operating income (loss)	204	(575)	NM	398	(497)	NM
Legal reserves	(17)	(400)	96	(546)	(425)	(28)
Legal settlements	155	-	NM	143	48	198
Loss on extinguishment of debt[(c)]	(742)	(81)	NM	(1,014)	(459)	(121)
Aircraft Leasing	-	(1)	NM	17	60	(72)
Net gain (loss) on sale of divested businesses	18	-	NM	2,168	(47)	NM
Changes in benefit reserves and DAC, VOBA and SIA related to net realized gains (losses)	-	-	NM	(13)	-	NM
Net realized capital gains (losses)	126	(166)	NM	(69)	(33)	(109)
Total Other Operations pre-tax income (loss)	$ (256)	$ (1,223)	79 %	$ 1,084	$ (1,353)	NM%

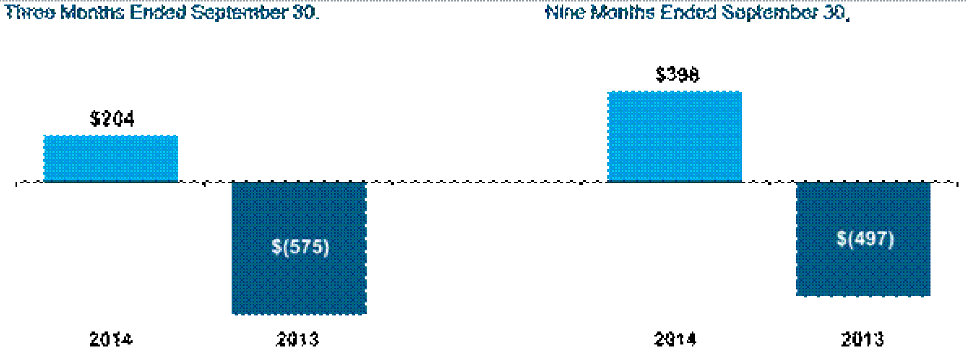
(a) Represents our share of AerCap's pre-tax operating income, which excludes certain post-acquisition transaction expenses incurred by AerCap in connection with its acquisition of ILFC and the difference between expensing AerCap's maintenance rights assets over the remaining lease term as compared to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

(b) During the three-month period ended September 30, 2014, AIG Life and Retirement sold its investment in PICC Group to AIG Parent.

(c) For the nine-month period ended September 30, 2014, includes the loss on extinguishment of DIB debt, of which $203 million was reported by the DIB and $210 million (net of accelerated amortization of $49 million related hedge accounting basis difference) was reported by Corporate & Other. See Liquidity and Capital Resources for discussion of debt redemptions and repurchases.

TABLE OF CONTENTS

TOTAL OTHER OPERATIONS PRE-TAX OPERATING INCOME (LOSS) *(in millions)*



Mortgage Guaranty Results

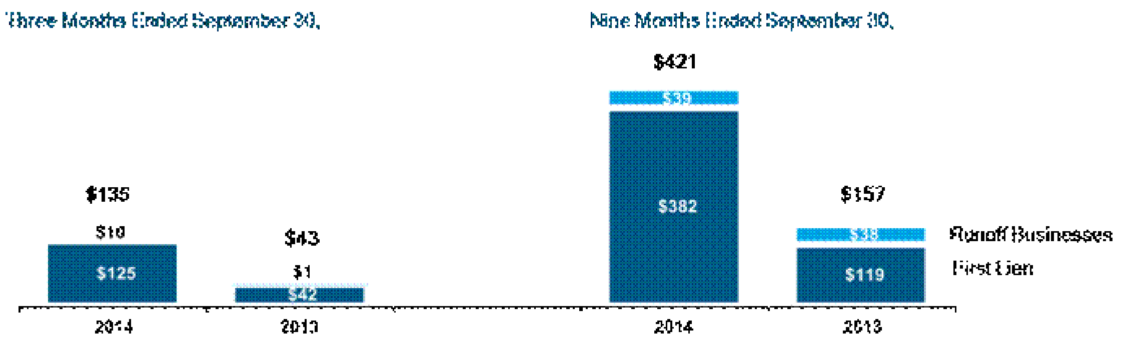
The following table presents Mortgage Guaranty results:

(dollars in millions)	Three Months Ended September 30, 2014	2013	Percentage Change	Nine Months Ended September 30, 2014	2013	Percentage Change
Underwriting results:						
Net premiums written	**$ 271**	$ 272	- %	**$ 751**	$ 793	(5) %
Increase in unearned premiums	**(44)**	(68)	35	**(85)**	(187)	55
Net premiums earned	**227**	204	11	**666**	606	10
Claims and claims adjustment expenses incurred	**63**	136	(54)	**174**	386	(55)
Underwriting expenses	**64**	57	12	**174**	162	7
Underwriting income	**100**	11	NM	**318**	58	448
Net investment income	**35**	32	9	**103**	99	4
Pre-tax operating income	**135**	43	214	**421**	157	168
Net realized capital gains (losses)	**-**	-	NM	**2**	5	(60)
Pre-tax income	**$ 135**	$ 43	214 %	**$ 423**	$ 162	161 %
Key metrics:						
Domestic first-lien:						
New insurance written	**$ 12,643**	$ 14,230	(11) %	**$ 31,305**	$ 38,603	(19) %
Combined ratio	**55.7**	92.5		**52.5**	93.7	
Risk in force				**$ 40,782**	$ 34,674	
60+ day delinquency ratio on primary loans[(a)]				**4.6 %**	6.4 %	
Domestic second-lien:						
Risk in force[(b)]				**$ 470**	$ 1,063	

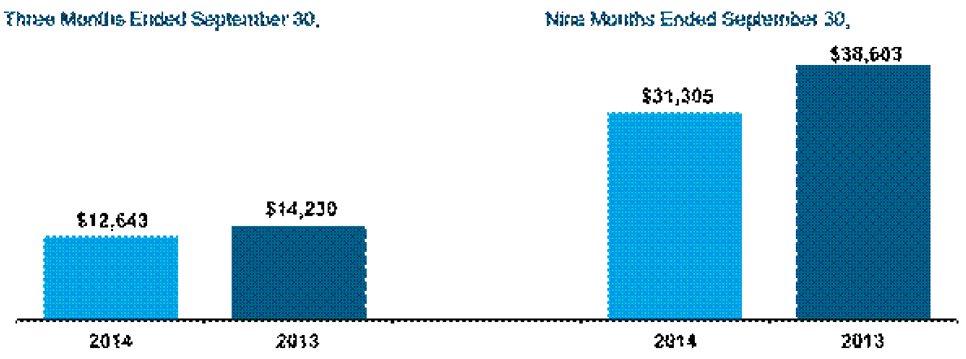
(a) Based on number of policies.

(b) Represents the full amount of second-lien loans insured reduced for contractual aggregate loss limits on certain pools of loans, 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 (LOSS) *(in millions)*



DOMESTIC FIRST-LIEN NEW INSURANCE WRITTEN *(in millions)*



Mortgage Guaranty Quarterly Results

UGC’s pre-tax operating income in the three-month period ended September 30, 2014 increased compared to the same period in the prior year due to improved underwriting income.

First Lien Quarterly Results

First lien pre-tax operating income in the three-month period ended September 30, 2014 increased compared to the same period in the prior year due to improved underwriting income as a result of decreased first-lien claims and claims adjustment expenses incurred and an increase in first lien net premiums earned. The decrease in first-lien claims and claims adjustment expenses reflects $6 million of favorable prior year loss reserve development compared to unfavorable prior year loss reserve development of $34 million for the same period in the prior year. The first-lien net premiums earned in the three-month period ended September 30, 2014 increased by $33 million largely from growth in the book of business, higher persistency, and, to a lesser extent, the acceleration of premiums earned as the result of the recognition of a shorter expected coverage period on certain single premium business. Underwriting expense increased in the three-month period ended September 30, 2014 compared to the same period in the prior year due to an impairment charge on certain capitalized technology costs. Driven by the decreased claims and claims adjustment expenses and increased premiums earned, UGC's first-lien combined ratio improved to 55.7 in the three-month period ended September 30, 2014 from 92.5 in the same period in the prior year.

Runoff Businesses Quarterly Results

Runoff businesses include second lien, student loan and international businesses, all of which were placed in runoff during 2008. The runoff business' pre-tax operating income for the three-month period ended September 30, 2014 was $10 million compared to $1 million in the same period in the prior year. The increase in pre-tax operating income was primarily due to favorable prior year loss reserve development.

Mortgage Guaranty Year-to-Date Results

UGC's pre-tax operating income in the nine-month period ended September 30, 2014 increased compared to the same period in the prior year due to improved underwriting income.

First Lien Year-to-Date Results

First-lien pre-tax operating income for the nine-month period ended September 30, 2014 increased compared to the same period in the prior year primarily due to improved underwriting income as a result of a $182 million decrease in first-lien claims and claims adjustment expenses incurred reflecting favorable prior year loss reserve development. In addition, first lien pre-tax operating income increased due to a $98 million increase in first-lien net premiums earned largely from growth in the book of business, higher persistency, and, to a lesser extent, the acceleration of premiums earned as the result of the recognition of a shorter expected coverage period on certain single premium business. Underwriting expenses increased in the nine-month period ended September 30, 2014 compared to the same period in the prior year because of increased spending on technology and an impairment charge on certain capitalized technology costs. The decline in first-lien claims and claims adjustment expenses combined with the increase in earned premiums resulted in an improved combined ratio of 52.5 in the nine-month period ended September 30, 2014 compared to 93.7 in the same period of the prior year.

Runoff Businesses Year-to-Date Results

The runoff business' pre-tax operating income for the nine-month period ended September 30, 2014 was $39 million compared to $38 million in the same period in the prior year. The increase in pre-tax operating income is due to a decline in claims and claims adjustment expenses of $30 million and a $10 million reduction in underwriting expenses, mostly offset by a decline in net premiums earned of $37 million and a decline in net investment income of $2 million.

New Insurance Written

The declines in domestic first lien new insurance written from $14.2 billion to $12.6 billion and from $38.6 billion to $31.3 billion in the three- and nine-month periods ended September 30, 2014, respectively, compared to the same periods in the prior year, were primarily due to the contraction in the mortgage originations market, which began in the second half of 2013.

Delinquency Inventory

The delinquency inventory for domestic first lien business declined during the nine-month period ended September 30, 2014 as a result of cures and paid claims exceeding the number of newly reported delinquencies. Mortgage Guaranty's first lien delinquency ratio at September 30, 2014 was 4.6 percent compared to 6.4 percent at September 30, 2013. Over the last several quarters, Mortgage Guaranty has experienced a decline in newly reported defaults and an increase in cure rates.

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

	Nine Months Ended September 30,	
(number of policies)	**2014**	2013
Number of delinquencies at the beginning of the year	**47,518**	62,832
Newly reported	**35,474**	42,581
Cures	**(33,260)**	(39,752)
Claims paid	**(8,783)**	(15,821)
Other	**(1,727)**	92
Number of delinquencies at the end of the period	**39,222**	49,932

Global Capital Markets Operations

Global Capital Markets Quarterly Results

GCM's pre-tax income and pre-tax operating income increased in the three-month period ended September 30, 2014 compared to the same period in the prior year primarily due to increases in unrealized market valuation gains related to the super senior CDS portfolio and a decrease in operating expenses, partially offset by declines in net credit valuation adjustments on derivative assets and liabilities.

Unrealized market valuation gains on the CDS portfolio of $75 million and $54 million were recognized in the three-month periods ended September 30, 2014 and 2013, respectively. The increase resulted primarily from amortization and price movements within the CDS portfolio.

Net credit valuation adjustment losses of $17 million were recognized in the three-month period ended September 30, 2014 compared to net credit valuation adjustment gains of $19 million in the same period in the prior year. The decline resulted primarily from credit valuation gains on uncollateralized derivative assets in the three-month period ended September 30, 2013 due to tightening of counterparty credit spreads.

Global Capital Markets Year-to-Date Results

GCM's pre-tax income and pre-tax operating income decreased in the nine-month period ended September 30, 2014 compared to the same period in the prior year primarily due to declines in net credit valuation adjustments on derivative assets and liabilities and declines in unrealized market valuation gains related to the super senior CDS portfolio, partially offset by gains realized upon unwinding certain positions and a decrease in operating expenses. As previously disclosed, a state regulatory agency has requested additional information relating to the unwinding of a position on which we realized gains of $196 million in the nine-month period ended September 30, 2014.

Net credit valuation adjustment losses of $42 million were recognized in the nine-month period ended September 30, 2014 compared to net credit valuation adjustment gains of $153 million in the same period in the prior year. The decline resulted primarily from the recognition of credit valuation losses on derivative assets in the nine-month period ended September 30, 2014 due to higher exposure of uncollateralized derivative assets compared to credit valuation gains on uncollateralized derivative assets in the same period in the prior year due to the tightening of counterparty credit spreads.

Unrealized market valuation gains on the CDS portfolio of $223 million and $356 million were recognized in the nine-month periods ended September 30, 2014 and 2013, respectively. The decline resulted primarily from amortization and price movements within the CDS portfolio.

Direct Investment Book Results

The following table presents Direct Investment book results:

(in millions)	Three Months Ended September 30, 2014	2013	Percentage Change	Nine Months Ended September 30, 2014	2013	Percentage Change
Pre-tax operating income	$ 314	$ 110	185 %	$ 1,067	$ 1,030	4 %
Legal settlements	31	-	NM	31	27	15
Loss on extinguishment of debt	(155)	-	NM	(203)	(4)	NM
Net realized capital gains (losses)	38	(58)	NM	(40)	31	NM
Pre-tax income	$ 228	$ 52	338 %	$ 855	$ 1,084	(21) %

Direct Investment Book Quarterly Results

The DIB's pre-tax income and pre-tax operating income increased in the three-month period ended September 30, 2014 compared to the same period in the prior year primarily due to higher fair value appreciation on ABS CDOs, an increase in net credit valuation adjustments on assets and liabilities for which the fair value option was elected and lower interest expense on borrowings resulting from redemptions and repurchases of DIB debt in 2014. The increase in pre-tax income was partially offset by a loss on extinguishment of debt.

Fair value appreciation on ABS CDOs was $220 million and $84 million in the three-month periods ended September 30, 2014 and 2013, respectively. The fair value appreciation on the ABS CDOs was higher in the three-month period ended September 30, 2014 driven primarily by improved collateral pricing due to more significant improvements in home price indices and amortization of the underlying collateral.

Net credit valuation adjustment gains of $104 million and $39 million were recognized in the three-month periods ended September 30, 2014 and 2013, respectively. The increase resulted primarily from higher credit valuation gains on assets due to more significant tightening of counterparty credit spreads in the three-month period ended September 30, 2014 compared to the same period in the prior year.

Direct Investment Book Year-to-Date Results

The DIB's pre-tax income decreased in the nine-month period ended September 30, 2014 compared to the same period in the prior year primarily due to a loss on extinguishment of debt. The DIB's pre-tax operating income was relatively flat in the nine-month period ended September 30, 2014 compared to the same period in the prior year.

The following table presents credit valuation adjustment gains (losses) for the DIB (excluding intercompany transactions):

(in millions)	Three Months Ended September 30, 2014	2013	Nine Months Ended September 30, 2014	2013
Counterparty Credit Valuation Adjustment on Assets:				
Other bond securities	$ 95	$ 60	$ 324	$ 359
Loans and other assets	-	1	-	10
Increase in assets	95	61	324	369
AIG's Own Credit Valuation Adjustment on Liabilities:				
Notes and bonds payable	3	(24)	(16)	(64)
Guaranteed Investment Agreements	6	4	3	32
Other liabilities	-	(2)	(1)	(5)
(Increase) decrease in liabilities	9	(22)	(14)	(37)
Net increase to pre-tax operating income	$ 104	$ 39	$ 310	$ 332

Corporate & Other Results

Quarterly and Year-to-Date Corporate & Other Results

Corporate & Other's pre-tax operating losses decreased in the three- and nine-month periods ended September 30, 2014 compared to the same periods in the prior year primarily due to our share of AerCap's pre-tax operating income which is accounted for under the equity method, an improvement in earnings from other businesses and lower interest expense from ongoing debt management activities described in Liquidity and Capital Resources.

Legal Reserves and Legal Settlements

Legal reserve expenses decreased by $383 million in the three-month period ended September 30, 2014 compared to the same period in the prior year as a result of an increase in legal reserve liability in the prior year period. Legal reserve expenses increased by $121 million in the nine-month period ended September 30, 2014 compared to the same period in the prior year as a result of an increase in legal reserve liability in the 2014 period.

Legal settlements increased by $155 million and $95 million in the three- and nine-month periods ended September 30, 2014, respectively, compared to the same periods in the prior year due to the global resolution of our residential mortgage-related disputes with Bank of America.

Loss on Extinguishment of Debt

The increase in the loss on extinguishment of debt in the three- and nine-month periods ended September 30, 2014 compared to the same periods in the prior year was due to ongoing debt management activities described in Liquidity and Capital Resources.

Aircraft Leasing Results

The following table presents Aircraft Leasing results through May 14, 2014, the date of our sale of ILFC to AerCap:

	Three Months Ended September 30,		Percentage	Nine Months Ended September 30,		Percentage
(in millions)	**2014**	2013	Change	**2014**	2013	Change
Aircraft leasing revenues, excluding net realized capital gains (losses):						
Rental revenue	**$ -**	$ 1,085	NM%	**$ 1,554**	$ 3,199	(51) %
Interest and other revenues	**-**	33	NM	**48**	104	(54)
Total aircraft leasing revenues, excluding net realized capital gains (losses)	**-**	1,118	NM	**1,602**	3,303	(51)
Aircraft leasing expense:						
Impairment charges, fair value adjustments and lease-related charges	**-**	103	NM	**34**	112	(70)
Other expenses	**-**	1,016	NM	**1,551**	3,131	(50)
Total aircraft leasing expense	**-**	1,119	NM	**1,585**	3,243	(51)
Pre-tax income (loss)	**$ -**	$ (1)	NM%	**$ 17**	$ 60	(72) %

Aircraft Leasing reported pre-tax income in the nine-month periods ended September 30, 2014 and 2013, primarily due to certain adjustments to ILFC's assets and liabilities classified as held-for-sale. See Note 4 to the Consolidated Financial Statements for more information regarding Aircraft Leasing.

Net (Gain) Loss on Sale of Divested Businesses

Net (gain) loss on sale of divested businesses includes a gain of $2.2 billion associated with the completion of the sale of ILFC in the nine-month period ended September 30, 2014.

Net Realized Capital Gains (Losses)

Other Operations net realized capital gains improved in the three-month period ended September 30, 2014 compared to the same period in the prior year due to foreign exchange fluctuations on foreign currency-denominated debt.

Other Operations net realized capital losses increased in the nine-month period ended September 30, 2014 compared to the same period in the prior year due to losses on interest rate hedges in the DIB and unrealized losses on derivatives.

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 Part II, Item 7. MD&A — Enterprise Risk Management — Risk Appetite, Identification, and Measurement in the 2013 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 Highlights During the Nine-Month Period Ended September 30, 2014

Sources

- ***AIG Parent Funding from Subsidiaries[(a)]***

  During the nine-month period ended September 30, 2014, AIG Parent received $1.5 billion in dividends in the form of cash and fixed maturity securities from AIG Property Casualty and $4.3 billion in cash dividends and loan repayments from AIG Life and Retirement, which included approximately $829 million of legal settlement proceeds.

  AIG Parent also received $1.1 billion in tax sharing payments from our insurance businesses in the nine-month period ended September 30, 2014, including $314 million of such payments during the third quarter of 2014. These payments may be subject to adjustment in future periods.

- ***Debt Issuances[(b)]***

  On July 16, 2014, we issued $1.0 billion aggregate principal amount of 2.300% Notes due 2019 and $1.5 billion aggregate principal amount of 4.500% Notes due 2044.

- ***Legal Settlement***

  In July 2014, we received $650 million in cash in connection with the global resolution of our residential mortgage-related disputes with Bank of America.

- ***ILFC Sale***

  On May 14, 2014, we received net cash proceeds of approximately $2.4 billion from the sale of ILFC after taking into account the settlement of intercompany loans. This cash amount is in addition to the 97.6 million newly issued AerCap common shares we received as consideration from the sale.

Uses[(c)]

- ***Debt Reduction[(d)]***

  During the nine-month period ended September 30, 2014, we reduced DIB debt by approximately $5.0 billion through the following:

  - On January 17, 2014, a redemption of $1.2 billion aggregate principal amount of its 4.250% Notes due 2014;
  - In January 2014, repurchases of $1.0 billion aggregate principal amount of its 8.250% Notes due 2018;
  - On May 5, 2014, a redemption of $750 million aggregate principal amount of its 3.000% Notes due 2015;
  - On July 31, 2014, a redemption of $790 million aggregate principal amount of its 4.875% Notes due 2016; and
  - On July 31, 2014, a redemption of $1.25 billion aggregate principal amount of its 3.800% Notes due 2017, in each case, using cash allocated to the DIB.

  On July 14, 2014, we purchased, in cash tender offers, (i) certain junior subordinated debentures issued or guaranteed by AIG for an aggregate purchase price of $1.8 billion and (ii) certain senior notes and debentures issued or guaranteed by AIG for an aggregate purchase price of $700 million.

  We also made other repayments of approximately $5.4 billion. AIG Parent made interest payments on our debt instruments totaling $1.4 billion.

- ***Dividend***

  We paid a cash dividend of $0.125 per share on AIG Common Stock during each of the first, second and third quarters of 2014.

- ***Repurchase of Common Stock***

  We repurchased approximately 60 million shares of AIG Common Stock during the nine-month period ended September 30, 2014, for an aggregate purchase price of approximately $3.4 billion. The total number of shares of AIG Common Stock repurchased in the nine-month period ended September 30, 2014, and the aggregate purchase price of those shares, reflect our payment of approximately $1.7 billion in the aggregate under three ASR agreements and the receipt of approximately 27 million shares of AIG Common Stock in the aggregate, including the initial receipt of 70 percent of the total notional share equivalent, or approximately 8.8 million shares of AIG Common Stock, under an ASR agreement executed in September 2014.

(a) In October 2014, we received $635 million in additional dividends that had been declared by AIG Life and Retirement subsidiaries in the three-month period ended September 30, 2014, in the form of cash and fixed maturity securities.

(b) On October 15, 2014, we issued an additional $750 million aggregate principal amount of 4.500% Notes due 2044.

(c) On October 22, 2014, we made a cash payment of $960 million, which is being held in escrow pending final approval of the settlement of the Consolidated 2008 Securities Class Action. See Note 10 to the Condensed Consolidated Financial Statements for further discussion.

(d) On October 27, 2014, we further reduced DIB debt through a redemption of approximately $2.0 billion aggregate principal amount of its 8.250% Notes due 2018 using cash allocated to the DIB. In addition, since September 30, 2014, we repurchased approximately $2.0 billion aggregate principal amount of debt, including (i) approximately $1.6 billion aggregate principal amount of 8.175% Series A-6 Junior Subordinated Debentures and (ii) approximately $405 million aggregate principal amount of 5.450% Medium-Term Notes, Series MP, Matched Investment Program Due May 18, 2017, which were part of the DIB and were repaid using cash allocated to the DIB. We paid an aggregate purchase price of approximately $5.1 billion in connection with our redemptions and repurchases of debt since September 30, 2014.

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)*	2014*	2013
Sources:		
Net cash provided by operating activities	$ 4,357	$ 3,948
Net cash provided by changes in restricted cash	-	1,251
Net cash provided by other investing activities	5,527	5,267
Changes in policyholder contract balances	1,275	-
Issuance of long-term debt	5,827	3,633
Total sources	16,986	14,099
Uses:		
Change in restricted cash	(660)	-
Change in policyholder contract balances	-	(1,133)
Repayments of long-term debt	(11,561)	(11,355)
Purchases of AIG Common Stock	(3,403)	(192)
Net cash used in other financing activities	(1,739)	(425)
Total uses	(17,363)	(13,105)
Effect of exchange rate changes on cash	(19)	(79)
Increase (decrease) in cash	$ (396)	$ 915

* For the nine-month period ended September 30, 2014, cash decreased by $162 million due to reclassification of $289 million to restricted cash presented in Other assets, partially offset by $127 million reclassification from Short-term investments, to correct prior period presentation.

The following table presents a summary of AIG's Condensed Consolidated Statements of Cash Flows:

Nine Months Ended September 30, (in millions)	2014	2013
Summary:		
Net cash provided by operating activities	$ 4,357	$ 3,948
Net cash provided by investing activities	4,867	6,518
Net cash used in financing activities	(9,601)	(9,472)
Effect of exchange rate changes on cash	(19)	(79)
Increase (decrease) in cash	(396)	915
Cash at beginning of year	2,241	1,151
Change in cash of businesses held-for-sale	88	(8)
Cash at end of period	$ 1,933	$ 2,058

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 $2.6 billion for the nine-month period ended September 30, 2014 compared to $3.0 billion in the nine-month period ended September 30, 2013. Cash provided by operating activities excluding interest payments was $7.0 billion for the nine-month periods ended September 30, 2014 compared to $6.9 billion in the first nine months of 2013. Operating cash flow activities for the nine-month period ended September 30, 2014 include:

- $1.2 billion of cash provided by AIG Property Casualty in the nine-month period ended September 30, 2014 compared to $0.1 billion of cash used during the nine-month period ended September 30, 2013 primarily due to the timing of the payments related to catastrophe losses in 2013; and
- $2.6 billion of cash provided by AIG Life and Retirement in the nine-month period ended September 30, 2014 compared to cash provided of $2.1 billion in the nine-month period ended September 30, 2013, which reflected the continued profitability of AIG Life and Retirement and included higher legal settlement proceeds in the nine-month period ended September 30, 2014 compared to the same period in the prior year.

Investing Cash Flow Activities

Net cash provided by investing activities for the nine-month period ended September 30, 2014 includes:

- approximately $1.0 billion of cash collateral received in connection with the securities lending program launched during 2012 by AIG Life and Retirement; and
- approximately $2.4 billion of net cash proceeds from the sale of ILFC.

Net cash provided by investing activities for the nine-month period ended September 30, 2013 included approximately $1.1 billion of cash collateral received in connection with the securities lending program launched during 2012 by AIG Life and Retirement.

Financing Cash Flow Activities

Net cash used in financing activities for the nine-month period ended September 30, 2014 includes:

- 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; see Debt – Debt Maturities below.

Net cash used in financing activities for the nine-month period ended September 30, 2013 includes:

- approximately $147 million to pay a dividend of $0.10 per share on AIG Common Stock in the third quarter of 2013;
- approximately $192 million to purchase approximately four million shares of AIG Common Stock; and
- approximately $7.4 billion to repay long-term debt; see Debt – Debt Maturities below.

Liquidity and Capital Resources of AIG Parent and Subsidiaries

AIG Parent

As of September 30, 2014, AIG Parent had approximately $17.1 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 consist of U.S. government and government sponsored entity securities, U.S. agency mortgage-backed securities, and corporate and municipal bonds. 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. See AIG Property Casualty, AIG Life and Retirement and Other Operations — Mortgage Guaranty below for additional details regarding the CMAs. 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 core 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 generated by our core insurance operations through earnings 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 core 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 core 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:

(In millions)	As of September 30, 2014	As of December 31, 2013
Cash and short-term investments[(a)(b)]	$ 8,717	$ 10,154
Unencumbered fixed maturity securities[(c)]	3,892	2,968
Total AIG Parent liquidity	12,609	13,122
Available capacity under syndicated credit facility[(d)]	4,000	3,947
Available capacity under contingent liquidity facility[(e)]	500	500
Total AIG Parent liquidity sources	$ 17,109	$ 17,569

(a) Cash and short-term investments include reverse repurchase agreements totaling $6.2 billion and $6.9 billion as of September 30, 2014 and December 31, 2013, respectively.

(b) $2.7 billion and $5.9 billion of cash and short-term investments as of September 30, 2014 and December 31, 2013, respectively, are allocated toward future maturities of liabilities and contingent liquidity stress needs of DIB and GCM.

(c) Unencumbered securities consist of publicly traded, intermediate-term investment grade rated fixed maturity securities. Fixed maturity securities consist of U.S. government and government sponsored entity securities, U.S. agency mortgage-backed securities, and corporate and municipal bonds.

(d) For additional information relating to this syndicated credit facility, see Credit Facilities below.

(e) For additional information relating to the contingent liquidity facility, see Contingent Liquidity Facilities below.

AIG Property Casualty

We expect that AIG Property Casualty subsidiaries 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. AIG Property Casualty subsidiaries' liquidity resources are held in the form of cash, short-term investments and publicly traded, investment grade rated fixed maturity securities.

Certain AIG Property Casualty subsidiaries 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, 2014 and December 31, 2013, no AIG Property Casualty subsidiaries had FHLB borrowings outstanding.

AIG Property Casualty's subsidiaries may require additional funding to meet capital or liquidity needs under certain circumstances. Large catastrophes may require AIG to provide additional support to our affected operations. Downgrades in AIG's credit ratings could put pressure on the insurer financial strength ratings of AIG's 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.

AIG Parent and Ascot Corporate Name Limited (ACNL), an AIG Property Casualty subsidiary, are parties to a $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 facility, which supports the 2014 and 2015 years of account, the entire FAL capital requirement of $600 million, as of September 30, 2014, was satisfied with a letter of credit issued under the facility.

AIG generally manages capital between AIG Parent and AIG Property Casualty domestic insurance subsidiaries through internal, Board-approved policies and guidelines. In addition, AIG Parent, AIG Property Casualty Inc. and certain AIG Property Casualty domestic insurance subsidiaries are parties to a consolidated CMA. Among other things, the CMA provides that AIG Parent will maintain the total adjusted capital of these AIG Property Casualty insurance subsidiaries, measured as a group (the Fleet), at or above the specified minimum percentage of the Fleet's projected total authorized control level Risk-Based Capital (RBC). As of September 30, 2014, the specified minimum percentage in the CMA was 300 percent.

In the nine-month period ended September 30, 2014, AIG Property Casualty paid approximately $1.5 billion in dividends in the form of cash and fixed maturity securities to AIG Parent. The fixed maturity securities included investment-grade government, corporate and sovereign bonds, as well as agency RMBS. In addition, in the nine-month period ended September 30, 2014, AIG Property Casualty paid other non-cash dividends of $178 million to AIG Parent. AIG Parent was not required to make any capital contributions pursuant to the CMA.

AIG Life and Retirement

We expect that AIG Life and Retirement subsidiaries 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. AIG Life and Retirement subsidiaries' liquidity resources are held in the form of cash, short-term investments and publicly traded, investment grade rated fixed maturity securities.

Certain AIG Life and Retirement insurance subsidiaries 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. AIG Life and Retirement had outstanding borrowings from the FHLBs in an aggregate amount of $44 million as of September 30, 2014 and $50 million as of December 31, 2013.

The need to fund product surrenders, withdrawals and maturities creates a potential liquidity requirement for AIG Life and Retirement's insurance subsidiaries. Management believes that because of the size and liquidity of its investment portfolios, AIG Life and Retirement does not face a significant liquidity risk due to normal deviations from projected claim or surrender experience. Furthermore, AIG Life and Retirement's products contain certain features that mitigate surrender risk, including surrender charges. As part of its risk management framework, AIG Life and Retirement continues to evaluate and, where appropriate, pursue strategies and programs to improve its liquidity position and facilitate AIG Life and Retirement's ability to maintain a fully invested asset portfolio. AIG Life and Retirement also has developed a contingent liquidity plan to address unforeseen liquidity needs.

AIG Life and Retirement executes programs, which began in 2012, that lend securities from its investment portfolio to supplement liquidity or for other uses as deemed appropriate by management. Under these programs, AIG Life and Retirement insurance subsidiaries 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 an AIG Life and Retirement insurance company may lend under its program at any time is limited to five percent of its general account statutory-basis admitted assets. AIG Life and Retirement's liability to borrowers for collateral received was $3.0 billion as of September 30, 2014 and $4.0 billion as of December 31, 2013.

AIG generally manages capital between AIG Parent and AIG Life and Retirement insurance subsidiaries through internal, Board-approved policies and guidelines. In addition, AIG Parent was party to CMAs with certain AIG Life and Retirement insurance subsidiaries. Among other things, the CMAs provided that AIG Parent would maintain the total adjusted capital of each of these AIG Life and Retirement insurance subsidiaries at or above a specified minimum percentage of the subsidiary's projected NAIC Company Action Level RBC. As of September 30, 2014, the specified minimum percentage in the CMAs was 385 percent, except for the CMA with AGC Life Insurance Company, where the specified minimum percentage was 250 percent. As a result of managing capital through internal, Board-approved policies and guidelines, the parties agreed to terminate these CMAs effective October 31, 2014, with the exception of the CMA with AGC Life Insurance Company, which remains in place.

Dividends and loan repayments paid by AIG Life and Retirement subsidiaries to AIG Parent in the nine-month period ended September 30, 2014 totaled $4.9 billion, which was comprised of $4.3 billion of cash and $642 million of preferred equity interests in two aircraft trust entities, and included approximately $829 million of legal settlement proceeds. In addition, AIG Life and Retirement distributed $635 million of cash and fixed maturity securities to AIG Parent in October 2014, which represented the remainder of dividends that were declared by AIG Life and Retirement subsidiaries in the three-month period ended September 30, 2014. The fixed maturity securities included investment-grade government, corporate and sovereign bonds, as well as agency RMBS. AIG Parent was not required to make any capital contributions under the CMAs then in place.

Other Operations

Mortgage Guaranty

We expect that Mortgage Guaranty subsidiaries 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. Mortgage Guaranty's liquidity resources are held in the form of cash, short-term investments and publicly traded, investment grade rated, fixed maturity securities. These securities could be monetized in the event liquidity levels are insufficient to meet obligations.

AIG generally manages capital between AIG Parent and Mortgage Guarantee insurance subsidiaries through internal, Board-approved policies and guidelines. In addition, AIG Parent is party to a CMA with a Mortgage Guaranty insurance subsidiary. Among other things, the CMA provides that AIG Parent will maintain capital and surplus of this Mortgage Guaranty insurance subsidiary 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 subsidiary 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 subsidiary 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, 2014, the minimum required capital is based on a risk-to-capital ratio of 19 to 1.

In the nine-month period ended September 30, 2014, Mortgage Guaranty paid no dividends to AIG Parent, and AIG Parent was not required to make any capital contributions under the CMA.

Global Capital Markets

Derivative transactions between AIG and its subsidiaries and third parties are generally centralized through GCM, specifically through the entity AIG Markets. GCM is required to clear certain derivatives transactions through central regulated clearing organizations pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank). To the extent a derivatives transaction is subject to a clearing obligation, GCM is required to post collateral in amounts determined by the relevant clearing organization and GCM's clearing agreements with its futures commission merchants. To the extent a derivatives transaction is not subject to a clearing obligation, these derivative transactions are governed by bilateral master agreements, the form of which is published by the International Swaps and Derivatives Association, Inc. (ISDA). Many of these agreements, primarily between GCM and third party financial institutions, require collateral postings. Many of GCM's transactions with AIG and its subsidiaries also include collateral posting requirements, the purpose of which are to provide collateral to GCM, which in turn is used to satisfy posting requirements with third parties, including the margin requirements of clearing organizations and futures commission merchants.

In addition, most of GCM's CDSs within AIGFP are subject to collateral posting provisions. The collateral posting provisions contained in the ISDA Master Agreements and related transaction documents with respect to CDSs differ among counterparties and asset classes. The amount of future collateral posting requirements for super senior CDSs is a function of our credit ratings, the rating of the relevant reference obligations and the market value of the relevant reference obligations, with market value being the most significant factor. We estimate the amount of potential future collateral postings associated with the super senior CDSs using various methodologies. The contingent liquidity requirements associated with such potential future collateral postings are incorporated into our liquidity planning assumptions.

As of September 30, 2014 and December 31, 2013, GCM had total assets of $5.9 billion and $7.7 billion, respectively, and total liabilities of $3.1 billion as of both dates. GCM's assets consist primarily of cash, short-term investments, other receivables, net of allowance, and unrealized gains on swaps, options and forwards. GCM's liabilities consist primarily of trade payables and unrealized losses on swaps, options and forwards. Collateral posted by GCM to third parties was $2.6 billion and $3.0 billion at September 30, 2014 and December 31, 2013, respectively. GCM obtained collateral from third parties totaling $705 million and $572 million at September 30, 2014 and December 31, 2013, respectively. The collateral amounts reflect counterparty netting adjustments available under ISDA Master Agreements and are inclusive of collateral that exceeded the fair value of derivatives as of the reporting date.

Direct Investment Book

The DIB portfolio is being wound down and is managed with the objective of ensuring that at all times it maintains the liquidity we believe is necessary to meet all of its liabilities as they come due, even under stress scenarios, and to maximize returns consistent with our risk management objectives. We are focused on meeting the DIB's liquidity needs, including the need for contingent liquidity arising from collateral posting for debt positions of the DIB, without relying on resources beyond the DIB. As part of this program management, we may from time to time access the capital markets, including issuing and repurchasing debt, and selling assets on an opportunistic basis, in each case subject to market conditions. If the DIB's risk target is breached, we expect to take appropriate actions to increase the DIB's liquidity sources or reduce liquidity requirements to maintain the risk target, although no assurance can be given that this can be achieved under then-prevailing market conditions. Any additional liquidity shortfalls would need to be funded by AIG Parent.

From time to time, we may utilize cash allocated to the DIB that is not required to meet the risk target for the DIB for general corporate purposes unrelated to the DIB.

The DIB's assets consist primarily of cash, short-term investments, fixed maturity securities issued by corporations, U.S. government and government sponsored entities and mortgage and asset backed securities. The DIB's liabilities consist primarily of notes and other borrowings supported by assets as well as other short-term financing obligations. As of September 30, 2014 and December 31, 2013, the DIB had total assets of $17.1 billion and $23.3 billion, respectively, and total liabilities of $12.5 billion and $20.0 billion, respectively.

The overall hedging activity for the assets and liabilities of the DIB is executed by GCM. The value of hedges related to the non-derivative assets and liabilities of AIGFP in the DIB is included within the assets, liabilities and operating results of GCM and is not included within the DIB's assets, liabilities or operating results.

Collateral posted by operations included in the DIB to third parties was $3.5 billion at September 30, 2014 and $4.2 billion at December 31, 2013. 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.

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, 2014, 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, 2014			Payments due by Period				
(in millions)	Total Payments	Remainder of 2014	2015 - 2016	2017 - 2018	2019	Thereafter
Insurance operations						
Loss reserves	$ 82,319	$ 6,215	$ 31,314	$ 15,641	$ 4,816	$ 24,333
Insurance and investment contract liabilities	224,621	3,981	30,398	26,962	11,809	151,471
Borrowings	1,131	-	-	-	-	1,131
Interest payments on borrowings	2,114	8	178	179	89	1,660
Other long-term obligations	23	1	13	5	4	-
Total	$ 310,208	$ 10,205	$ 61,903	$ 42,787	$ 16,718	$ 178,595
Other						
Borrowings[(a)]	$ 31,399	$ 4,291	$ 4,646	$ 7,146	$ 1,213	$ 14,103
Interest payments on borrowings	23,069	426	3,295	2,664	930	15,754
Other long-term obligations	245	23	87	14	-	121
Total	$ 54,713	$ 4,740	$ 8,028	$ 9,824	$ 2,143	$ 29,978
Consolidated						
Loss reserves	$ 82,319	$ 6,215	$ 31,314	$ 15,641	$ 4,816	$ 24,333
Insurance and investment contract liabilities	224,621	3,981	30,398	26,962	11,809	151,471
Borrowings[(a)]	32,530	4,291	4,646	7,146	1,213	15,234
Interest payments on borrowings	25,183	434	3,473	2,843	1,019	17,414
Other long-term obligations[(b)]	268	24	100	19	4	121
Total[(c)]	$ 364,921	$ 14,945	$ 69,931	$ 52,611	$ 18,861	$ 208,573

(a) On October 27, 2014, we further reduced DIB debt through a redemption of approximately $2.0 billion aggregate principal amount of its 8.250% Notes due 2018 using cash allocated to the DIB. In addition, since September 30, 2014, we repurchased approximately $2.0 billion aggregate principal amount of debt, including (i) approximately $1.6 billion aggregate principal amount of 8.175% Series A-6 Junior Subordinated Debentures and (ii) approximately $405 million aggregate principal amount of 5.450% Medium-Term Notes, Series MP, Matched Investment Program Due May 18, 2017, which were part of the DIB and were repaid using cash allocated to the DIB. Accordingly, in the table above, these instruments are reported as maturing in the remainder of 2014 instead of their original maturity dates.

(b) Primarily includes contracts to purchase future services and other capital expenditures.

(c) Does not reflect unrecognized tax benefits of $4.5 billion, the timing of which is uncertain.

Loss Reserves

Loss reserves relate to the AIG Property Casualty and the Mortgage Guaranty businesses and represent future loss 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 AIG Property Casualty and Mortgage Guaranty subsidiaries 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 AIG Life and Retirement businesses. 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 AIG Life and Retirement subsidiaries 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, AIG Life and Retirement businesses 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.

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, 2014		Amount of Commitment Expiring				
(in millions)	Total Amounts Committed	Remainder of 2014	2015 - 2016	2017 - 2018	2019	Thereafter
Insurance operations						
Guarantees:						
Standby letters of credit	$ 845	$ 29	$ 181	$ 600	$ 35	$ -
Guarantees of indebtedness	163	-	4	1	-	158
All other guarantees[(a)]	8	-	1	1	-	6

Commitments:												
Investment commitments(b)		2,159		1,407		519		203		30		-
Commitments to extend credit		1,492		1,248		183		7		-		54
Letters of credit		6		-		6		-		-		-
Total(c)	$	4,673	$	2,684	$	894	$	812	$	65	$	218
Other												
Guarantees:												
Liquidity facilities(d)	$	77	$	-	$	-	$	-	$	-	$	77
Standby letters of credit		239		235		3		1		-		-
Guarantees of indebtedness		12		-		11		1		-		-
All other guarantees		35		-		23		12		-		-
Commitments:												
Investment commitments(b)		295		44		111		16		28		96
Commitments to extend credit(f)		1,001		-		1		-		1,000		-
Letters of credit		25		5		19		-		-		1
Other commercial commitments(e)		3		2		1		-		-		-
Total(c)	$	1,687	$	286	$	169	$	30	$	1,028	$	174
Consolidated												
Guarantees:												
Liquidity facilities(d)	$	77	$	-	$	-	$	-	$	-	$	77
Standby letters of credit		1,084		264		184		601		35		-
Guarantees of indebtedness		175		-		15		2		-		158
All other guarantees(a)		43		-		24		13		-		6
Commitments:												
Investment commitments(b)		2,454		1,451		630		219		58		96
Commitments to extend credit(f)		2,493		1,248		184		7		1,000		54
Letters of credit		31		5		25		-		-		1
Other commercial commitments(e)		3		2		1		-		-		-
Total(c)	$	6,360	$	2,970	$	1,063	$	842	$	1,093	$	392

(a) Includes AIG Life and Retirement construction guarantees connected to affordable housing investments. Excludes potential amounts for indemnification obligations included in asset sales agreements. See Note 10 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) Excludes commitments with respect to pension plans. The remaining pension contribution for 2014 is expected to be approximately $14 million for U.S. and non-U.S. plans.

(f) 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). The AerCap Credit Facility provides for an aggregate commitment of $1.0 billion and permits loans for general corporate purposes. At September 30, 2014, no amounts were outstanding under the AerCap Credit Facility.

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 8 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 10 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, 2014 (in millions)	Balance at December 31, 2013	Issuances	Maturities and Repayments	Effect of Foreign Exchange	Other Changes		Balance at September 30, 2014
Debt issued or guaranteed by AIG:							
AIG general borrowings:							
Notes and bonds payable	$ 14,062	$ 2,489	$ (623)	$ (128)	$ 4		$ 15,804
Subordinated debt	250	-	-	-	-		250
Junior subordinated debt	5,533	-	(1,358)	(49)	-		4,126
Loans and mortgages payable	1	-	(1)	-	-		-
AIGLH notes and bonds payable	299	-	(15)	-	-		284
AIGLH junior subordinated debt	1,054	-	(207)	-	-		847
Total AIG general borrowings	21,199	2,489	(2,204)	(177)	4		21,311
AIG/DIB borrowings supported by assets:(a)							
MIP notes payable	7,963	-	(4,371)	(145)	(29)		3,418
Series AIGFP matched notes and bonds payable	3,219	-	(1,015)	-	(70)		2,134
GIAs, at fair value	5,530	346	(1,420)	-	188	(b)	4,644
Notes and bonds payable, at fair value	1,217	18	(210)	-	(2)	(b)	1,023
Total AIG/DIB borrowings supported by assets	17,929	364	(7,016)	(145)	87		11,219
Total debt issued or guaranteed by AIG	39,128	2,853	(9,220)	(322)	91		32,530
Debt not guaranteed by AIG:							
Other subsidiaries notes, bonds, loans and mortgages payable	656	24	(171)	(3)	(444)	(c)	62
Debt of consolidated investments(d)	1,909	1,447	(1,048)	-	1,323	(c) (e)	3,631
Total debt not guaranteed by AIG	2,565	1,471	(1,219)	(3)	879		3,693
Total debt	$ 41,693	$ 4,324	$ (10,439)	$ (325)	$ 970		$ 36,223

(a) AIG Parent guarantees all DIB debt, except for MIP notes payable and Series AIGFP matched notes and bonds payable, which are direct obligations of AIG Parent.

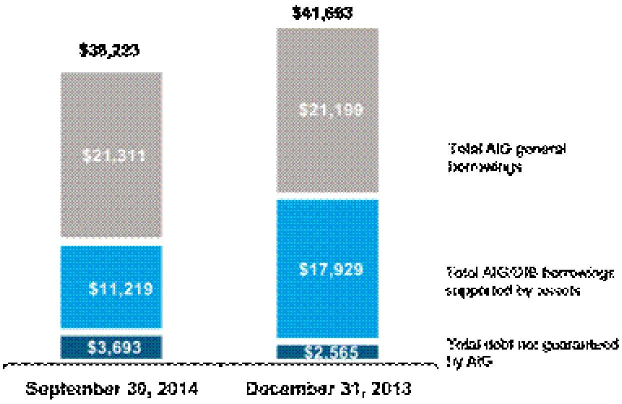
(b) Primarily represents adjustments to the fair value of debt.

(c) Reflects debt that has been reclassified from Other subsidiaries notes, bonds, loans and mortgages payable to Debt of consolidated investments.

(d) At September 30, 2014, includes debt of consolidated investments primarily held through AIG Global Real Estate Investment Corp., AIG Life and Retirement, AIG Property Casualty U.S. and AIG Credit Corp. of $1.9 billion, $1.6 billion, $108 million and $65 million, respectively.

(e) Includes the effect of consolidating previously unconsolidated securitization vehicles.

TOTAL DEBT OUTSTANDING
(in millions)



The decrease in total debt outstanding as of September 30, 2014, compared to December 31, 2013, was primarily due to maturities and repayments of debt and redemptions and repurchases of certain debt securities, as discussed above.

Debt Maturities

The following table summarizes maturing debt at September 30, 2014 of AIG (excluding $3.6 billion of borrowings of consolidated investments) for the next four quarters:

(in millions)	Fourth Quarter 2014	First Quarter 2015	Second Quarter 2015	Third Quarter 2015	Total
AIG general borrowings*	$ 1,603	$ 1	$ -	$ 250	$ 1,854
AIG/DIB borrowings supported by assets*	2,688	147	431	166	3,432
Other subsidiaries notes, bonds, loans and mortgages payable	-	35	18	17	70
Total	$ 4,291	$ 183	$ 449	$ 433	$ 5,356

* On October 27, 2014, we further reduced DIB debt through a redemption of approximately $2.0 billion aggregate principal amount of its 8.250% Notes due 2018 using cash allocated to the DIB. In addition, since September 30, 2014, we repurchased approximately $2.0 billion aggregate principal amount of debt, including (i) approximately $1.6 billion aggregate principal amount of 8.175% Series A-6 Junior Subordinated Debentures and (ii) approximately $405 million aggregate principal amount of 5.450% Medium-Term Notes, Series MP, Matched Investment Program Due May 18, 2017, which were part of the DIB and were repaid using cash allocated to the DIB. Accordingly, in the table above, these instruments are reported as maturing in the fourth quarter of 2014 instead of their original maturity dates.

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 $3.6 billion in borrowings of consolidated investments:

September 30, 2014		Remainder	Year Ending					
(in millions)	Total	of 2014	2015	2016	2017	2018	2019	Thereafter
Debt issued or guaranteed by AIG:								
AIG general borrowings:								
Notes and bonds payable	$ 15,804	$ -	$ 1,000	$ 1,697	$ 1,008	$ 2,495	$ 998	$ 8,606
Subordinated debt	250	-	250	-	-	-	-	-
Junior subordinated debt*	4,126	1,603	-	-	-	-	-	2,523
AIGLH notes and bonds payable	284	-	-	-	-	-	-	284
AIGLH junior subordinated debt	847	-	-	-	-	-	-	847
Total AIG general borrowings	21,311	1,603	1,250	1,697	1,008	2,495	998	12,260
AIG/DIB borrowings supported by assets:								
MIP notes payable*	3,418	405	138	395	2,094	386	-	-
Series AIGFP matched notes and bonds payable*	2,134	2,101	-	-	10	-	-	23
GIAs, at fair value	4,644	91	587	230	232	624	177	2,703
Notes and bonds payable, at fair value	1,023	91	164	185	134	163	38	248
Total AIG/DIB borrowings supported by assets	11,219	2,688	889	810	2,470	1,173	215	2,974
Total debt issued or guaranteed by AIG	32,530	4,291	2,139	2,507	3,478	3,668	1,213	15,234
Other subsidiaries notes, bonds, loans and mortgages payable	62	-	37	2	2	1	1	19
Total	$ 32,592	$ 4,291	$ 2,176	$ 2,509	$ 3,480	$ 3,669	$ 1,214	$ 15,253

* On October 27, 2014, we further reduced DIB debt through a redemption of approximately $2.0 billion aggregate principal amount of its 8.250% Notes due 2018 using cash allocated to the DIB. In addition, since September 30, 2014, we repurchased approximately $2.0 billion aggregate principal amount of debt, including (i) approximately $1.6 billion aggregate principal amount of 8.175% Series A-6 Junior Subordinated Debentures and (ii) approximately $405 million aggregate principal amount of 5.450% Medium-Term Notes, Series MP, Matched Investment Program Due May 18, 2017, which were part of the DIB and were repaid using cash allocated to the DIB. Accordingly, in the table above, these instruments are reported as maturing in the remainder of 2014 instead of their original maturity dates.

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 30, 2014. 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)** ***Stable Outlook***	**A-2 (2nd of 8)**	**Baa 1 (4th of 9)** ***Stable Outlook***	**A- (3rd of 8)** ***Stable Outlook***	**BBB+ (4th of 9)** ***Stable Outlook***
AIG Financial Products Corp.[(d)]	**P-2** ***Stable Outlook***	**A-2**	**Baa 1** ***Stable Outlook***	**A-** ***Stable Outlook***	**-**
AIG Funding, Inc.[(d)]	**P-2** ***Stable Outlook***	**A-2**	**-**	**-**	**-**

(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. and AIG Funding, Inc.

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 GCM 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 GCM entities would be required to post additional collateral, and certain of the counterparties of AIGFP or of such other GCM 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 the 2013 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 Part I, Item 1. Business – Regulation and Part I, Item 1A. Risk Factors – Regulation in our 2013 Annual Report, Item 2. MD&A – Regulatory Environment in our Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2014 and June 30, 2014 and Item 2. MD&A – Regulatory Environment in this Quarterly Report on Form 10-Q.

Dividends and Repurchases of AIG Common Stock

On February 13, 2014, our Board of Directors declared a cash dividend on AIG Common Stock of $0.125 per share, payable on March 25, 2014 to shareholders of record on March 11, 2014. On May 5, 2014, our Board of Directors declared a cash dividend on AIG Common Stock of $0.125 per share, payable on June 24, 2014 to shareholders of record on June 10, 2014. On August 4, 2014, our Board of Directors declared a cash dividend on AIG Common Stock of $0.125 per share, payable on September 25, 2014 to shareholders of record on September 11, 2014.

On November 3, 2014, our Board of Directors declared a cash dividend on AIG Common Stock of $0.125 per share, payable on December 18, 2014 to shareholders of record on December 4, 2014. 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 16 to the Consolidated Financial Statements in the 2013 Annual Report.

On August 1, 2013, our Board of Directors authorized the repurchase of shares of AIG Common Stock, with an aggregate purchase price of up to $1.0 billion, from time to time in the open market, private purchases, through forward, derivative, accelerated repurchase or automatic repurchase transactions or otherwise. On February 13, 2014, our Board of Directors authorized an increase to the August 1, 2013 repurchase authorization of AIG Common Stock of $1.0 billion. On June 5, 2014, our Board of Directors authorized an additional increase to the August 1, 2013 repurchase authorization of AIG Common Stock of $2.0 billion.

During the nine-month period ended September 30, 2014, we repurchased approximately 60 million shares of AIG Common Stock for an aggregate purchase price of approximately $3.4 billion pursuant to this authorization.

On October 31, 2014, our Board of Directors authorized an additional increase to the August 1, 2013 repurchase authorization of AIG Common Stock of $1.5 billion, resulting in an aggregate remaining authorization of approximately $1.5 billion.

In the second and third quarters of 2014, we executed three ASR agreements with third-party financial institutions. The total number of shares of AIG Common Stock repurchased in the nine-month period ended September 30, 2014, and the aggregate purchase price of those shares, each as set forth above, reflect our payment of approximately $1.7 billion in the aggregate to the financial institutions under the ASR agreements and the receipt of approximately 27 million shares of AIG Common Stock in the aggregate, including the initial receipt of 70 percent of the total notional share equivalent, or approximately 8.8 million shares of AIG Common Stock, under an ASR agreement executed in September 2014. That ASR agreement settled in October, at which time we received approximately 3.9 million additional shares of AIG Common Stock based on a formula specified by the terms of the ASR agreement.

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

Dividend Restrictions

Payments of dividends to AIG by its insurance subsidiaries are subject to certain restrictions imposed by regulatory authorities. See Note 19 to the Consolidated Financial Statements in the 2013 Annual Report for a discussion of restrictions on payments of dividends by AIG's subsidiaries.

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 AIG Property Casualty, AIG Life and Retirement, and AIG Parent including the DIB. 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, 2014

- A decrease in interest rates on investment grade fixed maturity securities and narrowing of investment grade credit spreads, partially offset by the widening of high yield spreads, resulted in net unrealized gains in the investment portfolio. Net unrealized gains in our available for sale portfolio increased to approximately $18.1 billion as of September 30, 2014 from approximately $11.7 billion as of December 31, 2013.
- 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.
- Net investment income benefitted from positive performance on fixed maturity securities for which we elected the fair value option, primarily driven by lower interest rates as well as higher income on alternative investments, which continued to benefit from strong equity market performance.
- Blended investment yields on new AIG Life and Retirement and AIG Property Casualty investments were lower than blended rates on investments that were sold, matured or called.
- Other-than-temporary impairments remained at low levels, with a small portion of impairments attributable to structured securities.
- The sale of ILFC to AerCap resulted in AIG receiving a 46 percent ownership interest in the outstanding common stock of AerCap, which is included in Other invested assets and accounted for under the equity method.

Investment Strategies

Investment strategies are based on considerations that include the local market, 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:

- While more of a focus is placed on asset-liability matching in AIG Life and Retirement, our fundamental strategy across all of our investment portfolios is to match the duration characteristics of the liabilities with assets of comparable duration, to the extent practicable.
- Fixed maturity securities held by the domestic insurance companies included in AIG Property Casualty consist of a mix of tax-exempt municipal bonds and taxable instruments that meet our current risk-return, tax, liquidity, credit quality and diversification objectives.
- Outside of the U.S., fixed maturity securities held by AIG Property Casualty consist primarily of intermediate duration high-grade securities generally denominated in the currencies of the countries in which we operate.
- 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. 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.

Credit Ratings

At September 30, 2014, approximately 90 percent of our fixed maturity securities were held by our domestic entities. Approximately 17 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, 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, 2014, approximately 16 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 4 percent were rated below investment grade or not rated. Approximately 45 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 Securities Valuations Office (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:

	Available for Sale		Other		Total	
	September 30, 2014	December 31, 2013	**September 30, 2014**	December 31, 2013	**September 30, 2014**	December 31, 2013
Rating:						
Other fixed maturity securities						
AAA	$ **15,831**	$ 17,437	$ **5,078**	$ 5,510	$ **20,909**	$ 22,947
AA	**38,839**	39,478	**229**	261	**39,068**	39,739
A	**58,176**	56,838	**293**	445	**58,469**	57,283
BBB	**77,743**	75,668	**414**	478	**78,157**	76,146
Below investment grade	**10,269**	9,904	**316**	321	**10,585**	10,225
Non-rated	**1,102**	311	**-**	-	**1,102**	311
Total	$ **201,960**	$ 199,636	$ **6,330**	$ 7,015	$ **208,290**	$ 206,651
Mortgage-backed, asset-backed and collateralized						
AAA	$ **25,056**	$ 21,982	$ **2,564**	$ 3,120	$ **27,620**	$ 25,102
AA	**3,776**	3,404	**1,724**	2,357	**5,500**	5,761
A	**7,369**	6,906	**599**	660	**7,968**	7,566
BBB	**4,006**	3,973	**612**	679	**4,618**	4,652
Below investment grade	**23,595**	22,333	**8,461**	8,683	**32,056**	31,016
Non-rated	**24**	40	**91**	109	**115**	149
Total	$ **63,826**	$ 58,638	$ **14,051**	$ 15,608	$ **77,877**	$ 74,246
Total						
AAA	$ **40,887**	$ 39,419	$ **7,642**	$ 8,630	$ **48,529**	$ 48,049
AA	**42,615**	42,882	**1,953**	2,618	**44,568**	45,500
A	**65,545**	63,744	**892**	1,105	**66,437**	64,849
BBB	**81,749**	79,641	**1,026**	1,157	**82,775**	80,798
Below investment grade	**33,864**	32,237	**8,777**	9,004	**42,641**	41,241
Non-rated	**1,126**	351	**91**	109	**1,217**	460
Total	$ **265,786**	$ 258,274	$ **20,381**	$ 22,623	$ **286,167**	$ 280,897

Investments by Segment

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

(in millions)	Reportable Segment AIG Property Casualty	Reportable Segment AIG Life and Retirement	Other Operations	Consolidation and Eliminations	Total
September 30, 2014					
Fixed maturity securities:					
Bonds available for sale, at fair value	**$ 96,751**	**$ 161,858**	**$ 10,249**	**$ (3,072)**	**$ 265,786**
Other bond securities, at fair value	**1,781**	**2,606**	**16,295**	**(301)**	**20,381**
Equity securities:					
Common and preferred stock available for sale, at fair value	**4,306**	**35**	**3**	**-**	**4,344**
Other Common and preferred stock, at fair value	**236**	**-**	**530**	**-**	**766**
Mortgage and other loans receivable, net of allowance	**5,962**	**19,861**	**753**	**(3,179)**	**23,397**
Other invested assets	**9,798**	**12,196**	**11,925**	**(11)**	**33,908**
Short-term investments	**3,868**	**4,908**	**10,103**	**(1,027)**	**17,852**
Total investments*	**122,702**	**201,464**	**49,858**	**(7,590)**	**366,434**
Cash	**1,417**	**316**	**200**	**-**	**1,933**
Total invested assets	**$ 124,119**	**$ 201,780**	**$ 50,058**	**$ (7,590)**	**$ 368,367**
December 31, 2013					
Fixed maturity securities:					
Bonds available for sale, at fair value	$ 96,972	$ 154,763	$ 10,974	$ (4,435)	$ 258,274
Other bond securities, at fair value	1,995	2,406	18,558	(336)	22,623
Equity securities:					
Common and preferred stock available for sale, at fair value	3,618	36	2	-	3,656
Other Common and preferred stock, at fair value	198	538	98	-	834
Mortgage and other loans receivable, net of allowance	4,217	19,078	852	(3,382)	20,765
Other invested assets	9,316	13,025	6,422	(104)	28,659
Short-term investments	5,236	6,462	11,036	(1,117)	21,617
Total investments*	121,552	196,308	47,942	(9,374)	356,428
Cash	1,501	547	193	-	2,241
Total invested assets	$ 123,053	$ 196,855	$ 48,135	$ (9,374)	$ 358,669

*At September 30, 2014, approximately 90 percent and 10 percent of investments were held by domestic and foreign entities, respectively, compared to approximately 89 percent and 11 percent, respectively, at December 31, 2013.

AIG Property Casualty

For AIG Property Casualty, the duration of liabilities for long-tail casualty lines is greater than that of other lines. As a result, the investments within AIG Property Casualty focus on growth of surplus and preservation of capital, subject to liability and other business considerations.

AIG Property Casualty invests primarily in fixed maturity securities issued by corporations, municipalities and other governmental agencies and also invests in structured securities collateralized by, among other assets, residential and commercial real estate and commercial mortgage loans.

In addition, AIG Property Casualty seeks to enhance returns through investments in a diversified portfolio of private equity funds and hedge funds. Although these alternative investments are subject to periodic earnings fluctuations, they have historically achieved yields in excess of the fixed maturity portfolio yields. AIG Property Casualty's investment portfolio also includes, to a lesser extent, common and preferred stocks and yield-enhancement items, such as other securities for which the fair value option has been elected.

With respect to non-affiliate over-the-counter derivatives, AIG Property Casualty conducts business with highly rated counterparties and does not expect the counterparties to fail to meet their obligations under the contracts. AIG Property Casualty has controls in place to monitor credit exposures by limiting transactions with specific counterparties within specified dollar limits and assessing the creditworthiness of counterparties periodically. AIG Property Casualty generally uses ISDA Master Agreements and CSAs with bilateral collateral provisions to reduce counterparty credit exposures.

Fixed maturity investments of AIG Property Casualty's domestic operations, with an average duration of 4.1 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 AIG Property Casualty's foreign operations are of high quality, primarily rated A or higher based on composite ratings, and short to intermediate duration, averaging 4.5 years.

While invested assets backing reserves are primarily invested in conventional fixed maturity securities in AIG Property Casualty's domestic operations, a modest portion of surplus is allocated to alternative investments, including private equity and hedge funds. These investments have provided a combination of added diversification and attractive long-term returns over time.

AIG Life and Retirement

The investment strategy of AIG Life and Retirement is to maximize net investment income and portfolio value, subject to liquidity requirements, capital constraints, diversification requirements, asset-liability matching and available investment opportunities.

AIG Life and Retirement uses asset-liability management as a primary tool to monitor and manage risk in our businesses. AIG Life and Retirement's fundamental investment strategy is to maintain a diversified, high quality portfolio of fixed maturity securities with the intent to largely match 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.

AIG Life and Retirement invests 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, AIG Life and Retirement seeks to enhance returns through investments in a diversified portfolio of private equity funds, hedge funds, and affordable housing partnerships. Although these alternative investments are subject to periodic earnings fluctuations, they have historically achieved yields in excess of the fixed maturity portfolio yields. AIG Life and Retirement's investment portfolio also includes, to a lesser extent, common and preferred stocks and yield-enhancement items, such as other securities for which the fair value option has been elected.

AIG Life and Retirement monitors fixed income markets, including the level of interest rates, credit spreads and the shape of the yield curve. AIG Life and Retirement frequently reviews its interest rate assumptions and actively manages the crediting rates used for its 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.

Certain AIG Life and Retirement variable and index annuity products offer guaranteed living benefit features, primarily guaranteed minimum withdrawal benefits. AIG Life and Retirement has a dynamic economic hedging program designed to manage its risk exposure under such guaranteed living benefit features from changes in equity markets, interest rates and volatilities. This program utilizes derivative instruments, including equity options, futures contracts and interest rate swap contracts, as well as U.S. Treasury bonds.

With respect to over-the-counter derivatives, AIG Life and Retirement deals with highly rated counterparties and does not expect the counterparties to fail to meet their obligations under the contracts. AIG Life and Retirement has controls in place to monitor credit exposures by limiting transactions with specific counterparties within specified dollar limits and assessing the creditworthiness of counterparties periodically. AIG Life and Retirement generally uses ISDA Master Agreements and CSAs with bilateral collateral provisions to reduce counterparty credit exposures.

Fixed maturity investments of AIG Life and Retirement, with an average 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 is held in the available for sale portfolio and is rated investment grade based on its composite ratings.

Available for Sale Investments

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

(in millions)	**Fair Value at September 30, 2014**	Fair Value at December 31, 2013
Bonds available for sale:		
U.S. government and government sponsored entities	**$ 2,798**	$ 3,195
Obligations of states, municipalities and political subdivisions	**28,172**	29,380
Non-U.S. governments	**22,662**	22,509
Corporate debt	**148,328**	144,552
Mortgage-backed, asset-backed and collateralized:		
RMBS	**38,704**	36,148
CMBS	**12,542**	11,482
CDO/ABS	**12,580**	11,008
Total mortgage-backed, asset-backed and collateralized	**63,826**	58,638
Total bonds available for sale*	**265,786**	258,274
Equity securities available for sale:		
Common stock	**3,572**	3,219
Preferred stock	**29**	27
Mutual funds	**743**	410
Total equity securities available for sale	**4,344**	3,656
Total	**$ 270,130**	$ 261,930

* At September 30, 2014 and December 31, 2013, the fair value of bonds available for sale held by us that were below investment grade or not rated totaled $35.0 billion and $32.6 billion, respectively.

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

(in millions)	September 30, 2014	December 31, 2013
Japan	$ 6,057	$ 6,350
Canada	2,242	2,714
Germany	1,491	1,281
United Kingdom	874	510
France	797	1,005
Netherlands	744	759
Norway	708	682
Mexico	617	622
Singapore	515	457
South Korea	467	538
Other	8,152	7,593
Total	$ 22,664	$ 22,511

The following table presents the fair value of our aggregate United Kingdom, Russian Federation and European credit exposures by major sector for our fixed maturity securities:

	September 30, 2014					December 31, 2013
(in millions)	Sovereign	Financial Institution	Non-Financial Corporates	Structured Products	Total	Total
Euro-Zone countries:						
France	$ 797	$ 1,386	$ 2,801	$ -	$ 4,984	$ 5,158
Netherlands	744	1,530	1,944	494	4,712	4,396
Germany	1,491	442	2,566	35	4,534	4,687
Spain	99	481	1,077	22	1,679	1,844
Italy	36	273	1,041	14	1,364	1,351
Belgium	264	114	744	-	1,122	842
Ireland	-	-	579	136	715	692
Finland	104	29	132	-	265	281
Luxembourg	-	1	210	20	231	206
Austria	167	16	11	-	194	250
Other Euro-Zone	755	85	224	2	1,066	902
Total Euro-Zone	$ 4,457	$ 4,357	$ 11,329	$ 723	$ 20,866	$ 20,609
Remainder of Europe						
United Kingdom	$ 874	$ 3,231	$ 8,200	$ 4,426	$ 16,731	$ 16,819
Switzerland	74	1,200	1,647	-	2,921	2,898
Sweden	325	752	276	-	1,353	1,605
Norway	708	67	271	-	1,046	1,057
Russian Federation	203	21	198	-	422	516
Other remainder of Europe	210	126	81	54	471	523
Total remainder of Europe	$ 2,394	$ 5,397	$ 10,673	$ 4,480	$ 22,944	$ 23,418
Total	$ 6,851	$ 9,754	$ 22,002	$ 5,203	$ 43,810	$ 44,027

Investments in Municipal Bonds

At September 30, 2014, the U.S. municipal bond portfolio of AIG Property Casualty was composed primarily of essential service revenue bonds and high-quality tax-backed bonds with over 99 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:

September 30, 2014 (in millions)	State General Obligation	Local General Obligation	Revenue	Total Fair Value
State:				
California	$ 682	$ 870	$ 3,131	$ 4,683
New York	36	648	3,589	4,273
Texas	257	1,649	1,540	3,446
Massachusetts	713	-	781	1,494
Illinois	115	469	766	1,350
Washington	489	162	638	1,289
Florida	184	10	867	1,061
Virginia	82	123	722	927
Georgia	310	162	350	822
Arizona	-	100	644	744
Washington DC	106	-	566	672
Ohio	157	48	383	588
New Jersey	-	2	521	523
All other states	1,438	834	4,028	6,300
Total(a)(b)	$ 4,569	$ 5,077	$ 18,526	$ 28,172

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

(b) Includes $4.3 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, 2014	Fair Value at December 31, 2013
Financial institutions:		
Money Center /Global Bank Groups	$ 11,380	$ 11,250
Regional banks — other	588	594
Life insurance	3,671	3,918
Securities firms and other finance companies	437	458
Insurance non-life	5,678	4,899
Regional banks — North America	6,886	6,875
Other financial institutions	8,326	7,900
Utilities	23,903	22,645
Communications	10,597	10,590
Consumer noncyclical	17,285	17,420
Capital goods	9,046	9,082
Energy	12,376	12,072
Consumer cyclical	11,396	10,787
Basic	10,000	9,855
Other	16,759	16,207
Total *	$ 148,328	$ 144,552

* At both September 30, 2014 and December 31, 2013, approximately 93 percent 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:

(in millions)	Fair Value at September 30, 2014	Fair Value at December 31, 2013
Total RMBS		
2014	$ 918	$ -
2013	2,903	2,371
2012	2,610	2,375
2011	5,349	5,736
2010	1,672	1,843
2009 and prior*	25,252	23,823
Total RMBS	$ 38,704	$ 36,148
Agency		
2014	$ 860	$ -
2013	2,793	2,259
2012	2,437	2,164
2011	3,477	3,860
2010	1,643	1,797
2009 and prior	1,893	2,136
Total Agency	$ 13,103	$ 12,216
Alt-A		
2014	-	-
2013	-	-
2012	-	-
2011	-	-
2010	$ 29	$ 37
2009 and prior	13,029	10,894
Total Alt-A	$ 13,058	$ 10,931
Subprime		
2014	-	-
2013	-	-
2012	-	-
2011	-	-
2010	-	-
2009 and prior	$ 2,416	$ 2,386
Total Subprime	$ 2,416	$ 2,386
Prime non-agency		
2014	$ -	$ -
2013	9	27
2012	147	202
2011	1,871	1,876
2010	-	9
2009 and prior	7,470	7,944
Total Prime non-agency	$ 9,497	$ 10,058
Total Other housing related	$ 630	$ 557

* Commencing in the second quarter of 2011, we began purchasing certain RMBS that had experienced deterioration in the credit quality since their origination. See Note 6 to the Condensed Consolidated Financial Statements, Investments – Purchase Credit Impaired (PCI) Securities, for additional discussion. Includes approximately $13.5 billion and $11.3 billion at September 30, 2014 and December 31, 2013, respectively, of these securities.

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

(in millions)		Fair Value at September 30, 2014		Fair Value at December 31, 2013
Rating:				
Total RMBS				
AAA	$	15,589	$	14,833
AA		441		477
A		541		598
BBB		1,003		1,051
Below investment grade[(a)]		21,122		19,163
Non-rated		8		26
Total RMBS[(b)]	$	38,704	$	36,148
Agency RMBS				
AAA	$	13,098	$	12,210
AA		5		6
Total Agency	$	13,103	$	12,216
Alt-A RMBS				
AAA	$	8	$	32
AA		37		54
A		91		114
BBB		340		381
Below investment grade[(a)]		12,582		10,350
Total Alt-A	$	13,058	$	10,931
Subprime RMBS				
AAA	$	19	$	27
AA		119		117
A		222		233
BBB		255		248
Below investment grade[(a)]		1,801		1,761
Total Subprime	$	2,416	$	2,386
Prime non-agency				
AAA	$	2,271	$	2,462
AA		270		288
A		224		248
BBB		370		383
Below investment grade[(a)]		6,354		6,651
Non-rated		8		26
Total prime non-agency	$	9,497	$	10,058
Total Other housing related	$	630	$	557

(a) Commencing in the second quarter of 2011, we began purchasing certain RMBS that had experienced deterioration in credit quality since their origination. See Note 6 to the Condensed Consolidated Financial Statements, Investments - Purchased Credit Impaired (PCI) Securities, for additional discussion.

(b) The weighted average expected life was 6 years at September 30, 2014 and 7 years at December 31, 2013.

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:

(in millions)	Fair Value at September 30, 2014	Fair Value at December 31, 2013
CMBS (traditional)	$ 11,091	$ 9,794
Agency	1,365	1,558
Other	86	130
Total	$ 12,542	$ 11,482

The following table presents the fair value of our CMBS holdings by rating agency designation and by vintage year:

(in millions)	AAA	AA	A	BBB	Below Investment Grade	Non-Rated	Total
September 30, 2014							
Year:							
2014	$ 1,420	$ 85	$ 11	$ -	$ -	$ -	$ 1,516
2013	2,616	430	89	60	-	-	3,195
2012	1,150	60	27	61	-	13	1,311
2011	1,022	20	37	21	-	-	1,100
2010	166	6	-	-	-	-	172
2009 and prior	1,006	673	673	940	1,956	-	5,248
Total	$ 7,380	$ 1,274	$ 837	$ 1,082	$ 1,956	$ 13	$ 12,542
December 31, 2013							
Year:							
2013	$ 2,490	$ 378	$ 79	$ 58	$ -	$ -	$ 3,005
2012	1,064	57	26	35	-	14	1,196
2011	1,112	19	36	20	-	-	1,187
2010	172	7	-	-	-	-	179
2009 and prior	1,103	819	688	1,115	2,190	-	5,915
Total	$ 5,941	$ 1,280	$ 829	$ 1,228	$ 2,190	$ 14	$ 11,482

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

(in millions)	Fair Value at September 30, 2014	Fair Value at December 31, 2013
Geographic region:		
New York	$ 2,627	$ 2,110
California	1,298	1,187
Texas	810	718
Florida	553	501
New Jersey	459	436
Virginia	385	373
Illinois	338	317
Pennsylvania	283	236
Georgia	279	240
Massachusetts	252	224
Maryland	220	195
Arizona	218	197
All Other*	4,820	4,748
Total	$ 12,542	$ 11,482

* Includes non-U.S. locations.

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

(in millions)	Fair Value at September 30, 2014	Fair Value at December 31, 2013
Industry:		
Office	$ 3,595	$ 3,205
Retail	3,541	3,146
Multi-family*	2,783	2,643
Lodging	1,121	1,023
Industrial	681	621
Other	821	844
Total	$ 12,542	$ 11,482

* Includes agency-backed CMBS.

The fair value of CMBS holdings remained stable during the third quarter of 2014. 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:

(in millions)	Fair value at September 30, 2014	Fair value at December 31, 2013
Collateral Type:		
Bank loans (CLO)	$ 6,105	$ 4,613
Other	420	529
Total	$ 6,525	$ 5,142

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

(in millions)	Fair Value at September 30, 2014	Fair Value at December 31, 2013
Rating:		
AAA	$ 1,472	$ 594
AA	1,844	1,374
A	2,465	2,158
BBB	392	499
Below investment grade	352	517
Total	$ 6,525	$ 5,142

Commercial Mortgage Loans

At September 30, 2014, we had direct commercial mortgage loan exposure of $17.8 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:

	Number of	Class							Percent of
(dollars in millions)	Loans	Apartments	Offices	Retails	Industrials	Hotels	Others	Total	Total
September 30, 2014									
State:									
New York	90	$ 532	$ 1,630	$ 286	$ 151	$ 99	$ 230	$ 2,928	16 %
California	131	29	689	392	477	424	541	2,552	14
New Jersey	50	508	353	303	2	31	42	1,239	7
Florida	88	142	193	360	119	137	151	1,102	6
Texas	58	71	392	161	173	177	56	1,030	6
Illinois	24	175	328	26	73	36	-	638	4
Massachusetts	20	-	206	322	-	-	33	561	3
Connecticut	23	279	156	5	43	-	-	483	3
Pennsylvania	50	46	97	168	108	16	10	445	3
Colorado	19	47	159	48	-	120	57	431	2
Other states	356	923	1,146	1,732	506	335	255	4,897	27
Foreign	76	523	340	81	66	94	431	1,535	9
Total*	985	$ 3,275	$ 5,689	$ 3,884	$ 1,718	$ 1,469	$ 1,806	$ 17,841	100 %

December 31, 2013									
State:									
California	142	$ 30	$ 804	$ 429	$ 515	$ 366	$ 697	$ 2,841	18 %
New York	88	662	1,472	243	68	100	152	2,697	17
New Jersey	53	510	326	297	7	31	42	1,213	6
Florida	94	87	170	377	123	137	165	1,059	7
Texas	54	32	184	165	182	150	62	775	5
Connecticut	22	279	143	5	44	-	-	471	3
Pennsylvania	52	47	97	155	110	16	13	438	3
Ohio	44	145	33	188	61	-	3	430	3
Maryland	21	20	139	200	12	4	4	379	2
Massachusetts	17	-	178	158	-	-	34	370	2
Other states	345	666	1,203	1,158	416	525	490	4,458	27
Foreign	63	361	139	-	69	102	393	1,064	7
Total*	995	$ 2,839	$ 4,888	$ 3,375	$ 1,607	$ 1,431	$ 2,055	$ 16,195	100 %

* Excludes portfolio valuation losses.

See Note 6 to the Consolidated Financial Statements in the 2013 Annual Report for further discussion of commercial mortgage loans.

Impairments

The following table presents impairments by investment type:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2014**	2013	**2014**	2013
Fixed maturity securities, available for sale	**$ 30**	$ 36	**$ 121**	$ 94
Equity securities, available for sale	**5**	3	**16**	13
Private equity funds and hedge funds	**15**	13	**27**	39
Subtotal	**50**	52	**164**	146
Investments in life settlements*	**52**	61	**139**	139
Other investments	**62**	9	**117**	82
Real estate*	**-**	-	**-**	19
Total	**$ 164**	$ 122	**$ 420**	$ 386

* Impairments on Investments in life settlements and Real estate are recorded in Other realized losses.

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:

	Reportable Segment			
(in millions)	AIG Property Casualty	AIG Life and Retirement	Other Operations	Total
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**
Three Months Ended September 30, 2013				
Impairment Type:				
Severity	$ -	$ -	$ -	$ -
Change in intent	-	-	1	1
Foreign currency declines	-	-	-	-
Issuer-specific credit events	13	38	-	51
Adverse projected cash flows	-	-	-	-
Total	$ 13	$ 38	$ 1	$ 52
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**
Nine Months Ended September 30, 2013				
Impairment Type:				
Severity	$ 5	$ -	$ -	$ 5
Change in intent	2	-	2	4
Foreign currency declines	-	-	-	-
Issuer-specific credit events	33	97	-	130
Adverse projected cash flows	1	6	-	7
Total	$ 41	$ 103	$ 2	$ 146

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

(in millions)	RMBS	CDO/ABS	CMBS	Other Fixed Maturity	Equities/Other Invested Assets*	Total
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
Three Months Ended September 30, 2013						
Impairment Type:						
Severity	$ -	$ -	$ -	$ -	$ -	$ -
Change in intent	1	-	-	-	-	1
Foreign currency declines	-	-	-	-	-	-
Issuer-specific credit events	9	1	10	15	16	51
Adverse projected cash flows	-	-	-	-	-	-
Total	$ 10	$ 1	$ 10	$ 15	$ 16	$ 52
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
Nine Months Ended September 30, 2013						
Impairment Type:						
Severity	$ -	$ -	$ -	$ -	$ 5	$ 5
Change in intent	1	-	-	1	2	4
Foreign currency declines	-	-	-	-	-	-
Issuer-specific credit events	18	4	38	25	45	130
Adverse projected cash flows	7	-	-	-	-	7
Total	$ 26	$ 4	$ 38	$ 26	$ 52	$ 146

* 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:

(in millions)	RMBS	CDO/ABS	CMBS	Other Fixed Maturity	Equities/Other Invested Assets*	Total
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**
Three Months Ended September 30, 2013						
Rating:						
AAA	$ -	$ -	$ -	$ -	$ -	$ -
AA	1	-	-	-	-	1
A	1	-	-	-	-	1
BBB	-	-	-	-	-	-
Below investment grade	8	1	10	15	-	34
Non-rated	-	-	-	-	16	16
Total	$ 10	$ 1	$ 10	$ 15	$ 16	$ 52
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**
Nine Months Ended September 30, 2013						
Rating:						
AAA	$ 1	$ -	$ -	$ -	$ -	$ 1
AA	1	-	-	-	-	1
A	1	-	-	-	-	1
BBB	-	-	-	-	-	-
Below investment grade	23	4	38	25	-	90
Non-rated	-	-	-	1	52	53
Total	$ 26	$ 4	$ 38	$ 26	$ 52	$ 146

* 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, 2014 and 2013 related to:

- issuer-specific credit events;
- securities for which we have changed our intent from hold 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.

There was no significant impact to our consolidated financial condition or results of operations from other-than-temporary impairment charges for any one single credit. Also, no individual other-than-temporary impairment charge exceeded 0.01 percent and 0.02 percent of total equity at either September 30, 2014 or September 30, 2013, respectively.

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 recovery value over the remaining life of the security. The accretion that was recognized for these securities in earnings was $183 million and $184 million for the three-month periods ended September 30, 2014 and 2013, respectively, and $544 million and $611 million for the nine-month periods ended September 30, 2014 and 2013 respectively. For a discussion of our other-than-temporary impairment accounting policy, see Note 6 to the Consolidated Financial Statements in the 2013 Annual Report.

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, 2014	Less Than or Equal to 20% of Cost[b]			Greater Than 20% to 50% of Cost[b]			Greater Than 50% of Cost[b]			Total		
Aging[a] *(dollars in millions)*	Cost[c]	Unrealized Loss	Items[e]	Cost[c]	Unrealized Loss	Items[e]	Cost[c]	Unrealized Loss	Items[e]	Cost[c]	Unrealized Loss[d]	Items[e]
Investment grade bonds												
0-6 months	$ 18,270	$ 212	2,182	$ 5	$ 1	5	$ -	$ -	-	$ 18,275	$ 213	2,187
7-11 months	1,380	29	231	-	-	-	-	-	-	1,380	29	231
12 months or more	24,821	1,168	1,928	120	34	28	11	7	2	24,952	1,209	1,958
Total	$ 44,471	$ 1,409	4,341	$ 125	$ 35	33	$ 11	$ 7	2	$ 44,607	$ 1,451	4,376
Below investment grade bonds												
0-6 months	$ 5,230	$ 100	1,514	$ 118	$ 30	8	$ -	$ -	-	$ 5,348	$ 130	1,522
7-11 months	1,285	35	343	4	1	5	1	1	2	1,290	37	350
12 months or more	3,189	196	392	234	66	43	7	6	6	3,430	268	441
Total	$ 9,704	$ 331	2,249	$ 356	$ 97	56	$ 8	$ 7	8	$ 10,068	$ 435	2,313
Total bonds												
0-6 months	$ 23,500	$ 312	3,696	$ 123	$ 31	13	$ -	$ -	-	$ 23,623	$ 343	3,709
7-11 months	2,665	64	574	4	1	5	1	1	2	2,670	66	581
12 months or more	28,010	1,364	2,320	354	100	71	18	13	8	28,382	1,477	2,399
Total[e]	$ 54,175	$ 1,740	6,590	$ 481	$ 132	89	$ 19	$ 14	10	$ 54,675	$ 1,886	6,689
Equity securities												
0-11 months	$ 408	$ 19	114	$ 20	$ 6	21	$ -	$ -	-	$ 428	$ 25	135
12 months or more	75	5	1	13	6	1	-	-	-	88	11	2
Total	$ 483	$ 24	115	$ 33	$ 12	22	$ -	$ -	-	$ 516	$ 36	137

(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, 2014.

(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 for the third quarter of 2014 was primarily attributable to decreases in the fair value of fixed maturity securities due to the widening of credit spreads. For the nine-month period ended September 30, 2014, net unrealized gains related to fixed maturity and equity securities increased by $6.5 billion due to a decrease in interest rates on fixed maturity securities and narrowing of investment grade credit spreads, partially offset by widening of high yield spreads.

The change in net unrealized gains and losses on investments for the third quarter of 2013 was primarily attributable to the depreciation in the fair value of bonds available for sale due to the increase in interest rates, which more than offset the narrowing of credit spreads. For the nine-month period ended September 30, 2013, net unrealized gains related to fixed maturity and equity securities decreased by $12.8 billion.

See also Note 6 to the Condensed Consolidated Financial Statements for further discussion of our investment portfolio.

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 2013 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 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 third-party guarantees, reinsurance or collateral, such as 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. We identify our aggregate credit exposures to our underlying counterparty risks and report them regularly to senior management for review.

See Investments – Available for Sale Investments herein for further information on our credit concentrations and credit exposures.

Market Risk Management

Overview

Market risk is defined as the potential loss arising from adverse fluctuations in equity and commodity prices, residential and commercial real estate values, interest rates, credit spreads, foreign currencies, inflation, and their levels of volatility.

We are exposed to market risks primarily within our insurance and capital markets businesses. The chief risk officer within each such business is responsible for properly identifying these risks, then ensuring that they are appropriately measured, monitored and managed in accordance with the written risk governance framework established by the Chief Market Risk Officer (CMRO).

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 quantifies the adverse impact on us due to broad, systemic movements in one or more of the following market risk drivers:

Equity market prices. We are exposed to equity market prices affecting a variety of instruments. These include direct investments in publicly-traded shares, investments in private equity, hedge funds and mutual funds, exchange-traded funds and other equity-linked capital market instruments as well as other equity-linked insurance products, including but not limited to equity-indexed 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. Residential investments include residential mortgage loans, residential mortgage-backed securities and other structured securities with underlying assets that include residential mortgages: trusts that include real estate and/or mortgages (REITs), and mortgage insurance contracts. Commercial exposures include commercial mortgage loans, commercial mortgage backed securities and other structured securities with underlying assets that include commercial mortgages: trusts, REITs, and other investments.

Interest rates. Interest rate risk can arise from a mismatch in the interest rate exposure of assets versus liabilities. Low interest rates mean less investment income and potentially less attractive insurance products. Conversely, higher interest rates are typically beneficial for the opposite reasons. However, when rates rise quickly, there can be a temporary asymmetric 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.

Credit spread or risk premium. Credit spreads measure an instrument's risk premium or yield relative to that of a comparable duration, default-free instrument. 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 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 currency exchange rates. We are a globally diversified enterprise with significant income, assets and liabilities denominated in, and significant capital deployed in, a variety of currencies.

Commodity Prices. Changes in the value of commodities can affect the valuation of publicly-traded commodities, commodity indices and derivatives.

Inflation. Changes in inflation can affect the valuation of fixed maturity securities, including debt securities linked to inflation index returns, derivatives on inflation indices, and insurance contracts where the claims are linked to inflation either explicitly, via indexing, or implicitly, through medical costs or wage levels in our primary casualty business.

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 we have available within our framework. At the market risk level, the framework measures our overall exposure to each systemic market risk change.

Our risk appetite is currently defined in terms of capital and liquidity levels under specified stress tests. In addition, we continue to develop 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.

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 spread 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	
(dollars in millions)	**September 30, 2014**	December 31, 2013	**September 30, 2014**	December 31, 2013
Sensitivity factor			100 bps parallel increase in all yield curves	
Interest rate sensitive assets:				
Fixed maturity securities	**280,853**	268,208	**(15,292)**	(14,341)
Mortgage and other loans receivable	**16,225**	14,649	**(833)**	(661)
Preferred stock	**22**	21	**(3)**	(2)
Total interest rate sensitive assets	**$ 297,100** (a)	$ 282,878 (a)	**$ (16,128)** (b)	$ (15,004)
Sensitivity factor			20% decline in stock prices and value of alternative investments	
Equity and alternative investments exposure:				
Hedge funds	**10,530**	9,900	**(2,106)**	(1,980)
Private equity	**9,345**	9,810	**(1,869)**	(1,962)
Real estate investments	**3,327**	3,113	**(665)**	(623)
PICC[(c)]	**2,841**	2,536	**(568)**	(507)
Common equity	**2,241**	1,927	**(448)**	(385)
Aircraft asset investments	**673**	763	**(135)**	(153)
AerCap Holdings N.V.	**4,820**	-	**(964)**	-
Other investments	**924**	957	**(185)**	(191)
Total equity and alternative investments exposure	**$ 34,701**	$ 29,006	**$ (6,940)**	$ (5,801)
Sensitivity factor			10% depreciation of all foreign currency exchange rates against the U.S. dollar	
Foreign currency-denominated net asset position[(d)]	**$ 11,155**	$ 10,350	**$ (1,116)**	$ (1,035)

(a) At September 30, 2014, the analysis covered $297 billion of $314 billion interest-rate sensitive assets. Excluded are $1 billion in DIB assets, $7 billion of loans, and $4 billion of investments in life settlements. In addition, $5 billion of assets across various asset categories were excluded due to modeling limitations. At December 31, 2013, the analysis covered $283 billion of $306 billion interest-rate sensitive assets. Excluded are $6 billion in DIB assets, $5 billion of loans, and $4 billion of investments in life settlements. In addition, $8 billion of assets across various asset categories were excluded due to modeling and/or data limitations.

(b) Commencing in the first quarter of 2014, we began using a duration and convexity method to estimate the impact of a 100 bps increase in interest rates on each security. The change in method resulted in no material effect on the amounts presented at December 31, 2013.

(c) Includes our investments in PICC Group and PICC P&C.

(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, 2014, our five largest foreign currency net asset positions were denominated in British pounds, Canadian dollars, Hong Kong dollars, Japanese yen and Singapore dollars. Our foreign currency-denominated net asset position at September 30, 2014 increased by 7.8 percent, or $805 million, compared to December 31, 2013. The increase was mostly due to a $422 million increase in our British pound position, primarily resulting from the purchase of British pounds using excess euros to fund outflows; a $326 million increase in our Japanese yen position, mainly attributable to Japanese yen deferred tax liability reduction; a $228 million increase in our Hong Kong dollar position, primarily resulting from AIG Property Casualty's investment in PICC P&C; a $159 million increase in our Canadian dollar position, mainly attributable to an increase in operating income from underwriting and investments; and a $144 million increase in our Singapore dollar position, primarily due to intercompany receivables generated from declared dividends in the Asia Pacific region, partially offset by a $374 million decrease in our euro position, primarily resulting from bond hedging and the sale of excess euros to fund British pound outflows; and a $172 million decrease in our Polish zloty position, primarily resulting from the sale of our equity investment in Santander Consumer Bank.

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.

The failure to appropriately manage liquidity risk can result in reduced operating flexibility, increased costs, and reputational harm. Because liquidity is critically important, our liquidity governance includes a number of liquidity and funding policies and monitoring tools to address AIG-specific, broader industry and market related liquidity events.

Sources of Liquidity risk can include, but are not limited to:

- financial market movements — significant changes in interest rates can provide incentives for policyholders to surrender their policies. Changes in markets can impact collateral posting requirements or limit our ability to sell assets at reasonable values to meet liquidity needs due to unfavorable market conditions, inadequate market depth, or other investors seeking to sell the same or similar assets;
- potential reputational events or credit downgrade — changes can have an impact on policyholder cancellations and withdrawals or impact collateral posting requirements; and
- catastrophic events, including natural and man-made disasters, that can increase policyholder claims.

The principal objective of our liquidity risk framework is to protect our liquidity position and identify a diversity of funding sources available to meet actual and contingent liabilities during both normal and stress periods. This framework is guided by the liquidity risk tolerance. AIG Parent liquidity risk tolerance levels are established for base and stress scenarios over a time horizon covering a period greater than 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.

We strive to manage our liquidity prudently at a legal entity level across AIG Parent and the operating companies. Key components of the framework include effective corporate governance and policy, maintaining diversified sources of liquidity, contingency funding plans, and regular review of liquidity metrics in both normal and stress conditions. We view each component of the framework together to achieve our goal of sound liquidity risk management.

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 claims and claims adjustment expense;
- 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 2013 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, banking 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 continues to be regulated and supervised by the FRB due to its designation by the Financial Stability Oversight Council as a nonbank SIFI, but is no longer regulated as a savings and loan holding company due to the restructuring of AIG Federal Savings Bank from a federal savings association to a trust-only thrift. On July 1, 2014, as a nonbank SIFI, AIG submitted to its regulators its initial annual plan for rapid and orderly resolution in the event of material financial distress or failure, which must meet several specific standards, including requiring a detailed resolution strategy and analyses of material entities, organizational structure, interconnections and interdependencies, and management information systems, among other elements. The public section of the plan can be found on the websites of the FRB and the Federal Deposit Insurance Corporation. The FRB has yet to complete the regulatory framework that will be applicable to AIG as a nonbank SIFI.

In October 2014, the International Association of Insurance Supervisors (IAIS) announced that it has concluded the development of its proposed basic capital requirements, which are expected to be endorsed by G20 leaders in November 2014. Other related IAIS initiatives are pending.

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 19 to the Consolidated Financial Statements in the 2013 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 value of business acquired (VOBA) and deferred policy acquisition costs (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.

Additional premium/Return premium is a premium due either to or from an insured as a result of a change in coverage (e.g. increase or decrease in limits or risk) or cancellation of an existing policy. In addition, certain policies provide for adjustments to the original premium amount charged based on the experience of the policy, e.g. workers' compensation policies and loss sensitive policies where changes to the original premium are based on variances of the loss history against estimates built into the determination of the original premium.

AIG – After-tax operating income (loss) attributable to AIG is derived by excluding the following items from net income (loss) attributable to AIG: income (loss) from discontinued operations, income (loss) from 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 related tax effects), legacy tax adjustments primarily related to certain changes in uncertain tax positions and other tax adjustments, legal reserves (settlements) related to "legacy crisis matters," deferred income tax valuation allowance (releases) charges, changes in fair value of AIG Life and Retirement fixed maturity securities designated to hedge living benefit liabilities (net of interest expense), changes in benefit reserves and DAC, VOBA, and sales inducement assets (SIA) related to net realized capital gains (losses), AIG Property Casualty other (income) expense - net, (gain) loss on extinguishment of debt, net realized capital (gains) losses, and non-qualifying derivative hedging activities, excluding net realized capital (gains) losses. "Legacy crisis matters" include favorable and unfavorable settlements related to events leading up to and resulting from our September 2008 liquidity crisis and legal fees incurred by AIG as the plaintiff in connection with such legal matters.

AIG Life and Retirement – Pre-tax operating income (loss) Pre-tax operating income (loss) is derived by excluding the following items from pre-tax income (loss): legal settlements related to legacy crisis matters, changes in fair values of fixed maturity securities designated to hedge living benefit liabilities (net of interest expense), net realized capital (gains) losses, and changes in benefit reserves and DAC, VOBA, and SIA related to net realized capital gains (losses).

AIG Life and Retirement – Premiums and deposits includes 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.

AIG Life and Retirement – Surrender rate represents annualized surrenders and withdrawals as a percentage of average account value.

AIG Property Casualty – 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.

AIG Property Casualty – Pre-tax operating income (loss) includes both underwriting income (loss) and net investment income, but excludes net realized capital (gains) losses, other (income) expense - net, and legal settlements related to legacy crisis matters. Underwriting income (loss) is derived by reducing net premiums earned by claims and claims adjustment expenses incurred, acquisition expenses and general operating expenses.

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 Accumulated Other Comprehensive Income (loss) (AOCI) is a non-GAAP measure and is 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.

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 Property Casualty 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 that provides for collateral postings at various 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 the DIB'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 claims adjustment expenses, 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.

High loss deductible policies A type of commercial insurance policy where we pay the full claim and then seek reimbursement from the insured for the deductible. Losses are retained by the insured up to a specified deductible amount (usually $25,000 or more per claim, subject to individual state approval) and we insure the claims in excess of the deductible. Generally, the total claims (including the deductible portion) are managed and paid by us as part of a loss control program, and we are reimbursed the deductible amount by the insured. In the case of unpaid claims, we make estimates of the deductible portion of claims reported to us, and reduce our loss reserves accordingly. In most cases, we obtain collateral in the form of cash, letters of credit or other funding arrangements to secure the amounts of uncollected deductibles.

IBNR *Incurred But Not Reported* Estimates of claims that have been incurred but not reported to us.

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 Claims and claims adjustment expenses incurred divided by net premiums earned. Claims 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 Recognition Related to Unrealized Appreciation (Depreciation) of Investments An adjustment to DAC and future policy benefits for long-duration traditional products, equal to the adjustments that would be required 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, and such reinvestment would not be sufficient to recover DAC and meet policyholder obligations (also referred to as "shadow loss recognition"). 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).

Loss reserve development The increase or decrease in incurred claims and claims adjustment expenses as a result of the re-estimation of claims and claims adjustment expense reserves at successive valuation dates for a given group of claims.

Loss reserves Liability for unpaid claims and claims adjustment expense. 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, as well as cash collateral, through a single payment, in a single currency, in the event of default on or upon termination of any one 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.

Noncontrolling interest The portion of equity ownership in a consolidated subsidiary not attributable to the controlling parent company.

Other Operations – Pre-tax operating income (loss): pre-tax income (loss) excluding certain legal reserves (settlements) related to legacy crisis matters, (gain) loss on extinguishment of debt, Net realized capital (gains) losses, net (gain) 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), changes in benefit reserves and DAC, VOBA, and SIA related to net realized capital gains (losses) and income (loss) from divested businesses, including Aircraft Leasing.

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. Our members in the admitted lines pool are licensed to write standard lines of business by the individual state departments of insurance, and the policy forms and rates are regulated by those departments. Our members in the surplus lines pool provide policyholders with insurance coverage for risks which are generally not available in the standard insurance market. Surplus lines policy forms and rates are not regulated by the insurance departments.

Prior year development Increase or decrease 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.

Retained Interest Category within AIG's Other Operations that includes the fair value gains or losses, prior to their sale, of the AIA ordinary shares retained following the AIA Group Limited initial public offering and the MetLife, Inc. securities that were received as consideration from the sale of American Life Insurance Company and the fair value gains or losses, prior to the FRBNY liquidation of Maiden Lane III LLC assets in 2012, on the retained interest in Maiden Lane III LLC.

Retroactive Reinsurance See Deferred Gain on Retroactive Reinsurance.

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.

SIFI *Systemically Important Financial Institutions* Financial institutions are deemed 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 (FSOC) based on a three-stage analytical process.

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 in January 2016.

SSDMF *Social Security Death Master File* A database of deceased individuals, most of whom were issued a social security number during their lifetimes, maintained by the U.S. Social Security Administration.

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.

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

ABS Asset-Backed Securities

CDO Collateralized Debt Obligations

CDS Credit Default Swap

CLO Collateralized Loan Obligations

CMA Capital Maintenance Agreement

CMBS Commercial Mortgage-Backed Securities

FASB Financial Accounting Standards Board

FRBNY Federal Reserve Bank of New York

GAAP Accounting principles generally accepted in the United States of America

GMAV Guaranteed Minimum Account Value Benefits

GMDB Guaranteed Minimum Death Benefits

GMIB Guaranteed Minimum Income Benefits

GMWB Guaranteed Minimum Withdrawal Benefits

IFRS International Financial Reporting Standards

ISDA International Swaps and Derivatives Association, Inc.

NAIC National Association of Insurance Commissioners

NM Not Meaningful

OTC Over-the-Counter

OTTI Other-Than-Temporary Impairment

RMBS Residential Mortgage-Backed Securities

S&P Standard & Poor’s Financial Services LLC

SEC Securities and Exchange Commission

TARP Troubled Asset Relief Program of the Department of the Treasury

VIE Variable Interest Entity

ITEM 3. / QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Included in Part I, Item 2. Management 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, 2014.

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, 2014 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 10 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 factors discussed in Part I, Item 1A. Risk Factors in our 2013 Annual Report.

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, 2014:

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	**1,700,247**	**$ 54.49**	**1,700,247**	**$ 1,466**
August 1 - 31	**10,838,844**	**54.10**	**10,838,844**	**692**
September 1 - 30	**12,273,421**	**54.48**	**12,273,421**	**-**
Total*	**24,812,512**	**$ 54.32**	**24,812,512**	**$ -**

* On August 1, 2013, our Board of Directors authorized the repurchase of shares of AIG Common Stock, with an aggregate purchase price of up to $1.0 billion, from time to time in the open market, private purchases, through forward, derivative, accelerated repurchase or automatic repurchase transactions or otherwise. On February 13, 2014, our Board of Directors authorized an increase to the August 1, 2013 repurchase authorization of AIG Common Stock of $1.0 billion. On June 5, 2014, our Board of Directors authorized an additional increase to the August 1, 2013 repurchase authorization of AIG Common Stock of $2.0 billion.

On October 31, 2014, our Board of Directors authorized an additional increase to the August 1, 2013 repurchase authorization of AIG Common Stock of $1.5 billion, resulting in an aggregate remaining authorization of approximately $1.5 billion. 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, 2014, we repurchased approximately 24.8 million shares of AIG Common Stock under this authorization for an aggregate purchase price of approximately $1.5 billion. The total number of shares of AIG Common Stock repurchased in the three-month period ended September 30, 2014, and the aggregate purchase price of those shares, each as set forth above, reflect our payment of $1.4 billion under two ASR agreements executed in the third quarter of 2014 and the receipt of approximately 21.6 million shares of AIG Common Stock, including the initial receipt of 70 percent of the total notional share equivalent, or approximately 8.8 million shares of AIG Common Stock, under an ASR agreement executed in September 2014. That ASR agreement settled in October 2014, at which time we received approximately 3.9 million additional shares of AIG Common Stock based on a formula specified by the terms of the ASR Agreement. The total number of shares of AIG Common Stock repurchased in the three-month period ended September 30, 2014 also includes (but the aggregate purchase price does not include) approximately 1.7 million shares of AIG Common Stock received in July 2014 upon the settlement of an ASR agreement executed in the second quarter of 2014.

ITEM 4 / MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5 / OTHER INFORMATION

AIG Parent was a party to consolidated capital maintenance agreements (CMAs) with certain AIG Life and Retirement insurance subsidiaries. The parties agreed to terminate these CMAs effective October 31, 2014, with the exception of the CMA with AGC Life Insurance Company, which remains in place.

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/ DON W. CUMMINGS

Don W. Cummings
Vice President
Controller
Principal Accounting Officer

Dated: November 3, 2014

EXHIBIT INDEX

Exhibit Number	Description	Location
3	Articles of incorporation and by-laws	
3(ii)	American International Group, Inc. By-laws, as amended on July 9, 2014	Incorporated by reference to Exhibit 3.1 to AIG's Current Report on Form 8-K filed with the SEC on July 14, 2014 (File No. 1-8787).
4	Instruments defining the rights of security holders, including indentures	
	(1) Twenty-First Supplemental Indenture, dated as of July 16, 2014, 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 16, 2014 (File No. 1-8787).
	(2) Twenty-Second Supplemental Indenture, dated as of July 16, 2014, 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 16, 2014 (File No. 1-8787).
	(3) Form of the 2019 Notes (included in Exhibit 4(1))	
	(4) Form of the 2044 Notes (included in Exhibit 4(2))	
10	Material Contracts	
	(1) Description of Peter D. Hancock Compensation*	Incorporated by reference to Item 5.02 of AIG's Current Report on Form 8-K filed with the SEC on July 14, 2014 (File No. 1-8787).
	(2) Release and Restrictive Covenant Agreement, dated as of September 18, 2014, by and between Jay Wintrob and AIG*	Filed herewith.
	(3) American International Group, Inc. 2012 Executive Severance Plan (as amended)*	Filed herewith.
	(4) American International Group, Inc. 2013 Long-Term Incentive Plan (as amended)*	Filed herewith.
	(5) American International Group, Inc. 2013 Short-Term Incentive Plan (as amended)*	Filed herewith.
	(6) American International Group, Inc. Annual Short-Term Incentive Plan (as amended)*	Filed herewith.
	(7) Side Letter, dated as of August 1, 2014, to Unconditional Capital Maintenance Agreement, dated as of July 1, 2013, between AIG and United Guaranty Residential Insurance Company	Incorporated by reference to Exhibit 10.2 to AIG's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 (File No. 1-8787).
	(8) CMA Termination Agreement, dated as of October 31, 2014, between AIG and American General Life Insurance Company	Filed herewith.
	(9) CMA Termination Agreement, dated as of October 31, 2014, between AIG and The United States Life Insurance Company in the City of New York	Filed herewith.
	(10) CMA Termination Agreement, dated as of October 31, 2014 between AIG and The Variable Annuity Life Insurance Company	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, 2014 and December 31, 2013, (ii) the Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2014 and 2013, (iii) the Condensed Consolidated Statement of Equity for the nine months ended September 30, 2014 and 2013, (iv) the Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2014 and 2013, (v) the Condensed Consolidated Statements of Comprehensive Loss for the three and nine months ended September 30, 2014 and 2013 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.
RELEASE AND RESTRICTIVE COVENANT AGREEMENT

This Release and Restrictive Covenant Agreement (the "*Agreement*") is entered into by and between Jay Wintrob (the "*Employee*") and American International Group, Inc., a Delaware Corporation (the "*Company*").

Each term defined in the American International Group, Inc. 2012 Executive Severance Plan (the "*Plan*") has the same meaning when used in this Agreement.

In addition, each term defined in the American International Group, Inc. Executive Severance Plan (the "*Old Plan*") has the same meaning when used in sections of this Agreement discussing the Old Plan.

I. Termination of Employment

The Employee's employment with the Company and each of its subsidiaries and controlled affiliates (collectively "*AIG*") shall terminate on a date to be determined between October 31, 2014 and December 31, 2014 (the "*Termination Date*") and, as of that date, the Employee shall cease performing the Employee's employment duties and responsibilities for AIG and shall no longer report to work for AIG. The Termination Date will be documented in a written letter to the Company in the form attached hereto as Exhibit A no less than seven calendar days prior to the Termination Date. In the event no such letter is issued, the Termination Date will be December 31, 2014. For purposes of this Agreement, the term "controlled affiliates" means an entity of which the Company directly or indirectly owns or controls a majority of the voting shares.

II. Severance

Contingent on Employee's execution of this Agreement within 21 days and Employee's execution of a Supplemental Release (as defined herein in Section XII.E) within 21 days after the Termination Date but in no event earlier than the Termination Date, Employee shall receive a lump sum severance payment in the gross amount of $6,520,000, less applicable tax withholdings paid out in a lump sum as soon as practicable following the Effective Date of the Supplemental Agreement but in no event later than March 15th of the year immediately following the Termination Year in accordance with Section IV.C of the Plan.

The Employee shall also receive a prorated annual short-term incentive bonus for the Termination Year calculated in accordance with Section IV.B(1)(b) of the Plan and payable when such incentives are regularly paid to similarly-situated active employees, 50% in the first quarter of the year following the performance year and 50% following the anniversary of the award. As required by the US Tax Code, the first short-term incentive bonus payment will be reduced by the FICA and Medicare withholdings required in connection with the whole short-term incentive bonus. The Employee shall also receive the second tranche of Employee's annual short-term incentive award for 2013 in the amount of $1,900,000, less applicable withholdings, payable when such short-term incentive awards are regularly paid to similarly-situated active employees, on the anniversary of the award. Any bonus or incentive compensation paid to Employee is subject to the AIG Clawback Policy as may be amended from time to time.

The Employee shall also be paid accrued wages, reimbursed expenses, and any accrued, unused paid time off ("PTO") as of the Termination Date. The Employee shall not accrue any PTO after the Termination Date.

III. Deferred Compensation Plans

A. SICO Plans

The Employee has been a participant in the Starr International Company, Inc. ("SICO") Deferred Compensation Profit Participation Plans (the "SICO Plans"). The SICO Plans mature two years from the inception of such plan (the "Maturity Date"). On the Maturity Date, a certain number of shares of AIG Common Stock were set aside for the Employee in accordance with the terms thereof (with respect to the SICO plans, the total set aside shares which the Employee would have received at final distribution is a total of 5,760; hereinafter the "SICO AIG Shares.")

The provisions of the SICO Plans normally would deny the Employee any right to the shares set aside for the Employee if the Employee's employment were to terminate prior to age 65. Nevertheless, in consideration of the Employee's service to the Company and its affiliates and the Employee's compliance with the provisions in this Agreement, the Company will recommend to the Compensation and Management Resources Committee (the "CMRC") the reinstatement of the Employee's contingent rights to the SICO AIG Shares. This agreement and recommendation are subject to the conditions that:

a. Promptly after the Termination Date the Employee shall have requested the Board of Directors of SICO in writing to reinstate the Employee's contingent rights to the SICO AIG Shares set aside for the Employee under the SICO Plans, it being understood that payment of such Shares shall be subject to the Employee having satisfied the conditions set forth in sub-Sections III.A.b through d below. If and when the Employee receives a letter from SICO regarding the continued set-aside of the SICO AIG Shares, the Employee must promptly forward a copy of that letter to AIG's Vice President - Global Compensation and Benefits.

b. During the Employee's employment with AIG and until the Employee reaches the age of 65, the Employee shall not, without the prior written consent of the Company, have performed any services for any person other than AIG if such services, in the sole discretion of the CMRC, upon the recommendation of the Chief Executive Officer of the Company, may be deemed to be in competition with the Company, its subsidiaries or its affiliates (collectively, the "AIG Family");

c. During the Employee's employment with AIG and thereafter until the Employee reaches the age of 65, the Employee shall not have performed any acts which could be considered by the Compensation Committee, upon the recommendation of the Chief Executive Officer of the Company, to be detrimental to the name, reputation or interest of a member of the AIG Family, including, but not limited to, the inducement of any other person to leave the employ of a member of the AIG Family, or the inducement of any person placing insurance or reinsurance with a member of the AIG Family or purchasing any other product or service from a member of the AIG Family to transfer such business to a person or entity unrelated to the AIG Family; and

d. The CMRC, as constituted at the time the Employee reaches the age of 65, shall have reviewed the Employee's performance with respect to the conditions set forth in preceding sub-Sections III.A.a through c and determined that the Employee satisfied such conditions, and thereafter the Employee shall have so advised SICO and requested SICO to pay the SICO AIG Shares payable under the SICO Plans. The Company agrees that it shall use its best efforts to cause the review of the Employee's performance referred to in this sub-Section III.A. d to be completed (and the determination of the CMRC communicated to the Employee in writing) within four months after the Employee reaches the age of 65.

If the conditions stated in sub-Sections III.A.a through d above are fully satisfied and SICO fails to pay to the Employee the SICO AIG Shares (plus any shares attributable to stock splits or stock dividends paid prior to the payment of the SICO AIG Shares to the Employee) in accordance with the elections made by the Employee, the Company will pay any such unpaid shares or a cash equivalent valued as of the date Employee was originally scheduled to receive distribution of the shares to the Employee within six months from SICO's failure to pay, provided that the Employee (or the Employee's estate if the Employee is deceased) assigns to the Company any rights or claims that the Employee may have to any such unpaid shares from SICO or any other entity or person; in addition, the Company shall be subrogated to the rights of the Employee against SICO or any entity or person with respect to the unpaid shares and the Employee must take such steps as the Company may reasonably request to implement such subrogation. Such amounts shall be payable in the form of shares or the cash equivalent issued to the Employee within the same taxable year that the Employee elected such amounts to be distributed to the Employee or, if later, by the 15^{th} day of the third calendar month following such date, as the Company, in its sole discretion, may decide.

In the event of the Employee's death prior to age 65, the Employee's estate would receive the SICO AIG Shares provided that the Employee satisfied the conditions described in sub-Sections III.A.a through c above (as determined by the CMRC) until the date of the Employee's death. No cash dividends or other property rights pertaining to the SICO AIG Shares (other than the stock splits or stock dividends described above) will accrue or accumulate to the Employee or the Employee's estate's benefit during the period prior to the Employee's receipt of such shares in accordance with the terms of this Agreement. If the Employee is contemplating undertaking an activity and requests guidance from the Company regarding whether that activity would be compliant with the provisions of sub-Sections III.A.b and c above, the Employee should send that request, in writing, to Peter Hancock. The Company will respond to that request, in writing, within twenty-one (21) days after the receipt of the Employee's written request.

B. Long Term Incentive Plans

For purposes of the AIG Long Term Incentive Plan ("LTIP"), Employee's termination will be considered a termination without Cause (as defined in the LTIP) as of the

Termination Date, and Employee shall retain any rights that Employee may have under the LTIP for payment of awards under a termination without Cause.

Employee was approved for a grant under the 2013 AIG LTIP of Performance Share Units ("PSUs"). Under the termination rules of the 2013 AIG LTIP, if a participant is terminated without Cause, the grant will immediately vest. After the end of the 2013-2015 performance period, the CMRC will approve an earnout percentage (between 0-150%) that applies to the grant made to each participant. The final performance percentage approved by the CMRC will be applied to Employee's target grant. Employee's performance-adjusted PSUs will be delivered in three tranches, in AIG stock (although the Company reserves the right to pay in cash), at the normal delivery dates, in accordance with the terms of the LTIP.

Employee was approved for a 2014 LTI grant under the 2013 AIG LTIP of PSUs. After the end of the 2014-2016 performance period, the CMRC will approve an earnout percentage (between 0-150%) that applies to the grant made to each participant. The final performance percentage approved by the CMRC will be applied to Employee's target grant. Employee's performance-adjusted PSUs will be delivered in three tranches, in AIG stock (although the Company reserves the right to pay in cash), at the normal delivery dates, in accordance with the terms of the LTIP.

As required by the US Tax Code, the next scheduled LTIP award payout for each LTIP grant, if any, will be reduced by the FICA and Medicare withholdings required in connection with all remaining awards under that particular LTIP grant. Any long term incentive compensation paid to Employee is subject to the AIG Clawback Policy as amended from time to time.

C. TARP RSUs

Provided Employee remains employed by AIG on December 19, 2014, the Employee will be eligible to receive delivery of 26,610 vested TARP Restricted Stock Units ("TARP RSUs") under the terms and conditions of the 2011 TARP RSU grant, which are scheduled to be valued in December 2014 and will be settled in cash, net of applicable income taxes, as soon as administratively practicable thereafter. If Employee's employment terminates before December 19, 2014, the Company will recommend to the CMRC that the CMRC approve the waiver of the condition that the Employee be employed on the Scheduled Vesting Date, i.e. the third anniversary of the Date of Grant, in order to vest in the TARP RSUs that are unvested as of the Termination Date. If the CMRC approves this waiver, the TARP RSUs shall be deemed to vest on the Scheduled Vesting Date subject to the terms and conditions of the 2011 TARP RSU Award Agreement, and the Employee will be eligible to receive delivery of the vested TARP RSUs under the terms and conditions of the 2011 TARP RSU grant.

Provided Employee remains employed by AIG on December 17, 2014, the Employee will be eligible to receive delivery of 17,024 vested TARP RSUs under the terms and conditions of the 2012 TARP RSU grant (the first 50% of the Employee's 2012 TARP RSUs), which are scheduled to be valued in December 2014 and will be settled in cash, net of applicable income taxes, as soon as administratively practicable thereafter. With regard to the second 50% of the Employee's 2012 TARP RSUs, provided Employee remains employed by AIG on December 17, 2014, the Company will recommend to the CMRC that the CMRC approve the waiver of the condition that the Employee be employed on the Scheduled

Vesting Date, i.e. the third anniversary of the Date of Grant, in order to vest in the TARP RSUs that are unvested as of the Termination Date. If the CMRC approves this waiver, the TARP RSUs shall be deemed to vest on the Scheduled Vesting Date subject to the terms and conditions of the 2012 TARP RSU Award Agreement, and the Employee will be eligible to receive delivery of 17,024 vested TARP RSUs under the terms and conditions of the 2012 TARP RSU grant, which are scheduled to be valued in December 2015 and will be settled in cash, net of applicable income taxes, as soon as administratively practicable thereafter. If Employee's employment terminates before December 17, 2014, the Employee's 2012 TARP RSUs will not vest and will, therefore, be forfeited under the terms and conditions of such grants and plans.

D Stock Salary Grants

The Employee will be eligible to continue to receive delivery of restricted stock units of American International Group, Inc. ("RSUs") under the terms and conditions of the 2011 and 2012 Top 25 Stock Salary grants.

E. Enforcement

The Employee agrees that if the Employee fails to materially fulfill the Employee's duties under Sections VI and X below, the Employee will forfeit the right to receive any of the payments or benefit enhancements set forth in this Section III that the Employee would not otherwise be entitled to receive under the terms and conditions of the Plan (and the Company shall be entitled to immediately cease paying any such amounts remaining due or providing such any benefits to the Employee pursuant to this Section III) and, to the extent that any such payments already have been made to the Employee or benefit enhancements already implemented at or prior to the time of the Employee's failure to satisfy any such condition, the Employee must immediately return to the Company all such sums already paid to the Employee.

F. Withholdings

All payments (whether in cash, shares or otherwise) provided for under Section III of this Agreement are subject to applicable tax withholdings.

IV. Other Benefits

Nothing in this Agreement modifies or affects any of the terms of any benefit plans or programs (defined as medical, life, pension and 401(k) plans or programs and including, without limitation, the Company's right to alter the terms of such plans or programs). No further deductions or employer matching contributions shall be made on behalf of the Employee to the Incentive Savings Plan ("*ISP*") as of the last day of the pay period in which the Termination Date occurs.

The Employee shall no longer participate or be eligible for coverage under the Short-Term and Long-Term Disability programs, and the ISP. After the Termination Date, the Employee may decide, under the ISP, whether to elect a rollover or distribution of the Employee's account balance or to keep the account balance in the ISP. The Employee has amounts that remain deferred under the Executive Deferred Compensation Plan ("*EDCP*") as of the Termination Date. A distribution because of termination of employment of the Employee's account balance under the EDCP will be paid after Termination Date pursuant to the terms of the EDCP and because the Employee is a Specified Employee under Section 409A of the Internal Revenue Code, the payment of the amounts deferred under the EDCP will be subject to a six-month delay following the Employee's Termination Date.

As set forth in Section IV.D of the Plan, the Employee shall be entitled to continued health insurance coverage under COBRA for a period in accordance with the requirements under COBRA unless the Employee is or becomes ineligible under the provisions of COBRA for continuing coverage. The Employee shall be solely responsible for paying the full cost of the monthly premiums for COBRA coverage. In addition, the Employee shall be entitled to one (1) year of additional service credit and credit for additional age solely for purposes of determining the Employee's eligibility to participate in any Company Retiree Medical program and, if eligible, may choose to participate in such Company Retiree Medical program as of the Termination Date at the applicable rate or pay for COBRA coverage. The Employee shall also be entitled to a Supplemental Health & Life Payment of $40,000 which may, among other things, be payable towards COBRA and life insurance coverage after the Termination Date.

Employee's accrued benefit under American International Group, Inc. Non-Qualified Retirement Income Plan (the "Non-Qual Plan") is vested and shall commence [at the time set forth in the Non-Qual Plan] in accordance with the Non-Qual Plan's terms. As a point of clarity, because Employee is a Specified Employee under Section 409A of the Internal Revenue Code, the payment of the amounts accrued under the Non-Qual Plan will be subject to a six-month delay following the Employee's Termination Date. The Company agrees to recommend to the CMRC that the CMRC approve the payment of a Supplemental Retirement Income benefit in accordance with Section 4.2 of the American International Group, Inc. Supplemental Executive Retirement Plan ("SERP"). Any payments under the SERP shall commence at the time specified in the SERP documents. As a point of clarity, because Employee is a Specified Employee under Section 409A of the Internal Revenue Code, the payment of the amounts accrued under the SERP will be subject to a six-month delay following the Employee's Termination Date.

The Company agrees to provide outplacement services to Employee with Challenger Gray and Christmas in accordance with the terms of the contract between the Company and Challenger Gray and Christmas. However, such services shall commence only at the request of Employee to Challenger Gray and Christmas no earlier than fifteen (15) days of, and no later than ninety (90) days after, the later of (i) the Effective Date (as defined below) of this Agreement and Release and (ii) the Company's receipt of this Agreement and Release executed by Employee.

Except as set forth in this Agreement and Sections IV.D and E of the Plan there are no other payments or benefits due to the Employee from the Company. The Employee acknowledges and agrees that the Company has made no representations to the Employee as to the applicability of Code section 409A to any of the payments or benefits provided to the Employee pursuant to the Plan or this Agreement.

V. Release of Claims

In consideration of the payments and benefits described in Section IV of the Plan and Section II and III of this Agreement, to which the Employee agrees the Employee is not entitled until and unless the Employee executes this Agreement and executes the Supplemental Release in accordance with Section XII.E of the Agreement, the Employee, for and on behalf of the Employee and the Employee's heirs and assigns, subject to the following two sentences hereof, agrees to all the terms and conditions of this Agreement and hereby waives and releases any common law, statutory or other complaints, claims, charges or causes of action of any kind whatsoever, both known and unknown, in law or in equity, which the Employee ever had, now has or may have against AIG and its shareholders (other than C.V. Starr & Co., Inc. and Starr International Company, Inc.), successors, assigns, directors, officers, partners, members, employees, agents or the Plan (collectively, the "*Releasees*"), including, without limitation, any complaint, charge or cause of action arising under federal, state or local laws pertaining to employment, including the Age Discrimination in Employment Act of 1967 ("*ADEA*," a law which prohibits discrimination on the basis of age), the National Labor Relations Act, the Civil Rights Act of 1991, the Americans With Disabilities Act of 1990, Title VII of the Civil Rights Act of 1964, all as amended; and all other federal, state, local and foreign laws and regulations. By signing this Agreement, the Employee acknowledges that the Employee intends to waive and release any rights known or unknown that the Employee may have against the Releasees under these and any other laws; *provided that* the Employee does not waive or release claims with respect to the right to enforce the Employee's rights under this Agreement or with respect to any rights to indemnification under the Company's Charter, by-laws, other agreement or plan or at law, or rights to directors and officers liability insurance coverage (the "Unreleased Claims"). In addition, the Employee waives any claim to reinstatement or re-employment with AIG, the Employee shall not seek or accept employment with AIG after the Termination Date, and the Employee agrees not to bring any claim based upon the failure or refusal of AIG to employ the Employee hereafter. Nothing herein modifies or affects any vested rights that Employee may have under any applicable retirement plan, 401(k) plan, incentive plan, or deferred compensation plan; nor does this Agreement and Release confer any such rights, which are governed by the terms of the respective plans (and any agreements under such plans).

VI. Proceedings

The Employee acknowledges that the Employee has not filed any complaint, charge, claim or proceeding, except with respect to an Unreleased Claim, if any, against any of the Releasees before any local, state or federal agency, court or other body (each individually a "Proceeding"). The Employee represents that the Employee is not aware of any basis on which such a Proceeding could reasonably be instituted. By signing this Agreement the Employee:

(a) Acknowledges that the Employee shall not initiate or cause to be initiated on his behalf any Proceeding and shall not participate in any Proceeding, in each case, except as required by law;

(b) Waives any right he may have to benefit in any manner from any relief (whether monetary or otherwise) arising out of any Proceeding, including any Proceeding conducted by the Equal Employment Opportunity Commission ("EEOC"); and

(c) Acknowledges that the Employee shall be limiting the availability of certain remedies that the Employee may have against AIG and limiting also the Employee's ability to pursue certain claims against the Releasees.

Notwithstanding the above, nothing in Section VI of this Agreement shall prevent the Employee from:

(x) Initiating or causing to be initiated on his or her behalf any complaint, charge, claim or proceeding against the Company before any local, state or federal agency, court or other body challenging the validity of the waiver of his or her claims under the ADEA contained in Section V of this Agreement (but no other portion of such waiver), or

(y) Initiating or participating in an investigation or proceeding conducted by the EEOC.

VII. Time to Consider

The payments and benefits payable to the Employee under this Agreement include consideration provided to the Employee over and above anything of value to which the Employee already is entitled. The Employee acknowledges that the Employee has been advised that the Employee has 21 days from the date of the Employee's receipt of this Agreement to consider all the provisions of this Agreement.

THE EMPLOYEE FURTHER ACKNOWLEDGES THAT THE EMPLOYEE HAS READ THIS AGREEMENT CAREFULLY, HAS BEEN ADVISED BY THE COMPANY TO CONSULT AN ATTORNEY, AND FULLY UNDERSTANDS THAT BY SIGNING BELOW THE EMPLOYEE IS GIVING UP CERTAIN RIGHTS WHICH THE EMPLOYEE MAY HAVE TO SUE OR ASSERT A CLAIM AGAINST ANY OF THE RELEASEES, AS DESCRIBED IN SECTION V OF THIS AGREEMENT AND THE OTHER PROVISIONS HEREOF. THE EMPLOYEE ACKNOWLEDGES THAT THE EMPLOYEE HAS NOT BEEN FORCED OR PRESSURED IN ANY MANNER WHATSOEVER TO SIGN THIS AGREEMENT, AND THE EMPLOYEE AGREES TO ALL OF ITS TERMS VOLUNTARILY.

VIII. Revocation

The Employee hereby acknowledges and understands that the Employee shall have seven days from the date of the Employee's execution of this Agreement to revoke this Agreement (including, without limitation, any and all claims arising under the ADEA) by providing written notice of revocation delivered to the General Counsel of the Company no later than 5:00 p.m. on the seventh day after the Employee has signed the Agreement. Neither the Company nor any other person is obligated to provide any benefits to the Employee pursuant to Section IV of the Plan until eight days have passed since the Employee's signing of this Agreement without the Employee having revoked this Agreement. If the Employee revokes this Agreement pursuant to this Section, the Employee shall be deemed not to have accepted the terms of this Agreement, and no action shall be required of AIG under any section of this Agreement.

IX. No Admission

This Agreement does not constitute an admission of liability or wrongdoing of any kind by the Employee or AIG.

X. Restrictive Covenants

A. Non-Solicitation/Non-Competition

The Employee acknowledges and recognizes the highly competitive nature of the businesses of AIG and accordingly agrees as follows:

1. During the period commencing on the Employee's Termination Date and ending on the one-year anniversary of such date (the "*Restricted Period*"), the Employee shall not, directly or indirectly, without AIG's written consent, hire, solicit or encourage to cease to work with AIG any employee, consultant or third-party service providers of AIG, provided that the foregoing shall not be violated by general advertising not targeted at the foregoing nor solicitation or hiring of consultants or third-party service providers who provide services to multiple entities.

2. During the period commencing on the Employee's Termination Date and ending on the six-month anniversary of such date, the Employee shall not, directly or indirectly:

(a) Engage in any "*Competitive Business*" (defined below) for the Employee's own account;

(b) Enter the employ of, or render any services to, any person engaged in any Competitive Business;

(c) Acquire a financial interest in, or otherwise become actively involved with, any person engaged in any Competitive Business, directly or indirectly, as an individual, partner, shareholder, officer, director, principal, agent, trustee or consultant; or

(d) Interfere with business relationships between AIG and customers or suppliers of, or consultants to AIG.

3. For purposes of this Section X, a "Competitive Business" means, as of any date, including during the Restricted Period, any person or entity (including any joint venture, partnership, firm, corporation or limited liability company) that engages in or proposes to engage in the following activities in any geographical area in which AIG does such business:

(a) The property and casualty insurance business, including commercial insurance, business insurance, personal insurance and specialty insurance;

(b) The life and accident and health insurance business;

(c) The underwriting, reinsurance, marketing or sale of (y) any form of insurance of any kind that AIG as of such date does, or proposes to, underwrite, reinsure, market or sell (any such form of insurance, an "AIG Insurance Product"), or (z) any other form of insurance that is marketed or sold in competition with any AIG Insurance Product;

(d) The investment and financial services business, including retirement services and mutual funds services; or

(e) Any other business that as of such date is a direct and material competitor of one of AIG's businesses.

Notwithstanding the foregoing, a Competitive Business shall not include any private equity, hedge fund or other investment business that (x) has no material involvement in activities in areas (a) through (c) above; (y) acts as an investment-only sub-advisor to mutual funds or separate accounts; and (z) is not engaged in the distribution of retail mutual fund business involving any rules-based funds similar to AIG's Focused Dividend or International Dividend Strategy funds.

4. Notwithstanding anything to the contrary in this Agreement, the Employee may directly or indirectly, own, solely as an investment, securities of any person engaged in the business of AIG which are publicly traded on a national or regional stock exchange or on the over-the-counter market if the Employee (a) is not a controlling person of, or a member of a group which controls, such person and (b) does not, directly or indirectly, own one percent or more of any class of securities of such person.

5. The Employee understands that the provisions of this Section X.A may limit the Employee's ability to earn a livelihood in a business similar to the business of AIG but the Employee nevertheless agrees and hereby acknowledges that:

(a) Such provisions do not impose a greater restraint than is necessary to protect the goodwill or other business interests of AIG;

(b) Such provisions contain reasonable limitations as to time and scope of activity to be restrained;

(c) Such provisions are not harmful to the general public; and

(d) Such provisions are not unduly burdensome to the Employee. In consideration of the foregoing and in light of the Employee's education, skills and abilities, the Employee agrees that he shall not assert that, and it should not be considered that, any provisions of Section X.A otherwise are void, voidable or unenforceable or should be voided or held unenforceable.

6. It is expressly understood and agreed that, although the Employee and the Company consider the restrictions contained in this Section X.A to be reasonable, if a judicial determination is made by a court of competent jurisdiction that the time or territory or any other restriction contained in this Section X.A or elsewhere in this Agreement is an unenforceable restriction against the Employee, the provisions of the Agreement shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such maximum extent as such court may judicially determine or indicate to be enforceable. Alternatively, if any court of competent jurisdiction finds that any restriction contained in this Agreement is unenforceable, and such restriction cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained herein.

B. Nondisparagement

The Employee agrees (whether during or after the Employee's employment with AIG) not to issue, circulate, publish or utter any false disparaging statements, remarks or rumors about AIG or the officers, directors or managers of AIG. Nothing herein shall prevent Employee from making or publishing any truthful statement (a) when required by law, subpoena or court order, (b) in the course of any legal, arbitral or regulatory proceeding, (c) to any governmental authority, regulatory agency or self-regulatory organziation, or (d) in connection with any investigation by the AIG Group. The Company agrees to instruct the section 16 officers of AIG in writing that (i) they are not to discuss Employee with any individual who is not employed by AIG, unless required by law or pursuant to any regulatory obligations or requests; and (ii) they may discuss Employee with employees of AIG and with the attorneys or tax advisors of AIG to the extent reasonably necessary in the ordinary course of business.

C. Code of Conduct

The Employee agrees to abide by the material terms of the Company's Code of Conduct or the Director, Executive Officer and Senior Financial Officer Code of Business Conduct and Ethics that continue to apply after termination of employment.

D. Confidentiality/Company Property

The Employee acknowledges that the disclosure of this Agreement or any of the terms hereof prior to it being publicly filed by AIG could prejudice AIG and would be detrimental to AIG's continuing relationship with its employees. Accordingly, the Employee agrees prior to it being publicly disclosed by AIG not to discuss or divulge the contents of this Agreement (except, if required, Employee may disclose the contents of Section X.A only, in connection with prospective employment) to anyone other than the Employee's immediate family, attorneys or tax advisors, and further agrees to use the Employee's best efforts to ensure that none of those individuals will reveal its existence or contents to anyone else. The contents may also be disclosed to taxing authorities. The Employee shall not, without the prior written consent of AIG, use, divulge, disclose or make accessible to any other person, firm, partnership, corporation or other entity, any "Confidential Information" (as defined below), or any "Personal Information" (as defined below); *provided* that the Employee may disclose Confidential Information, Personal Information or information about the existence or content of this Agreement when required to do so by a court of competent jurisdiction, by any governmental agency having supervisory authority over the business of AIG, as the case may be, or by any administrative body or legislative body (including a committee thereof) with jurisdiction to order the Employee to divulge, disclose or make accessible such information; *provided*, *further*, *that* in the event that the Employee is ordered by a court or other government agency to disclose any Confidential Information or Personal Information, the Employee shall:

(a) Promptly notify AIG of such order;

(b) At the written request of AIG, diligently contest such order at the sole expense of AIG; and

(c) At the written request of AIG, seek to obtain, at the sole expense of AIG, such confidential treatment as may be available under applicable laws for any information disclosed under such order.

Upon the Termination Date the Employee shall return AIG property, including, without limitation, files, records, disks and any media containing Confidential Information or Personal Information, but may retain his rolodex and other address books to the extent they contain contact information only. For purposes of this Section X.D:

"*Confidential Information*" shall mean information concerning the financial data, strategic business plans, product development (or other proprietary product data), customer lists, marketing plans and other, proprietary and confidential information relating to the business of AIG or customers, that, in any case, is not otherwise available to the public (other than by the Employee's breach of the terms hereof).

"*Personal Information*" shall mean any information concerning the personal, social or business activities of the officers or directors of the Company.

E. Developments

Developments shall be the sole and exclusive property of AIG. The Employee agrees to, and hereby does, assign to AIG, without any further consideration, all of the Employee's right, title and interest throughout the world in and to all Developments. The Employee agrees that all such Developments that are copyrightable may constitute works made for hire under the copyright laws of the United States and, as such, acknowledges that AIG is the author of such Developments and owns all of the rights comprised in the copyright of such Developments. The Employee hereby assigns to AIG without any further consideration all of the rights comprised in the copyright and other proprietary rights the Employee may have in any such Development to the extent that it might not be considered a work made for hire. The Employee shall make and maintain adequate and current written records of all Developments and shall disclose all Developments promptly, fully and in writing to the Company promptly after development of the same, and at any time upon request.

"*Developments*" shall mean all discoveries, inventions, ideas, technology, formulas, designs, software, programs, algorithms, products, systems, applications, processes, procedures, methods and improvements and enhancements conceived, developed or otherwise made or created or produced by the Employee alone or with others, and in any way relating to the business or any proposed business of AIG of which the Employee has been made aware, or the products or services of AIG of which the Employee has been made aware, whether or not subject to patent, copyright or other protection and whether or not reduced to tangible form, at any time during the Employee's employment with AIG.

F. Cooperation

The Employee agrees that up to the Termination Date he shall in good faith assist AIG in the transition of his job duties as reasonably requested by AIG. The Employee agrees (whether during or after the Employee's employment with AIG) to cooperate with regard to matters related to Employee's employment with AIG:

(a) With AIG in connection with any litigation or regulatory matters in which the Employee may have relevant knowledge or information, and

(b) With all government authorities on matters pertaining to any investigation, litigation or administrative proceeding pertaining to AIG.

This cooperation shall include, without limitation, the following:

(x) To meet and confer, at a time mutually convenient to the Employee and AIG, with AIG's designated in-house or outside attorneys for trial preparation purposes, including answering questions, explaining factual situations, preparing to testify, or appearing for deposition;

(y) To appear for trial and give truthful trial testimony without the need to serve a subpoena for such appearance and testimony; and

(z) To give truthful sworn statements to AIG's attorneys upon their request and, for purposes of any deposition or trial testimony, to adopt AIG's attorneys as the Employee's own (*provided* that there is no conflict of interest that would disqualify the attorneys from representing the Employee), and to accept their record instructions at deposition.

The Company agrees to reimburse the Employee for reasonable out-of-pocket expenses necessarily incurred by the Employee in connection with the cooperation set forth in this paragraph.

XI. Enforcement and Clawback

If (a) at any time the Employee breaches Section VI, (b) within one (1) year of the expiration of any restrictive covenant described in Sections X.A, B or D of this Agreement, AIG determines that the Employee materially breached such restrictive covenant or (c) within one year of the first payment date for any Severance benefit due under the terms of the Plan, AIG determines that grounds existed, on or prior to the Termination Date, including prior to the Effective Date of the Plan, for AIG to terminate the Employee's employment for Cause, then: (x) no further payments or benefits shall be due to the Employee under this Agreement and/or the Plan; and (y) the Employee shall be obligated to repay to AIG, immediately and in a cash lump sum, the amount of any Severance benefits (other than any amounts received by the Employee under Section IV.D through F of the Plan) previously received by the Employee under this Agreement and/or the Plan (which shall, for the avoidance of doubt, be calculated on a pre-tax basis); *provided* that the Employee shall in all events be entitled to receive accrued wages and expense reimbursement and accrued but unused vacation pay as set forth in Section IV.A of the Plan.

The Employee acknowledges and agrees that AIG's remedies at law for a breach or threatened breach of any of the provisions of Sections X.A, B, D and E of this Agreement would be inadequate, and, in recognition of this fact, the Employee agrees that, in the event of such a breach or threatened breach, in addition to any remedies at law, AIG, without posting any bond, shall be entitled to obtain equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction or any other equitable remedy which may then be available. In addition, AIG shall be entitled to immediately cease paying any amounts remaining due or providing any benefits to the Employee pursuant to Section IV of the Plan upon a good faith determination by the "Plan Administrator" (as defined in the Plan) that the Employee has materially violated any provision of Section X of this Agreement, subject to payment of all such amounts upon a final determination, by a court of competent jurisdiction, that the Employee had not violated Section X of this Agreement.

XII. General Provisions

A. No Waiver; Severability

A failure of the Company or any of the Releasees to insist on strict compliance with any provision of this Agreement shall not be deemed a waiver of such provision or any other provision hereof. If any provision of this Agreement is determined to be so broad as to be unenforceable, such provision shall be interpreted to be only so broad as is enforceable, and in the event that any provision is determined to be entirely unenforceable, such provision shall be deemed severable, such that all other provisions of this Agreement shall remain valid and binding upon the Employee and the Releasees.

B. Governing Law

TO THE EXTENT THAT U.S. FEDERAL LAW DOES NOT APPLY, THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE WHOLLY PERFORMED WITHIN THAT STATE, WITHOUT REGARD TO ITS CONFLICT OF LAWS PROVISIONS OR THE CONFLICT OF LAWS PROVISIONS OF ANY OTHER JURISDICTION WHICH WOULD CAUSE THE APPLICATION OF ANY LAW OTHER THAN THAT OF THE STATE OF NEW YORK. THE EMPLOYEE CONSENTS TO THE EXCLUSIVE JURISDICTION OF THE FEDERAL AND STATE COURTS IN NEW YORK.

C. Entire Agreement/Counterparts

This Agreement constitutes the entire understanding and agreement between the Company and the Employee with regard to all matters herein. There are no other agreements, conditions, or representations, oral or written, express or implied, with regard thereto. This Agreement may be amended only in writing, signed by the parties hereto. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

D. Notice

For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given if delivered: (a) personally; (b) by overnight courier service; (c) by facsimile transmission; or (d) by United States registered mail, return receipt requested, postage prepaid, addressed to the respective addresses, as set forth below, or to such other address as either party may have furnished to the other in writing in accordance herewith; *provided* that notice of change of address shall be effective only upon receipt. Notices shall be deemed given as follows: (x) notices sent by personal delivery or overnight courier shall be deemed given when delivered; (y) notices sent by facsimile transmission shall be deemed given upon the sender's receipt of confirmation of complete transmission; and (z) notices sent by United States registered mail shall be deemed given two days after the date of deposit in the United States mail.

If to the Employee, to the address as shall most currently appear on the records of the Company.

If to the Company, to:

American International Group, Inc.
80 Pine Street, 13th floor
New York, NY 10005
Fax: 877-481-4969
Attn: Annette Bernstein, Esq.

E. Supplemental Release

The Employee will execute a supplemental release agreement with the Company in the form attached at Exhibit B (the "Supplemental Release") within 21 days after the Termination Date but in no event earlier than the Termination Date. If the Supplemental Release is not executed by the Employee within such time period or if the Employee revokes the Supplemental Release, the Employee will be deemed to have failed to comply with his obligations under this Agreement and will not be entitled to receive the payments and benefits described in Section II and Section III of this Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement.

Jay Wintrob

By: /s/ Jay S. Wintrob_____________
Name: Jay S. Wintrob Date: 9-18-14
Title: Executive Vice President – Life & Retirement
American International Group, Inc.

AMERICAN INTERNATIONAL GROUP, INC.

By: /s/ Jeffrey J. Hurd______________
Name: Jeffrey J. Hurd Date: 9/18/14
Title: Executive Vice President
American International Group, Inc.

EXHIBIT A

[DATE]

VIA FIRST CLASS MAIL AND ELECTRONIC MAIL

Jeffrey Hurd
American International Group, Inc.
175 Water Street, 30th floor
New York, NY 10038

Dear Mr. Hurd:

I have been informed that the termination of my employment will be treated as a Covered Termination as defined in the American International Group, Inc. Executive Severance Plan. In accordance with the Release and Restrictive Covenant Agreement I executed on September __, 2014, this letter documents that my employment will terminate on ______________ (the “Termination Date”) and, as of that date, I shall cease performing my employment duties and responsibilities for AIG and shall no longer report to work for AIG.

Signed,

Jay Wintrob

EXHIBIT B

AMERICAN INTERNATIONAL GROUP, INC.
SUPPLEMENTAL RELEASE AGREEMENT

This Supplemental Release Agreement (the "*Supplemental Agreement*") is entered into by and between Jay Wintrob (the "*Employee*") and American International Group, Inc., a Delaware Corporation (the "*Company*").

I. Release

In consideration of the payments and benefits described in Section IV of the Plan and Section II and III of the Release and Restrictive Covenant Agreement entered into by and between Jay Wintrob (the "*Employee*") and American International Group, Inc., a Delaware Corporation (the "*Company*") (the "*Agreement*"), to which the Employee agrees the Employee is not entitled until and unless the Employee executes this Supplemental Agreement, the Employee, for and on behalf of the Employee and the Employee's heirs and assigns, subject to the following two sentences hereof, agrees to all the terms and conditions of this Supplemental Agreement and the Agreement and hereby waives and releases any common law, statutory or other complaints, claims, charges or causes of action of any kind whatsoever, both known and unknown, in law or in equity, which the Employee ever had, now has or may have against AIG and its shareholders (other than C.V. Starr & Co., Inc. and Starr International Company, Inc.), successors, assigns, directors, officers, partners, members, employees, agents or the Plan (collectively, the "*Releasees*"), including, without limitation, any complaint, charge or cause of action arising under federal, state or local laws pertaining to employment, including the Age Discrimination in Employment Act of 1967 ("*ADEA*," a law which prohibits discrimination on the basis of age), the National Labor Relations Act, the Civil Rights Act of 1991, the Americans With Disabilities Act of 1990, Title VII of the Civil Rights Act of 1964, all as amended; and all other federal, state, local and foreign laws and regulations. By signing this Agreement, the Employee acknowledges that the Employee intends to waive and release any rights known or unknown that the Employee may have against the Releasees under these and any other laws; *provided that* the Employee does not waive or release claims with respect to the right to enforce the Employee's rights under this Agreement or with respect to any rights to indemnification under the Company's Charter by-laws, other agreement or plan or at law, or rights to directors and officers liability insurance coverage (the "Unreleased Claims"). Nothing herein modifies or affects any vested rights that Employee may have under any applicable retirement plan, 401(k) plan, incentive plan, or deferred compensation plan; nor does this Agreement and Release confer any such rights, which are governed by the terms of the respective plans (and any agreements under such plans).

II. Time to Consider

The payments and benefits payable to the Employee under this Supplemental Agreement and Agreement include consideration provided to the Employee over and above anything of value to which the Employee already is entitled. The Employee acknowledges that the Employee has been advised that the Employee has 21 days from the date of the Employee's receipt of this Agreement to consider all the provisions of this Agreement.

THE EMPLOYEE FURTHER ACKNOWLEDGES THAT THE EMPLOYEE HAS READ THIS SUPPLEMENTAL AGREEMENT CAREFULLY, HAS BEEN ADVISED BY THE

COMPANY TO CONSULT AN ATTORNEY, AND FULLY UNDERSTANDS THAT BY SIGNING BELOW THE EMPLOYEE IS GIVING UP CERTAIN RIGHTS WHICH THE EMPLOYEE MAY HAVE TO SUE OR ASSERT A CLAIM AGAINST ANY OF THE RELEASEES, AS DESCRIBED IN SECTION I OF THIS SUPPLEMENTAL AGREEMENT AND THE OTHER PROVISIONS HEREOF. THE EMPLOYEE ACKNOWLEDGES THAT THE EMPLOYEE HAS NOT BEEN FORCED OR PRESSURED IN ANY MANNER WHATSOEVER TO SIGN THIS SUPPLEMENTAL AGREEMENT, AND THE EMPLOYEE AGREES TO ALL OF ITS TERMS VOLUNTARILY.

III. Revocation

The Employee hereby acknowledges and understands that the Employee shall have seven days from the date of the Employee's execution of this Supplemental Agreement to revoke this Supplemental Agreement (including, without limitation, any and all claims arising under the ADEA) by providing written notice of revocation delivered to the General Counsel of the Company no later than 5:00 p.m. on the seventh day after the Employee has signed the Supplemental Agreement. Neither the Company nor any other person is obligated to provide any benefits to the Employee pursuant to Section IV of the Plan until eight days have passed since the Employee's signing of this Supplemental Agreement without the Employee having revoked this Supplemental Agreement. If the Employee revokes this Supplemental Agreement pursuant to this Section, the Employee shall be deemed not to have accepted the terms of this Supplemental Agreement, and no action shall be required of AIG under any section of this Supplemental Agreement.

IV. General Provisions

A. Governing Law

TO THE EXTENT THAT U.S. FEDERAL LAW DOES NOT APPLY, THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE WHOLLY PERFORMED WITHIN THAT STATE, WITHOUT REGARD TO ITS CONFLICT OF LAWS PROVISIONS OR THE CONFLICT OF LAWS PROVISIONS OF ANY OTHER JURISDICTION WHICH WOULD CAUSE THE APPLICATION OF ANY LAW OTHER THAN THAT OF THE STATE OF NEW YORK. THE EMPLOYEE CONSENTS TO THE EXCLUSIVE JURISDICTION OF THE FEDERAL AND STATE COURTS IN NEW YORK.

B. Entire Agreement/Counterparts

This Supplemental Agreement together with the Agreement constitutes the entire understanding and agreement between the Company and the Employee with regard to all matters herein. There are no other agreements, conditions, or representations, oral or written, express or implied, with regard thereto. This Supplemental Agreement may be amended only in writing, signed by the parties hereto. This Supplemental Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the parties hereto have duly executed this Supplemental Agreement.

Jay Wintrob

By: ______________________________

Name: Date:

Title:

AMERICAN INTERNATIONAL GROUP, INC.

By: ______________________________

Name: Date:

Title:

Exhibit 10(3)

AMERICAN INTERNATIONAL GROUP, INC.
2012 EXECUTIVE SEVERANCE PLAN

The Compensation and Management Resources Committee of the Board of Directors (the "*Compensation Committee*") of American International Group, Inc., a Delaware corporation (the "*Company*"), has adopted this American International Group, Inc. 2012 Executive Severance Plan (the "*Plan*"), first effective as of December 4, 2012 (the "*Effective Date*"), amended as of December 19, 2013 and September 9, 2014. Terms not defined herein have the meanings provided in the Glossary of Terms.

I. Purpose

The Plan is maintained for the purpose of providing severance payments and benefits for a select group of management or highly compensated employees covered by the Plan whose employment is terminated under the circumstances set forth in the Plan.

II. Term

The Plan shall be effective as of the Effective Date and continue until terminated by the Compensation Committee with 12 months' notice to Eligible Employees in accordance with Section VIII below.

III. Eligibility

The employees eligible to participate in the Plan at any time (the "*Eligible Employees*") shall be comprised of each employee who (1) is a full-time employee in grade level 27 or above, or who is a full-time employee and was in grade level 27 or above in the twelve (12) months immediately prior to the date of termination, at the time of the termination of his or her employment or (2) is eligible to participate in the American International Group, Inc. Amended and Restated Executive Severance Plan, first effective as of March 11, 2008 and as amended (the "*Old Plan*") as of the Effective Date (an "*Old Plan Participant*"). Notwithstanding the foregoing, if an employee has an employment agreement (or other agreement or arrangement) that provides for payment of severance in connection with a "Covered Termination" (as defined in Section IV below), the employee will not be an Eligible Employee; *provided* that payment of statutorily-required severance shall not prohibit an employee from being an Eligible Employee. Receipt of the Plan by an Old Plan Participant shall be deemed to constitute notice, delivered as of the Effective Date, for the purpose of terminating the Old Plan under Section VIII of the Old Plan.

IV. Severance

Subject to Section IV.G below, an Eligible Employee shall be entitled to receive the benefits described in this Section IV if he or she experiences a "Covered Termination"; *provided* that such benefits shall be modified as set forth in the appendices to the Plan to comply with local laws, bylaws, statutes, regulations, codes of practice or applicable guidance issued by a governmental department or regulatory authority (together referred to as "Local Law") for any employee whose primary worksite is outside of the United States but is not classified as a Mobile Overseas Personnel; and *provided*, *further*, that any Eligible Employee who experiences a "Covered Termination" and is entitled to statutorily-required severance shall receive the greater of such statutorily-required severance and the benefits described in this Section IV or shall have his or her benefits described in this Section IV reduced by the statutorily-required severance paid to the Eligible Employee, as required by applicable law.

A "*Covered Termination*" shall be:

(1) For all Eligible Employees, a termination of service during the term of the Plan for any reason other than the Eligible Employee's: (a) death; (b) Disability; (c) resignation (including any resignation that an Eligible Employee may assert was a constructive discharge); or (d) termination by the Company or its subsidiaries for Cause (for purposes of this Plan, the term subsidiaries shall be deemed to include both direct and indirect subsidiaries); and

(2) Notwithstanding paragraph (1) above, for any Eligible Employees in grade level 27 or above, such Eligible Employee's termination of service during the term of the Plan as a result of resignation from his or her employment for Good Reason.

Unless otherwise stated in the Plan, for purposes of an Eligible Employee's employment under the Plan, "termination" of employment or service shall mean the date upon which the Eligible Employee ceases to perform his or her employment duties and responsibilities for the Company and/or each of its subsidiaries and, to the extent consistent with the foregoing, shall be the "last day worked/end work date" that is coded in the payroll system applicable to the Eligible Employee. Solely for purposes of this Plan, an Eligible Employee's grade level shall be deemed to be the highest grade level at which the Eligible Employee was employed in the twelve (12) months immediately prior to his or her date of termination.

A. Accrued Wages and Expense Reimbursements

If an Eligible Employee experiences a Covered Termination, the Eligible Employee shall receive: (1) accrued wages due through the date of termination in accordance with the Eligible Employee's employer's normal payroll practices; (2) reimbursement for any unreimbursed business expenses properly incurred by the Eligible Employee prior to the date of termination in accordance with Company policy (and for which the Eligible Employee has submitted proper documentation as may be required by the Company, with such documentation and each reimbursement to occur not later than one year after the Eligible Employee's date of termination); and (3) any accrued but unused vacation pay in a lump sum paid within two and one-half months after the end of the calendar year in which the Eligible Employee's date of termination occurs (the "*Termination Year*").

B. Severance, Generally

Except as provided in Section IV.C below, in the event of a Covered Termination, an Eligible Employee shall be entitled to receive the following:

(1) With respect to an Eligible Employee's annual short-term incentive award ("STI Award") under the American International Group, Inc. Short-Term Incentive Plan or its successor plan (the "STI Plan"), an Eligible Employee shall receive:

(a) The “Prior Year Incentive” as calculated below.

(i) If the date of termination is after the end of the applicable STI Plan performance year, but prior to the Threshold/First Payment Date with respect to an STI Award, an amount equal to the Eligible Employee’s STI Target for such performance year as adjusted for the actual performance of the Company and/or applicable business unit or function, as determined by the Compensation Committee in its sole discretion.

(x) For purposes of this section, Threshold/First Payment Date will mean (i) for Eligible Employees who have an STI Award that is entirely payable in the year following the STI Plan performance year, the date such STI Award is paid, and (ii) for Eligible Employees who have a portion of their STI Award designated as a “Deferred STI Award” such that a portion of such STI Award is to be paid two or more calendar years after the STI Plan performance year, the date the *first* payment of such STI Award is paid.

(y) For purposes of this section, an Eligible Employee’s STI Target will mean the target annual incentive amount assigned to such Eligible Employee for a performance year pursuant to the STI Plan.

(ii) With respect to Eligible Employees who have a portion of their STI Award designated as a “Deferred STI Award,” if the date of termination is after the end of the STI Plan performance year *and* after the Threshold/First Payment Date for such STI Award, the amount of the Deferred STI Award portion not yet paid.

(iii) In all events, such amounts will be paid at the same time as they are paid to similarly-situated active employees with similar STI Awards, and will be subject to the same deferral, clawback and repayment terms. For point of clarity, Prior Year Incentive payments to Eligible Employees covered under the AIG Clawback Policy, as may be amended from time to time, are subject to forfeiture and/or repayment to the extent provided for in such policy.

(b) The “Pro Rata Incentive” for the Termination Year as calculated below.

(i) If the date of termination is on or after April 1 of a performance year through December 31 of such performance year, a Pro Rated portion of an amount equal to the Eligible Employee’s STI Target as adjusted for the actual performance of the Company and/or applicable business unit or function, as determined by the Compensation Committee in its sole discretion.

(x) For purposes of this section, Pro Rated will mean a fraction the numerator of which is the number of full months in the Termination Year that the Eligible Employee was actively employed or on an approved leave of absence during which the Eligible Employee was receiving salary continuation from a Company payroll (a “Paid Leave of Absence”) and the denominator of which is 12.

(ii) To the extent an Eligible Employee experiences a Covered Termination prior to April 1 of the Termination Year, no Pro Rata Incentive shall be paid.

(iii) All Pro Rata Incentive payments will be paid at the same time or times as they are paid to similarly situated active employees with similar STI Awards, and will be subject to the same deferral, clawback and repayment terms. For point of clarity, Pro Rata Incentive payments to Eligible Employees covered under the AIG Clawback Policy, as may be amended from time to time, are subject to forfeiture and/or repayment to the extent provided for in such policy.

(iv) For avoidance of doubt, the terms STI Target and STI Award as used in this Section include any portion of an STI Target and STI Award designated as a Deferred STI Award (described above).

For the avoidance of doubt, in no event shall an Eligible Employee be entitled to a duplication of any amounts payable under this paragraph or paragraph (1) above and under the terms of the American International Group, Inc. Short-Term Incentive Plan as a result of his or her Covered Termination.

(2) A lump sum cash payment equal to the product of: (a) a "Multiplier" (as defined below) times (b) the sum of (i) the greater of actual base salary earned by the Eligible Employee over the twelve (12) months immediately prior to the date of termination and the Eligible Employee's annualized base salary rate as of the date of termination plus (ii) the average of the Eligible Employee's annual short-term incentive bonus actually paid for the three (3) most recently completed calendar years preceding the Termination Year for which annual short-term incentive bonuses had generally been paid. Such amount will be paid as soon as practicable following the Covered Termination but in no event later than sixty (60) days thereafter. In the event of any unanticipated circumstances that result in the Company, in its sole discretion, paying such amount later than 60 days following the Covered Termination, in no event will such amount be paid later than March 15th of the year immediately following the Termination Year. If the Eligible Employee resigns for Good Reason, the amount described in clause (i) shall be the greater of actual base salary earned by the Eligible Employee over the twelve (12) months immediately prior to the event giving rise to Good Reason and the Eligible Employee's annualized base salary rate immediately prior to the event giving rise to Good Reason.

The "*Multiplier*" shall be as follows:

(1) For an Eligible Employee in grade level 27 or 28: (a) 1 in the event of a termination without Cause or resignation for Good Reason; or (b) 1.5 in the event of a termination without Cause or resignation for Good Reason within twenty-four (24) months following a Change in Control (a "*Change in Control Termination*"); and

(2) For an Eligible Employee in grade level 29 or above: (a) 1.5 in the event of a termination without Cause or resignation for Good Reason; or (b) 2 in the event of Change in Control Termination.

(3) For purposes of paragraph (1)(b) above, if no STI Target is established for an Eligible Employee for the Termination Year, the Pro Rata Incentive shall be based on the average of the Eligible Employee's annual short-term incentive bonuses paid with respect to the three (3) most recently completed calendar years preceding the Termination Year for which annual short-term incentive bonuses had generally been paid; *provided* that (A) if the Eligible Employee was not employed for all years that would otherwise be included in the average, the Eligible Employee's target annual short-term incentive bonus with respect to the most recently completed calendar year preceding the Termination Year in which the

Eligible Employee was employed shall be used and (B) if the Eligible Employee received no annual short-term incentive bonus for one of the years that would otherwise be included in the average as a result of an approved leave of absence, the Eligible Employee's target annual short-term incentive bonus with respect to the most recently completed calendar year preceding the Termination Year in which such condition did not apply shall be used.

With respect to paragraph 2 above, (a) if the Eligible Employee was not employed for all years that would otherwise be included in the average, the average shall be computed based on each such year in which Eligible Employee was employed; (b) if the Eligible Employee earns or is awarded no short-term incentive bonus for one of the years that would otherwise be included in the average as a result of an approved leave of absence, the average shall be computed by using the three most recently completed calendar years preceding the calendar year of termination in which such condition did not apply; and (c) if an Eligible Employee was not employed long enough for the Eligible Employee's first short-term incentive bonus to be paid, the Eligible Employee's target short-term incentive bonus shall be used in lieu of the average described above.

For the avoidance of doubt, with respect to this Section IV.B, (i) for any year in which an Eligible Employee was a "Top 26-100" employee subject to the determinations of the Special Master for TARP Executive Compensation ("the "*Special Master*"), for the purposes of determining what constitutes a short-term annual incentive bonus, (x) Variable Cash granted to the Eligible Employee ("*Top 26-100 Variable Cash*") shall be deemed to be an annual short-term incentive bonus to the extent actual annual short-term incentive bonus paid is used above in this Section, and (y) Variable Cash targets with respect to the Eligible Employee shall be deemed to be an annual short-term incentive bonus to the extent target annual short-term incentive bonus is used above in this Section, and (ii) for any year in which an Eligible Employee was a "Top 25" employee subject to the determinations of the Special Master, the Eligible Employee's annual short-term incentive target amount for the Termination Year, shall be deemed to be the annual short-term incentive bonus solely for purposes of this Plan.

C. Severance for Old Plan Participants

If an Old Plan Participant experiences a Covered Termination, he or she shall receive (1) the Prior Year Incentive (if applicable) , (2) the Pro Rata Incentive and (3) severance equal to (i) for an Old Plan Participant below grade level 27, the "Old Plan Benefit" (as defined below) or (ii) for an Old Plan Participant in grade level 27 or above, (A) the Old Plan Benefit plus (B) the difference, if any, between the amount provided in Section IV.B(2) and the "Old Plan Benefit" (the "*New Plan Payment*"). The "*Old Plan Benefit*" shall be the sum of the following, divided by 12, and then multiplied by the number of months in the "Severance Period" (as defined below) applicable to the Old Plan Participant:

(1) Annual base salary as of the date of termination; plus

(2) The average of the Old Plan Participant's "Annual Cash Bonuses" (as defined below) awarded and paid with respect to the three most recently completed calendar years preceding the Termination Year (including any year in which the bonus was zero); *provided* that: (a) if the date of termination occurs during a calendar year before the time that Annual Cash Bonuses have generally been paid out to employees for the prior calendar year's performance, the average shall be computed based on the second, third and fourth calendar years prior to the

calendar year in which the termination occurs, (b) if the Old Plan Participant was not employed for all years that would otherwise be included in the average, the average shall be computed based on each such year in which the Old Plan Participant was employed and (c) if the Old Plan Participant earns or is awarded no bonus for one of the years that would otherwise be included in the average as a result of an approved leave of absence, the average shall be computed by using the three most recently completed calendar years preceding the Termination Year in which such condition did not apply. Solely for purposes of this Plan, "*Annual Cash Bonus*" means any performance based, year-end cash bonus or a cash bonus in lieu of a year-end cash bonus, and the amount of any Annual Cash Bonus awarded and paid shall include any amount of such bonus voluntarily deferred by the Old Plan Participant, Top 26-100 Variable Cash and TARP restricted stock units issued to "Top 25" employees in accordance with applicable regulations issued by the U.S. Department of the Treasury, as applicable.

The "*Severance Period*" shall be:

(a) For each Old Plan Participant who is a Senior Vice President or higher of the Company as of the Transition Date (or, if earlier, the date of termination), 24 months; and

(b) For all other Old Plan Participants, one month per year of service with the Company up to a maximum of 12 months, except that (a) no Old Plan Participant shall have a Severance Period of less than six months regardless of years of service and (b) any Old Plan Participant who was also eligible to receive benefits under the American International Group, Inc. Executive Severance Plan that was terminated as of June 26, 2008 (the "*Initial Plan*") shall be entitled to a Severance Period that is no shorter than what would have been provided to such Old Plan Participant under the terms of the Initial Plan if such Old Plan Participant had been terminated on December 31, 2007. For the avoidance of doubt, the Severance Period for an Old Plan Participant who is a Senior Vice President solely of a subsidiary of the Company (and not of American International Group, Inc.) shall be determined under this paragraph (2).

For Covered Terminations prior to January 1, 2014 (the "*Transition Date*"), the Old Plan Benefit shall be paid over the number of months in the Severance Period in substantially equal weekly, biweekly, semi-monthly or monthly installments (each, a "*Severance Installment*") in accordance with the Old Plan Participant's employer's normal payroll practices. Severance Installments paid to Old Plan Participants shall commence on a payroll date of the Old Plan Participant's employer within 60 days following the Old Plan Participant's termination of employment; *provided* that if the last day of such 60-day period ends in a calendar year after the Termination Year, then the Severance Installments shall commence in the second calendar year.

For Covered Terminations on or after the Transition Date, the Old Plan Benefit will be paid in a lump sum in accordance with the payment timing set forth in Section IV.B(2).

Any New Plan Payment will be paid in a lump sum in accordance with the payment timing set forth in Section IV.B(2) (*provided* that any Pro Rata Incentive will be paid in accordance with the payment timing set forth in Section IV.B(1)(b) and any Prior Year Incentive will be paid in accordance with the payment timing set forth in Section IV.B(1)(a)).

D. Continued Health and Life Insurance Coverage and Participation in Retiree Health and Retiree Life for Eligible Employees

Subject to Section IV.F, if an Eligible Employee experiences a Covered Termination, the Eligible Employee shall be entitled to continued health insurance coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("*COBRA*"), if applicable, for a period in accordance with the requirements under COBRA; *provided*, *however*, that the Eligible Employee shall be solely responsible for paying the full cost of the monthly premiums for such COBRA coverage; and *provided, further*, that such coverage shall not be provided if during such period the Eligible Employee is or becomes ineligible under the provisions of COBRA for continuing coverage. Any Eligible Employee who experiences a Covered Termination will receive one (1) year of additional service credit and credit for additional age solely for purposes of determining the Eligible Employee's eligibility to participate in any Company retiree health plan and, if eligible, may choose to participate in any such plan as of his or her date of termination at the applicable rate or pay for COBRA coverage, if applicable. If such an Eligible Employee chooses to pay for COBRA coverage and retains such coverage for the full COBRA period, the Eligible Employee may participate in the applicable Company retiree health plan(s) following the COBRA period.

If an Eligible Employee experiences a Covered Termination, the Eligible Employee shall also be entitled to an additional lump-sum payment of $40,000 (the "*Supplemental Health & Life Payment*"). The Supplemental Health & Life Payment may, among other things, be payable towards COBRA healthcare and life insurance coverage after the Eligible Employee's date of termination.

E. Additional Non-qualified Pension Credits for Eligible Employees

Subject to Section IV.F, if an Eligible Employee experiences a Covered Termination, the Eligible Employee will receive one (1) year of additional service credit and credit for additional age solely for purposes of determining vesting and eligibility for retirement (including early retirement) under the Company's non-qualified pension plans (plans that are not intended to be qualified under the provisions of Section 401 of the Internal Revenue Code of 1986, as amended (the "*Code*")) in which such Eligible Employee was actively participating immediately prior to his or her date of termination (the "*Non-Qualified Pension Plans*"). Eligible Employees shall commence payments under the Non-Qualified Pension Plans at the time specified in the applicable plan, determined as if "Qualified Plan Retirement Income" (as defined in the applicable plan) began to be paid immediately following the Eligible Employee's date of termination.

F. Transition of Old Plan Participants

Notwithstanding anything to the contrary set forth in the Plan, if an Old Plan Participant experiences a Covered Termination before the Transition Date, the Old Plan Participant shall not receive any benefits under Sections IV.D or IV.E of the Plan, and, instead, the terms of Sections IV.C through F of the Old Plan shall apply.

G. Limitations on Severance; Reductions of Severance

The amounts described in Subsections B through F of this Section IV (collectively referred to as "*Severance*") are subject to the Eligible Employee's continued compliance with any applicable release and/or restrictive covenant agreement (referred to generically as the "*Release*") that the Company may require under other compensation arrangements, any applicable employment agreement or the release pursuant to Section VI below. Failure to execute or adhere to such a Release, or the revocation of such a Release, by the Eligible Employee shall result in a forfeiture of all Severance under the Plan. (For the avoidance of doubt, any Severance Installment or other Severance benefit due under the terms of the Plan shall be forfeited to the extent such payment would have otherwise been due but for the Eligible Employee's failure to provide the Company with a duly executed and effective Release.) Nothing herein shall preclude the Company in its sole discretion from requiring the Eligible Employee to enter into other such releases or agreements as a condition to receiving Severance under the Plan.

H. Code Section 409A

Except as provided below, payments under the Plan are intended to satisfy the "short-term deferral exception" under section 409A of the Code ("Code section 409A").

Notwithstanding the foregoing, Old Plan Benefit payments with respect to Old Plan Participants who experience a Covered Termination prior to the Transition Date are intended to comply with Code section 409A, including any regulatory exceptions (such as the short-term deferral and separation pay exceptions) that may be applicable, and the Plan shall be interpreted, operated and administered accordingly. To the extent applicable, each payment described in this paragraph shall be treated as a separate payment for purposes of Code section 409A and shall be made only in the event of a "separation from service" within the meaning of Code section 409A. If an Old Plan Participant experiences a Covered Termination on or after the Transition Date due to his or her resignation for Good Reason and the Plan Administrator determines that the circumstances constituting Good Reason occurred prior to the Transition Date (and, in any event, would have constituted Good Reason under Section IV.K of the Old Plan), any Severance benefit that would otherwise be payable or due under Section IV of the Plan shall be paid at the time and in the form that severance benefits would have been provided under the Old Plan. If the Plan Administrator determines that an Old Plan Participant who experiences a Covered Termination prior to the Transition Date is a "specified employee" for purposes of Code section 409A, any Severance benefit that would otherwise be payable or due under Section IV of the Plan shall be delayed for six months to the extent that such Severance is determined to constitute "deferred compensation" under Code section 409A. In such case, the Old Plan Participant shall not receive such Severance benefit that is subject to the six-month delay until the first scheduled payroll date that occurs more than six months following the date of termination (the "*First Payment Date*") and, on the First Payment Date, the Company shall pay the Old Plan Participant an amount equal to the sum of the Severance benefits that would have been payable in respect of the period preceding the First Payment Date but for the delay imposed on account of Code section 409A.

The Plan Administrator (as defined in Section VII.A) will have full authority to give effect to the intent of this Section VI.H.

I. Covenants and for "Cause" Terminations

Notwithstanding anything to the contrary in the Plan, (a) if at any time the Eligible Employee breaches any of the provisions of a Release, or revokes it, or (b) if within one year after the last payment of Severance under the Plan, with respect to any Eligible

Employee under the purview of the Compensation Committee, the Compensation Committee or, with respect to any other Eligible Employee, the Senior C&B Executive determines that grounds existed, on or prior to the date of termination of the Eligible Employee's employment with the Company, including prior to the Effective Date, for the Company to terminate the Eligible Employee's employment for "Cause":

(1) No further payments or benefits shall be due under this Section IV; and

(2) The Eligible Employee shall be obligated to repay to the Company, immediately and in a cash lump sum, the amount of any Severance benefits (other than any amounts received by the Eligible Employee under Sections IV.D, E or F) previously received by the Eligible Employee (which shall, for the avoidance of doubt, be calculated on a pre-tax basis);

provided that the Eligible Employee shall in all events be entitled to receive accrued wages, expense reimbursement and accrued but unused vacation pay as set forth in Section IV.A above.

J. No Rights

Other than as provided in this Section IV, an Eligible Employee shall have no rights to any compensation or any other benefits under the Plan. All other benefits, if any, due to the Eligible Employee following the date of termination shall be determined in accordance with the plans, policies and practices of the Company or any subsidiary of the Company in effect on the date of termination. Whether the Eligible Employee's employment has terminated for purposes of any Company plan or arrangement shall be determined on the basis of the applicable terms of the plan or arrangement.

K. Non U.S. Participants

To the extent the Local Laws of a country or non-U.S. jurisdiction in which an Eligible Employee works would prohibit any provision, feature or requirement of the Plan, or such Local Laws, an applicable collective bargaining of similar collective agreement, the determination of a court or other adjudicative body or an Eligible Employee's contract of employment would require that the benefits provided under the Plan be duplicative of or in addition to other Company or subsidiary or employer provided or paid severance benefits or termination-related benefits to which such Eligible Employee is entitled, the CMRC hereby delegates to the Senior HR Attorney and the Senior C&B Executive, the responsibility to develop a written appendix to the Plan specific to such country or non-U.S. jurisdiction that addresses the problematic provision, feature or requirement while maintaining as much of the intent and goals of the Plan as possible and also complying with Local Laws. The Senior HR Attorney and Senior C&B Executive. will share such appendix with all Eligible Employees in such country or non-U.S. jurisdiction, and will maintain an inventory of all such appendices. The Senior HR Attorney and the Senior C&B Executive shall periodically review such appendices to confirm that they remain permissible, enforceable, and in accordance with Local Law.

V. No Duplication; No Mitigation

A. No Duplication

The Plan is not intended to, and shall not result in any duplication of payments or benefits to any Eligible Employee. The Compensation Committee shall be authorized to interpret the Plan to give effect to the preceding sentence.

B. No Mitigation

In order for an Eligible Employee to receive the Severance described in the Plan, the Eligible Employee shall be under no obligation to seek other employment or otherwise mitigate the obligations of the Company under the Plan, and there shall be no offset against any amounts due under the Plan on account of any remuneration attributable to any subsequent employment that the Eligible Employee may obtain.

VI. Release and Restrictive Covenant Agreement

Subject to Sections IV.G and H above, the Company may require and condition payment of the Severance on the Eligible Employee's execution of a Release in the form attached to the Plan as Exhibit A, as such Release may be modified by the Senior HR Attorney and the Senior C&B Executive or their designee(s); *provided*, *however*, that such Release must be executed within 60 days after the date of termination; *provided*, *further*, that if the Local Laws of a country or non-U.S. jurisdiction in which an Eligible Employee works would not permit all or a portion of the Release to be structured or executed in the form attached hereto, the Senior HR Attorney and the Senior C&B Executive or their designee(s) shall have the discretion to create a release that incorporates as much of the Release as possible while also complying with such Local Laws.

VII. Plan Administration

A. Compensation Committee

The Plan shall be interpreted, administered and operated by the Compensation Committee, which shall have the complete authority, in its sole discretion, subject to the express provisions of the Plan, to interpret the Plan, adopt any rules and regulations for carrying out the Plan as may be appropriate and decide any and all matters and make any and all determinations arising under or otherwise necessary or advisable for the administration of the Plan. All interpretations and decisions by the Compensation Committee shall be final, conclusive and binding on all parties affected thereby, and shall supersede any decisions or actions by the "Claims Administrator" (as defined below). Notwithstanding the foregoing, the Compensation Committee shall have the right to delegate to any individual member of the Compensation Committee or to any executive of the Company any of the Compensation Committee's authority under the Plan; *provided*, *that* no person shall act as Plan Administrator in any matter directly relating to his or her eligibility or amount of Severance under the Plan. The Compensation Committee and/or the member of the Compensation Committee or the executive of the Company delegated any authority under the Plan shall be referred to in the Plan as the "*Plan Administrator*."

B. Expenses and Liabilities

All expenses and liabilities that the Plan Administrator and the Claims Administrator incur in connection with the administration of the Plan shall be borne by the Company. The Plan Administrator and the Claims Administrator may employ attorneys, consultants, accountants, appraisers, brokers or other persons in connection with such administration, and the Plan Administrator, the Claims Administrator, the

Company and the Company's officers and directors shall be entitled to rely upon the advice, opinions or valuations of any such persons. No member of the Compensation Committee or any executive delegated by the Compensation Committee as Plan Administrator, or the Claims Administrator shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan, and all members of the Compensation Committee and any executive delegated by the Compensation Committee as the Plan Administrator and the Claims Administrator shall be fully protected by the Company in respect of any such action, determination or interpretation to the extent permitted by (a) the Company's charter; (b) the Company's bylaws and (c) applicable law.

VIII. Termination and Amendment

A. Termination

The Compensation Committee may terminate the Plan in accordance with Section II of the Plan, *provided* that no termination shall adversely affect the payments or benefits to which any Eligible Employee has become entitled by virtue of a Covered Termination occurring before the time of termination of the Plan. Any notice of termination shall be in accordance with Section VIII.C below.

B. Amendment

The Compensation Committee may amend the Plan in any manner, *provided* that, in the event an amendment is determined by the Compensation Committee to be, in the aggregate, material and adverse to an Eligible Employee (taking into account any aspects of such amendments that are beneficial to the Eligible Employee), the Compensation Committee shall provide 12 months' notice to such Eligible Employee in accordance with Section VIII.C below (and no such change shall be effective before the second anniversary of the Effective Date). In addition, the Compensation Committee may, at any time, amend the Plan in any manner it determines in good faith is necessary or appropriate (1) to comply with applicable law or (2) to comply with Code section 409A. Any notice of amendment shall be in accordance with Section VIII.C below.

For the avoidance of doubt, amendments under the preceding sentence may be material and adverse to Eligible Employees. In addition, if an employee was not an Eligible Employee because he or she had an employment agreement (or other agreement or arrangement) that contemplated payment of severance with respect to any termination, the Compensation Committee may amend the Plan to exclude such employee without notice to such employee (notwithstanding the expiration of such agreement or arrangement) if it determines that in good faith that such exclusion is necessary to comply with Code section 409A.

Notwithstanding the foregoing, the Compensation Committee's rights and powers to amend the Plan shall be delegated to the Senior C&B Executive who shall have the right to amend the Plan with respect to (i) amendments required by relevant law, regulation or ruling, (ii) amendments that are not expected to have a material financial impact on the Company, (iii) amendments that can reasonably be characterized as technical or ministerial in nature, or (iv) amendments that have previously been approved in concept by the Compensation Committee. Notwithstanding the foregoing delegation, the Senior C&B Executive shall not have the power to make an amendment to the Plan that could reasonably be expected to result in a termination of the Plan or a change in the structure or the powers, duties or responsibilities of the Compensation Committee, unless such amendment is approved or ratified by the Compensation Committee.

C. Notice of Termination or Amendment

The Company shall be deemed to have provided any notice required by this Section VIII if the Company makes a reasonable, good faith effort to email or otherwise contact all Eligible Employees. For the avoidance of doubt, notice shall be deemed to have been validly delivered to every Eligible Employee notwithstanding that certain individual Eligible Employees do not receive actual notice, if the Company makes reasonable, good faith efforts as provided in the preceding sentence.

IX. Claims and Appeals Procedures

The following claim review and claim appeal procedures apply to all claims of any nature related to the Plan. For purposes of the Plan, the "Claims Administrator" is the Company's most senior executive whose responsibility it is to oversee both the Corporate Compensation Department and the Corporate Benefits Department; *provided however*, if that aforementioned position is vacant, then the Company's senior most executive whose responsibility it is to oversee all Human Resources matters of the Company on a global basis shall be the Claims Administrator and if both of the immediately aforementioned positions are vacant, then the Chief Executive Officer of the Company shall appoint an individual to be the Claims Administrator. The Claims Administrator, in his or her discretion, may delegate in writing the Claims Administrator responsibilities to a committee comprised of three individuals selected from among the human resources executives and human resources attorneys of the Company, who shall act as Claims Administrator.

A. Initial Claim

To the extent that an Eligible Employee believes that he or she is entitled to a benefit under the Plan that such Eligible Employee has not received, such Eligible Employee may file a claim for benefits under the Plan, as provided in this Section IX of the Plan.

1. *Procedure for Filing a Claim*

An Eligible Employee must submit a claim in writing on the appropriate claim form (or in such other manner acceptable to the Claims Administrator), along with any supporting comments, documents, records and other information, to the Claims Administrator in person or by messenger.

If an Eligible Employee fails to properly file a claim for a benefit under the Plan, the Eligible Employee shall be considered not to have exhausted all administrative remedies under the Plan, and shall not be able to bring any legal action for the benefit. Claims and appeals of denied claims may be pursued by an Eligible Employee, or if approved by the Claims Administrator, by an Eligible Employee's authorized representative.

2. *Initial Claim Review*

The Claims Administrator shall conduct the initial claim review. The Claims Administrator shall consider the applicable terms and provisions of the Plan and amendments to the Plan, and any information and evidence presented by the Eligible Employee and any other relevant information.

3. *Initial Benefit Determination*

(a) *Timing of Notification on Initial Claim*

The Claims Administrator shall notify an Eligible Employee about his or her claim within a reasonable period of time, but, in any event, within 90 days after the Plan Administrator or Claims Administrator, as the case may be, receives the Eligible Employee's claim, unless the Claims Administrator determines that special circumstances require an extension of time for processing the claim. If the Claims Administrator determines that an extension is needed, the Eligible Employee shall be notified before the end of the initial 90-day period. The notification shall say what special circumstances require an extension of time. The Eligible Employee shall be told the date by which the Claims Administrator expects to render the determination, which in any event shall be within 90 days from the end of the initial 90-day period.

If such an extension is necessary because an Eligible Employee did not submit the information necessary to decide the claim, the time period in which the Plan Administrator is required to make a decision shall be frozen from the date on which the notification is sent to the Eligible Employee until the Eligible Employee responds to the request for additional information. If the Eligible Employee fails to provide the necessary information in a reasonable period of time, the Plan Administrator may, in its discretion, decide the Eligible Employee's claim based on the information already provided.

(b) *Manner and Content of Notification of Denied Claim*

In the event the Claims Administrator denies an Eligible Employee's claim for benefits, the Claims Administrator shall provide an Eligible Employee with written or electronic notice of any denial, in accordance with applicable U.S. Department of Labor regulations. The notification shall include:

(i) The specific reason or reasons for the denial;

(ii) Reference to the specific provision(s) of the Plan on which the determination is based;

(iii) A description of any additional material or information necessary for an Eligible Employee to revise the claim and an explanation of why such material or information is necessary; and

(iv) A description of the Plan's review procedures and the time limits applicable to such procedures.

4. *Claims Processing*

In the event the Claims Administrator approves an Eligible Employee's claim for benefits, the Claims Administrator shall provide the Release that the Eligible Employee must sign pursuant Section VI of the Plan, and shall coordinate with the applicable Company payroll department, the Company benefits department, and any other Company entity or counsel as necessary to implement the terms of <u>Section IV</u> of the Plan.

B. Review of Initial Benefit Denial

1. *Procedure for Filing an Appeal of a Denial*

Any appeal of a denial must be delivered to the Plan Administrator within 60 days after an Eligible Employee receives notice of denial. Failure to appeal within the 60-day period shall be considered a failure to exhaust all administrative remedies under the Plan and shall make an Eligible Employee unable to bring a legal action to recover a benefit under the Plan. An Eligible Employee's appeal must be in writing, using the appropriate form provided by the Plan Administrator (or in such other manner acceptable to the Plan Administrator). The request for an appeal must be filed with the Plan Administrator in person or by messenger, in either case, evidenced by written receipt or by first-class postage-paid mail and return receipt requested, to the Plan Administrator.

2. *Review Procedures for Denials*

The Plan Administrator shall provide a review that takes into account all comments, documents, records and other information submitted by an Eligible Employee without regard to whether such information was submitted or considered in the initial benefit determination. An Eligible Employee shall have the opportunity to submit written comments, documents, records and other information relating to the claim and shall be provided, upon request and free of charge, reasonable access to and copies of all relevant documents.

3. *Timing of Notification of Benefit Determination on Review*

The Plan Administrator shall notify an Eligible Employee of the Plan Administrator's decision within a reasonable period of time, but in any event within 60 days after the Plan Administrator receives the Eligible Employee's request for review, unless the Plan Administrator determines that special circumstances require more time for processing the review of the adverse benefit determination.

If the Plan Administrator determines that an extension is required, the Plan Administrator shall tell an Eligible Employee in writing before the end of the initial 60-day period. The Plan Administrator shall tell the Eligible Employee the special circumstances that require an extension of time, and the date by which the Plan Administrator expects to render the determination on review, which in any event shall be within 60 days from the end of the initial 60-day period.

If such an extension is necessary because an Eligible Employee did not submit the information necessary to decide the claim, the time period in which the Plan Administrator is required to make a decision shall be frozen from the date on which the notification is sent to the Eligible Employee until the Eligible Employee responds to the request for additional information. If the Eligible Employee fails to provide the necessary information in a reasonable period of time, the Plan Administrator may, in its discretion, decide the Eligible Employee's claim based on the information already provided.

4. *Manner and Content of Notification of Benefit Determination on Review*

The Plan Administrator shall provide a notice of the Plan's benefit determination on review, in accordance with applicable U.S. Department of Labor regulations. If an Eligible Employee's appeal is denied, the notification shall include:

(a) The specific reason or reasons for the denial;

(b) Reference to the specific provision(s) of the Plan on which the determination is based; and

(c) A statement that the Eligible Employee is entitled to receive, upon request and free of charge, reasonable access to and copies of all relevant documents.

If an Eligible Employee's appeal is approved, the Plan Administrator shall forward the claim to the Claims Administrator for processing in accordance with Section IX.A.4 above.

C. Legal Action

An Eligible Employee cannot bring any action to recover any benefit under the Plan if the Eligible Employee does not file a valid claim for a benefit and seek timely review of a denial of that claim.

X. Withholding Taxes

The Company may withhold from any amounts payable under the Plan such federal, state, local or other taxes as may be required to be withheld pursuant to any applicable law or regulation.

XI. Miscellaneous

A. No Effect on Other Benefits

Any Severance received by an Eligible Employee under the Plan shall not be counted as compensation for purposes of determining benefits under other benefit plans, programs, policies and agreements, except to the extent expressly provided therein or in the Plan. With respect to any benefit plan, program, policy or agreement that takes into account only base salary as relevant compensation, only the portion of such Severance that is payable on account of annual base salary as of the date of termination as calculated in Section IV.B(1) shall be taken into account for purposes of such benefit plan, program, policy or agreement.

B. Unfunded Obligation

Any Severance and benefits provided under the Plan shall constitute an unfunded obligation of the Company. Severance and other benefits paid under the Plan will be made, when due, entirely by the Company from its general assets. The Plan shall constitute solely an unsecured promise by the Company to provide Severance to Eligible Employees to the extent provided herein. For the avoidance of doubt, any pension, health or life insurance benefits to which an Eligible Employee may be entitled under the Plan shall be provided under other applicable employee benefit plans of the Company. The Plan does not provide the substantive benefits under such other employee benefit plans, and nothing in the Plan shall restrict the Company's ability to amend, modify or terminate such other employee benefit plans.

C. Employment Status

The Plan does not create an employment relationship between any Eligible Employee and the Company or any of its subsidiaries. The Plan is not a contract of employment, is not part of a contract of employment (unless such contract explicitly incorporates the Plan into such contract), does not guarantee the Eligible Employee employment for any specified period and does not limit the right of the Company or any subsidiary of the Company to terminate the employment of the Eligible Employee at any time for any reason or no reason or to change the status of any Eligible Employee's employment or to change any employment policies.

D. Section Headings

The section headings contained in the Plan are included solely for convenience of reference and shall not in any way affect the meaning of any provision of the Plan.

E. Governing Law

It is intended that the Plan be an "employee welfare benefit plan" within the meaning of Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") maintained for the purpose of providing benefits for a select group of management or highly compensated employees, and the Plan shall be administered in a manner consistent with such intent. The Plan Administrator shall provide any documents relating to the Plan to the Secretary of the U.S. Department of Labor upon request. The Plan and all rights under the Plan shall be governed and construed in accordance with ERISA, and, to the extent not preempted by federal law, with the laws of the State of New York. The Plan shall also be subject to all applicable non-U.S. laws as to Eligible Employees located outside of the United States.

In the event that any provision of the Plan is not permitted by the Local Laws, of a country or jurisdiction in which an Eligible Employee works, such Local Law shall supersede or modify (as applicable) that provision of the Plan with respect to that Eligible Employee.

F. Assignment

The Plan shall inure to the benefit of and shall be enforceable by an Eligible Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If an Eligible Employee should die while any amount is still payable to the Eligible Employee under the Plan had the Eligible Employee continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of the Plan, or as determined by the Compensation Committee, to the Eligible Employee's estate. An Eligible Employee's rights under the Plan shall not otherwise be transferable or subject to lien or attachment.

Glossary of Terms

"*Board*" shall mean the Board of Directors of the Company.

"*Cause*" shall mean (i) the Eligible Employee's conviction, whether following trial or by plea of guilty or *nolo contendere* (or similar plea), in a criminal proceeding (A) on a misdemeanor charge involving fraud, false statements or misleading omissions, wrongful taking, embezzlement, bribery, forgery, counterfeiting or extortion, or (B) on a felony charge or (C) on an equivalent charge to those in clauses (A) and (B) in jurisdictions which do not use those designations; (ii) the Eligible Employee's engagement in any conduct which constitutes an employment disqualification under applicable law (including statutory disqualification as defined under the Exchange Act); (iii) the Eligible Employee's violation of any securities or commodities laws, any rules or regulations issued pursuant to such laws, or the rules and regulations of any securities or commodities exchange or association of which the Company or any of its subsidiaries or affiliates is a member; or (iv) the Eligible Employee's material violation of the Company's codes or conduct or any other Company policy as in effect from time to time. The Determination as to whether Cause has occurred shall be made by the Compensation Committee, with respect to any Eligible Employee under the purview of the Compensation Committee, or the Senior C&B Executive, with respect to any other Eligible Employee, in each case, in its or his or her sole discretion. The Compensation Committee or Senior C&B Executive, as applicable, shall also have the authority in his or her sole discretion to waive the consequences of the existence or occurrence of any of the events, acts or omissions constituting Cause.

"*Change in Control*" shall mean the occurrence of any of the following events:

(1) Individuals who, on the Effective Date, constitute the Board (the "*Incumbent Directors*") cease for any reason to constitute at least a majority of the Board, *provided* that any person becoming a director subsequent to the Effective Date, whose election or nomination for election was approved by a vote of at least two-thirds of the Incumbent Directors then on the Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without written objection to such nomination) shall be an Incumbent Director; *provided*, *however*, that no individual initially elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to directors or as a result of any other actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board shall be deemed to be an Incumbent Director;

(2) Any "person" (as such term is defined in Section 3(a)(9) of the Exchange Act and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act), is or becomes a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding securities eligible to vote for the election of the Board ("*Company Voting Securities*"); *provided*, *however*, that the event described in this paragraph (2) shall not be deemed to be a Change in Control by virtue of an acquisition of Company Voting Securities: (A) by the Company or any subsidiary of the Company (B) by any employee benefit plan (or related trust) sponsored or maintained by the Company or any subsidiary of the Company or (C) by any underwriter temporarily holding securities pursuant to an offering of such securities;

(3) The consummation of a merger, consolidation, statutory share exchange or similar form of corporate transaction involving the Company (a *"Business Combination"*) that results in any person (other than the United States Department of Treasury) becoming the beneficial owner, directly or indirectly, of 50% or more of the total voting power of the outstanding voting securities eligible to elect directors of the entity resulting from such Business Combination;

(4) The consummation of a sale of all of substantially all of the Company's assets (other than to an affiliate of the Company); or

(5) The Company's stockholders approve a plan of complete liquidation or dissolution of the Company.

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any person acquires beneficial ownership of more than 50% of the Company Voting Securities as a result of the acquisition of Company Voting Securities by the Company which reduces the number of Company Voting Securities outstanding; *provided* that if after such acquisition by the Company such person becomes the beneficial owner of additional Company Voting Securities that increases the percentage of outstanding Company Voting Securities beneficially owned by such person, a Change in Control shall then occur.

"*Disability*" shall mean 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 the Eligible Employee qualifies for income replacement benefits under the Eligible Employee's employer's long-term disability plan for at least 3 months, or, if the Eligible Employee does not participate in such a plan, a period of disability during which the Eligible Employee 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.

"*Exchange Act*" shall mean the Securities Exchange Act of 1934, as amended from time to time, or any successor thereto, and the applicable rules and regulations thereunder.

"*Good Reason*" shall mean, in the absence of written consent of the Eligible Employee, a reduction of more than twenty percent (20%) in the Eligible Employee's annual target direct compensation (including annual base salary, short-term incentive opportunity and long-term incentive opportunity); *provided* that such reduction will not constitute Good Reason if it results from a Board-approved program generally applicable to similarly-situated employees; *provided*, *further*, that prior to the Transition Date, for Old Plan Participants, Good Reason shall have the meaning given in Section IV.K the Old Plan. Notwithstanding the foregoing, a termination for Good Reason shall not have occurred unless (a) the Eligible Employee gives written notice to the Company of termination of employment within 30 days after the Eligible Employee first becomes aware of the occurrence of the circumstances constituting Good Reason, specifying in detail the circumstances constituting Good Reason, and the Company has failed within 30 days after receipt of such notice to cure the circumstances constituting Good Reason, and (b) the Eligible Employee's "separation from service" (within the meaning of Code section 409A) occurs no later than two years following the initial existence of the circumstances giving rise to Good Reason.

“*Senior C&B Executive*” means the Company’s most senior executive whose responsibility it is to oversee both the Corporate Compensation Department and the Corporate Benefits Department. In the event that no individual holds such position, “Senior C&B Executive” will instead refer to the Company’s most senior executive whose responsibility it is to oversee the global Human Resources Department.

“*Senior HR Attorney*” means the Company’s most senior attorney whose responsibility it is to oversee Human Resource/employment matters.

EXHIBIT A

AMERICAN INTERNATIONAL GROUP, INC.
RELEASE AND RESTRICTIVE COVENANT AGREEMENT

This Release and Restrictive Covenant Agreement (the "*Agreement*") is entered into by and between _________________________ (the "*Employee*") and American International Group, Inc., a Delaware Corporation (the "*Company*").

Each term defined in the American International Group, Inc. 2012 Executive Severance Plan (the "*Plan*") has the same meaning when used in this Agreement.

In addition, each term defined in the American International Group, Inc. Executive Severance Plan (the "*Old Plan*") has the same meaning when used in sections of this Agreement discussing the Old Plan.

I. Termination of Employment

The Employee's employment with the Company and each of its subsidiaries and controlled affiliates (collectively "*AIG*") shall terminate on _______________ (the "*Termination Date*") and, as of that date, the Employee shall cease performing the Employee's employment duties and responsibilities for AIG and shall no longer report to work for AIG. For purposes of this Agreement, the term "controlled affiliates" means an entity of which the Company directly or indirectly owns or controls a majority of the voting shares.

II. Severance

[Non Grandfathered (Newly Eligible) Participants]

[The Employee shall receive a lump sum severance payment in the gross amount of $_______________, less applicable tax and benefit withholdings paid out in a lump sum as soon as practicable but in no event later than sixty (60) days following the Termination Date (and in accordance with Section IV.B(2) of the Plan). The Employee shall also receive a prorated annual short-term incentive bonus for the Termination Year calculated in accordance with, and payable in accordance with the payment timing set forth in, Section IV.B(1)(b) of the Plan. **[**The Employee shall also receive a lump sum cash payment equal to the Employee's annual short-term incentive bonus for the Prior Year if such bonus has not been paid as of the date of termination calculated in accordance with, and payable in accordance with the payment timing set forth in, Section IV.B(1)(a) of the Plan.**]**

[Grandfathered, Old Plan Participants]

[*If Terminated After the Transition Date*] The Employee shall receive a lump sum severance payment in the gross amount of $_______________, less applicable tax and benefit withholdings paid out in a lump sum as soon as practicable but in no event later than sixty (60) days following the Termination Date (and in accordance with Section IV.C of the Plan).

[If Terminated Prior to the Transition Date] The Employee shall receive Severance Installments in the gross amount of $_______________, less applicable tax and benefit withholdings paid out over ________ months (in substantially equal weekly, biweekly, or monthly installments) in accordance with Section IV.C of the Plan, and

Section IV.B of the Old Plan, and the Company's normal payroll practices. The Severance Period (as defined in the Old Plan) shall end on ____________________, 201__ (the "*Severance End Date*"). Solely for purposes of the AIG Retirement Plan and any life insurance benefits provided pursuant to Section IV.F of the Plan and Section IV.F. of the Old Plan, only that portion ($__________) of the Severance Installments that is equal to the Employee's regular salary installments at the time of the Termination Date shall be treated as "salary" (the remainder, $___________ shall be treated as non-salary).

[Regardless of whether Termination occurs before or after Transition Date]
[If Participant is Grade 27+: If dollar amount of severance is greater under new ESP formula than under old ESP formula The Employee shall also receive a New Plan Payment, if any, in accordance with Section IV.C of the Plan in a lump sum as soon as practicable following the Termination Date but in no event later than (60) days thereafter (and in accordance with Section IV.C of the Plan).] [***If terminated after March 31st*** The Employee shall also receive a prorated annual short-term incentive bonus for the Termination Year calculated in accordance with, and payable in accordance with the payment timing set forth in, Section IV.B(1)(b) of the Plan.] [***If annual short-term bonus for prior year has not been paid as of the date of termination*** The Employee shall also receive a lump sum cash payment equal to the Employee's annual short-term incentive bonus for the Prior Year calculated in accordance with, and payable in accordance with the payment timing set forth in, Section IV.B(1)(a) of the Plan.**]**

The Employee shall also be paid accrued wages, reimbursed expenses, and ________ days of accrued, unused paid time off ("PTO") as of the Termination Date. The Employee shall not accrue any PTO after the Termination Date.

III. Other Benefits

Nothing in this Agreement modifies or affects any of the terms of any benefit plans or programs (defined as medical, life, pension and 401(k) plans or programs and including, without limitation, the Company's right to alter the terms of such plans or programs). No further deductions or employer matching contributions shall be made on behalf of the Employee to the Incentive Savings Plan ("*ISP*") as of the last day of the pay period in which the Termination Date occurs.

The Employee shall no longer participate or be eligible for coverage under the Short-Term and Long-Term Disability programs, and the ISP. After the Termination Date, the Employee may decide, under the ISP, whether to elect a rollover or distribution of the Employee's account balance or to keep the account balance in the ISP. [To the extent the Employee has amounts that remain deferred under the Supplemental Incentive Savings Plan ("*SISP*") or the Executive Deferred Compensation Plan ("*EDCP*") as of the Termination Date, a distribution because of termination of employment of the Employee's account balance under the SISP and EDCP will be paid after Termination Date pursuant to the terms of the SISP and EDCP.] The Employee shall not accrue vacation after the Termination Date.

[At all times, for Newly Eligible Non-Grandfathered Participants, and after the Transition Date, for all Participants]

[As set forth in Section IV.D of the Plan, the Employee shall be entitled to continued health insurance coverage under COBRA for a period in accordance with the requirements under COBRA unless the Employee is or becomes ineligible under the provisions of

COBRA for continuing coverage. The Employee shall be solely responsible for paying the full cost of the monthly premiums for COBRA coverage. In addition, the Employee shall be entitled to one (1) year of additional service credit and credit for additional age solely for purposes of determining the Employee's eligibility to participate in any Company Retiree Medical program and, if eligible, may choose to participate in such Company Retiree Medical program as of the Termination Date at the applicable rate or pay for COBRA coverage. If the Employee chooses to pay for COBRA coverage and retains such coverage for the full COBRA period, the Employee may participate in the Company Retiree Medical program following the COBRA period. The Employee shall also be entitled to a Supplemental Health & Life Payment of $40,000 which may, among other things, be payable towards COBRA and life insurance coverage after the Termination Date.

As set forth in Section IV.E of the Plan, the Employee shall be entitled to one (1) year of additional service credit and credit for additional age solely for purposes of determining vesting and eligibility for retirement (including early retirement) under the Non-Qualified Pension Plans. Any payments under the Non-Qualified Pension Plans shall commence at the time specified in the applicable plan, determined as if "Qualified Plan Retirement Income" (as defined in the applicable plan) began to be paid immediately following the Termination Date.

Except as set forth in this Agreement and Sections IV.D and E of the Plan there are no other payments or benefits due to the Employee from the Company. The Employee acknowledges and agrees that the Company has made no representations to the Employee as to the applicability of Code section 409A to any of the payments or benefits provided to the Employee pursuant to the Plan or this Agreement.]**]**

[For Grandfathered Participants Prior to the Transition Date]

[In accordance with Section IV.F. of the Plan and as set forth in Section IV.C. of the Old Plan, the Employee's Severance Period shall be treated as continued employment for the purpose of outstanding Senior Partners Units ("*SPUs*") that are earned but unvested under the Senior Partners Plan, and options, if any, in each case that would otherwise have vested or become exercisable during the Severance Period had the Employee's employment not terminated.

[In accordance with Section IV.F of the Plan, and as set forth in Section IV.D of the Old Plan, the Employee shall be entitled to participate during the Severance Period in the applicable Company-provided health plans for active employees in which the Employee participated prior to termination by paying on an after-tax basis the applicable employee contribution charged to active employees receiving similar coverage. If the Employee participates in such plan, the actuarial cost of such coverage in excess of the applicable employee contribution paid by the Employee, as determined by the Company, shall be imputed as taxable income to the Employee. The Employee agrees that the Employee shall provide promptly to the Claims Administrator or his or her designee, as applicable, without request, all information known to the Employee that may be applicable to, and all other information the Company may reasonably request for purposes of, determining the Employee's eligibility for continuing active employee health coverage.

In addition, in accordance with Section IV.F of the Plan and as set forth in Section IV.D of the Old Plan, the Severance Period shall be treated as a period of employment service (in connection with both the age and service requirements) for purposes of determining the Employee's eligibility to participate in, and to calculate the amount of the

Company contribution towards, any Company retiree health plan. For these purposes, the Employee's deemed period of employment service shall end as of the last day of the Severance Period. If the Employee would not have satisfied the eligibility requirements to participate in any Company retiree health plan but for the treatment of the Severance Period as a period of employment service, the actuarial cost of such retiree health coverage in excess of any contribution paid by the Employee, as determined by the Company, shall be imputed as income for all periods in which such retiree health coverage is provided.**]**

In accordance with Section IV.F of the Plan, and as set forth in Section IV.E of the Old Plan, the Employee shall be entitled to additional service credit and credit for additional age, in each case in an amount equal to the length of the Severance Period, for purposes of calculating the Employee's benefit amounts, and determining vesting and eligibility for retirement (including early retirement), under the Non-Qualified Pension Plans. For the avoidance of doubt, Severance Installments shall not be included in the calculation of any of the Employee's benefits under the Non-Qualified Pension Plans. Any payments under the Non-Qualified Pension Plans shall commence at the time specified in the applicable plan, determined as if "Qualified Plan Retirement Income" (as defined in the applicable plan) began to be paid immediately following the Termination Date.

In accordance with Section IV.F of the Plan, and as set forth in Section IV.F of the Old Plan, the Employee shall be entitled to participate during the Severance Period in the group life insurance benefits generally available to active employees of the Company. The Employee shall be required to pay the costs of such coverage on the same basis as prior to the date of termination. Any portion of the premium paid by the Company shall be imputed as taxable income to the Employee.

The Employee will continue to participate in and accrue benefits in the AIG Retirement Plan through the Severance End Date. The AIG Retirement Plan deems an Employee on severance payroll continuation to be a participant in the Plan. If the Employee is vested and has the age and service to commence a benefit, benefits under the AIG Retirement Plan may commence after the last day on payroll.**]**

Except as set forth in this Agreement and Sections IV.C through F of the Old Plan, and Section IV.F of the Plan there are no other payments or benefits due to the Employee from the Company. The Employee acknowledges and agrees that the Company has made no representations to the Employee as to the applicability of Code section 409A to any of the payments or benefits provided to the Employee pursuant to the Plan or this Agreement.]

IV. Release of Claims

In consideration of the payments and benefits described in Section IV of the Plan and Section II and II of this Agreement, to which the Employee agrees the Employee is not entitled until and unless the Employee executes this Agreement, the Employee, for and on behalf of the Employee and the Employee's heirs and assigns, subject to the following two sentences hereof, agrees to all the terms and conditions of this Agreement and hereby waives and releases any common law, statutory or other complaints, claims, charges or causes of action of any kind whatsoever, both known and unknown, in law or in equity, which the Employee ever had, now has or may have against AIG and its shareholders (other than C.V. Starr & Co., Inc. and Starr International Company, Inc.), successors, assigns, directors, officers, partners, members, employees, agents or the Plan (collectively, the "*Releasees*"), including, without limitation, any complaint, charge or cause of action arising under federal, state or local laws pertaining to employment, including the Age Discrimination in Employment Act of 1967 ("*ADEA*," a law which prohibits discrimination on the basis of age), the National Labor Relations Act, the Civil Rights Act of 1991, the Americans With Disabilities Act of 1990, Title VII of the Civil Rights Act of 1964, all as amended; and all other federal, state, local and foreign laws and regulations. By signing this Agreement, the Employee acknowledges that the Employee intends to waive and release any rights known or unknown that the Employee may have against the Releasees under these and any other laws; *provided that* the Employee does not waive or release claims with respect to the right to enforce the Employee's rights under this Agreement or with respect to any rights to indemnification under the Company's Charter and by-laws **[or other document if not an AIG employee or officer]** (the "Unreleased Claims"). In addition, the Employee waives any claim to reinstatement or re-employment with AIG, the Employee shall not seek or accept employment with AIG after the Termination Date and the Employee agrees not to bring any claim based upon the failure or refusal of AIG to employ the Employee hereafter.

V. Proceedings

The Employee acknowledges that the Employee has not filed any complaint, charge, claim or proceeding, except with respect to an Unreleased Claim, if any, against any of the Releasees before any local, state or federal agency, court or other body (each individually a "Proceeding"). The Employee represents that the Employee is not aware of any basis on which such a Proceeding could reasonably be instituted. By signing this Agreement the Employee:

(a) Acknowledges that the Employee shall not initiate or cause to be initiated on his behalf any Proceeding and shall not participate in any Proceeding, in each case, except as required by law;

(b) Waives any right he may have to benefit in any manner from any relief (whether monetary or otherwise) arising out of any Proceeding, including any Proceeding conducted by the Equal Employment Opportunity Commission ("EEOC"); and

(c) Acknowledges that the Employee shall be limiting the availability of certain remedies that the Employee may have against AIG and limiting also the Employee's ability to pursue certain claims against the Releasees.

Notwithstanding the above, nothing in Section V of this Agreement shall prevent the Employee from:

(x) Initiating or causing to be initiated on his or her behalf any complaint, charge, claim or proceeding against the Company before any local, state or federal agency, court or other body challenging the validity of the waiver of his or her claims under the ADEA contained in Section IV of this Agreement (but no other portion of such waiver), or

(y) Initiating or participating in an investigation or proceeding conducted by the EEOC.

VI. Time to Consider

The payments and benefits payable to the Employee under this Agreement include consideration provided to the Employee over and above anything of value to which the

Employee already is entitled. The Employee acknowledges that the Employee has been advised that the Employee has 21 days from the date of the Employee's receipt of this Agreement to consider all the provisions of this Agreement.

THE EMPLOYEE FURTHER ACKNOWLEDGES THAT THE EMPLOYEE HAS READ THIS AGREEMENT CAREFULLY, HAS BEEN ADVISED BY THE COMPANY TO, CONSULT AN ATTORNEY, AND FULLY UNDERSTANDS THAT BY SIGNING BELOW THE EMPLOYEE IS GIVING UP CERTAIN RIGHTS WHICH THE EMPLOYEE MAY HAVE TO SUE OR ASSERT A CLAIM AGAINST ANY OF THE RELEASEES, AS DESCRIBED IN SECTION IV OF THIS AGREEMENT AND THE OTHER PROVISIONS HEREOF. THE EMPLOYEE ACKNOWLEDGES THAT THE EMPLOYEE HAS NOT BEEN FORCED OR PRESSURED IN ANY MANNER WHATSOEVER TO SIGN THIS AGREEMENT, AND THE EMPLOYEE AGREES TO ALL OF ITS TERMS VOLUNTARILY.

VII. Revocation

The Employee hereby acknowledges and understands that the Employee shall have seven days from the date of the Employee's execution of this Agreement to revoke this Agreement (including, without limitation, any and all claims arising under the ADEA) by providing written notice of revocation delivered to the General Counsel of the Company no later than 5:00 p.m. on the seventh day after the Employee has signed the Agreement. Neither the Company nor any other person is obligated to provide any benefits to the Employee pursuant to Section IV of the Plan until eight days have passed since the Employee's signing of this Agreement without the Employee having revoked this Agreement. If the Employee revokes this Agreement pursuant to this Section, the Employee shall be deemed not to have accepted the terms of this Agreement, and no action shall be required of AIG under any section of this Agreement.

VIII. No Admission

This Agreement does not constitute an admission of liability or wrongdoing of any kind by the Employee or AIG.

IX. Restrictive Covenants

A. Non-Solicitation/Non-Competition

The Employee acknowledges and recognizes the highly competitive nature of the businesses of AIG and accordingly agrees as follows:

1. During the period commencing on the Employee's Termination Date and ending on the one-year anniversary of such date (the "*Restricted Period*"), the Employee shall not, directly or indirectly, without AIG's written consent, hire, solicit or encourage to cease to work with AIG or any employee, consultant or agent of AIG.

2. During the period commencing on the Employee's Termination Date and ending on the six-month anniversary of such date, the Employee shall not, directly or indirectly:

(a) Engage in any "*Competitive Business*" (defined below) for the Employee's own account;

(b) Enter the employ of, or render any services to, any person engaged in any Competitive Business;

(c) Acquire a financial interest in, or otherwise become actively involved with, any person engaged in any Competitive Business, directly or indirectly, as an individual, partner, shareholder, officer, director, principal, agent, trustee or consultant; or

(d) Interfere with business relationships between AIG and customers or suppliers of, or consultants to AIG.

3. For purposes of this Section IX, a "Competitive Business" means, as of any date, including during the Restricted Period, any person or entity (including any joint venture, partnership, firm, corporation or limited liability company) that engages in or proposes to engage in the following activities in any geographical area in which AIG does such business:

(a) The property and casualty insurance business, including commercial insurance, business insurance, personal insurance and specialty insurance;

(b) The life and accident and health insurance business;

(c) The underwriting, reinsurance, marketing or sale of (y) any form of insurance of any kind that AIG as of such date does, or proposes to, underwrite, reinsure, market or sell (any such form of insurance, an "AIG Insurance Product"), or (z) any other form of insurance that is marketed or sold in competition with any AIG Insurance Product;

(d) The investment and financial services business, including retirement services and mutual funds services; or

(e) Any other business that as of such date is a direct and material competitor of one of AIG's businesses.

4. Notwithstanding anything to the contrary in this Agreement, the Employee may directly or indirectly, own, solely as an investment, securities of any person engaged in the business of AIG which are publicly traded on a national or regional stock exchange or on the over-the-counter market if the Employee (a) is not a controlling person of, or a member of a group which controls, such person and (b) does not, directly or indirectly, own one percent or more of any class of securities of such person.

5. The Employee understands that the provisions of this Section IX.A may limit the Employee's ability to earn a livelihood in a business similar to the business of AIG but the Employee nevertheless agrees and hereby acknowledges that:

(a) Such provisions do not impose a greater restraint than is necessary to protect the goodwill or other business interests of AIG;

(b) Such provisions contain reasonable limitations as to time and scope of activity to be restrained;

(c) Such provisions are not harmful to the general public; and

(d) Such provisions are not unduly burdensome to the Employee. In consideration of the foregoing and in light of the Employee's education, skills and abilities, the Employee agrees that he shall not assert that, and it should not be considered that, any provisions of Section IX.A otherwise are void, voidable or unenforceable or should be voided or held unenforceable.

6. It is expressly understood and agreed that, although the Employee and the Company consider the restrictions contained in this Section IX.A to be reasonable, if a judicial determination is made by a court of competent jurisdiction that the time or territory or any other restriction contained in this Section IX.A or elsewhere in this Agreement is an unenforceable restriction against the Employee, the provisions of the Agreement shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such maximum extent as such court may judicially determine or indicate to be enforceable. Alternatively, if any court of competent jurisdiction finds that any restriction contained in this Agreement is unenforceable, and such restriction cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained herein.

B. Nondisparagement

The Employee agrees (whether during or after the Employee's employment with AIG) not to issue, circulate, publish or utter any false or disparaging statements, remarks or rumors about AIG or the officers, directors or managers of AIG other than to the extent reasonably necessary in order to (a) assert a bona fide claim against AIG arising out of the Employee's employment with AIG, or (b) respond in a truthful and appropriate manner to any legal process or give truthful and appropriate testimony in a legal or regulatory proceeding.

C. Code of Conduct

The Employee agrees to abide by all of the terms of the Company's Code of Conduct or the Director, Executive Officer and Senior Financial Officer Code of Business Conduct and Ethics that continue to apply after termination of employment.

D. Confidentiality/Company Property

The Employee acknowledges that the disclosure of this Agreement or any of the terms hereof could prejudice AIG and would be detrimental to AIG's continuing relationship with its employees. Accordingly, the Employee agrees not to discuss or divulge either the existence or contents of this Agreement to anyone other than the Employee's immediate family, attorneys or tax advisors, and further agrees to use the Employee's best efforts to ensure that none of those individuals will reveal its existence or contents to anyone else. The Employee shall not, without the prior written consent of AIG, use, divulge, disclose or make accessible to any other person, firm, partnership, corporation or other entity, any "Confidential Information" (as defined below), or any "Personal Information" (as defined below); *provided* that the Employee may disclose Confidential Information, Personal Information or information about the existence or content of this Agreement when required to do so by a court of competent jurisdiction, by any governmental agency having supervisory authority over the business of AIG, as the case may be, or by any administrative body or legislative body (including a committee thereof) with jurisdiction to order the Employee to divulge, disclose or make accessible such information; *provided*, *further*, *that* in the event that the Employee is ordered by a court or other government agency to disclose any Confidential Information or Personal Information, the Employee shall:

(a) Promptly notify AIG of such order;

(b) At the written request of AIG, diligently contest such order at the sole expense of AIG; and

(c) At the written request of AIG, seek to obtain, at the sole expense of AIG, such confidential treatment as may be available under applicable laws for any information disclosed under such order.

Upon the Termination Date the Employee shall return AIG property, including, without limitation, files, records, disks and any media containing Confidential Information or Personal Information. For purposes of this Section IX.D:

"*Confidential Information*" shall mean information concerning the financial data, strategic business plans, product development (or other proprietary product data), customer lists, marketing plans and other, proprietary and confidential information relating to the business of AIG or customers, that, in any case, is not otherwise available to the public (other than by the Employee's breach of the terms hereof).

"*Personal Information*" shall mean any information concerning the personal, social or business activities of the officers or directors of the Company.

E. Developments

Developments shall be the sole and exclusive property of AIG. The Employee agrees to, and hereby does, assign to AIG, without any further consideration, all of the Employee's right, title and interest throughout the world in and to all Developments. The Employee agrees that all such Developments that are copyrightable may constitute works made for hire under the copyright laws of the United States and, as such, acknowledges that AIG is the author of such Developments and owns all of the rights comprised in the copyright of such Developments. The Employee hereby assigns to AIG without any further consideration all of the rights comprised in the copyright and other proprietary rights the Employee may have in any such Development to the extent that it might not be considered a work made for hire. The Employee shall make and maintain adequate and current written records of all Developments and shall disclose all Developments promptly, fully and in writing to the Company promptly after development of the same, and at any time upon request.

"*Developments*" shall mean all discoveries, inventions, ideas, technology, formulas, designs, software, programs, algorithms, products, systems, applications, processes, procedures, methods and improvements and enhancements conceived, developed or otherwise made or created or produced by the Employee alone or with others, and in any way relating to the business or any proposed business of AIG of which the Employee has been made aware, or the products or services of AIG of which the Employee has been made aware, whether or not subject to patent, copyright or other protection and whether or not reduced to tangible form, at any time during the Employee's employment with AIG.

F. Cooperation

The Employee agrees (whether during or after the Employee's employment with AIG) to cooperate:

(a) With AIG in connection with any litigation or regulatory matters in which the Employee may have relevant knowledge or information, and

(b) With all government authorities on matters pertaining to any investigation, litigation or administrative proceeding pertaining to AIG.

This cooperation shall include, without limitation, the following:

(x) To meet and confer, at a time mutually convenient to the Employee and AIG, with AIG's designated in-house or outside attorneys for trial preparation purposes, including answering questions, explaining factual situations, preparing to testify, or appearing for deposition;

(y) To appear for trial and give truthful trial testimony without the need to serve a subpoena for such appearance and testimony; and

(z) To give truthful sworn statements to AIG's attorneys upon their request and, for purposes of any deposition or trial testimony, to adopt AIG's attorneys as the Employee's own (*provided* that there is no conflict of interest that would disqualify the attorneys from representing the Employee), and to accept their record instructions at deposition.

The Company agrees to reimburse the Employee for reasonable out-of-pocket expenses necessarily incurred by the Employee in connection with the cooperation set forth in this paragraph.

X. Enforcement and Clawback

If (a) at any time the Employee breaches Section V of this Agreement, (b) within one (1) year of the expiration of any restrictive covenant described in Sections IX.A, B or D of this Agreement, AIG determines that the Employee materially breached such restrictive covenant or (c) within one year of the last payment date for any Severance benefit due under the terms of the Plan, AIG determines that grounds existed, on or prior to the Termination Date, including prior to the Effective Date of the Plan, for AIG to terminate the Employee's employment for Cause, then: (x) no further payments or benefits shall be due to the Employee under this Agreement and/or the Plan; and (y) the Employee shall be obligated to repay to AIG, immediately and in a cash lump sum, the amount of any Severance benefits (other than any amounts received by the Employee under Section IV.D through F of the Plan) previously received by the Employee under this Agreement and/or the Plan (which shall, for the avoidance of doubt, be calculated on a pre-tax basis); *provided* that the Employee shall in all events be entitled to receive accrued wages and expense reimbursement and accrued but unused vacation pay as set forth in Section IV.A of the Plan.

The Employee acknowledges and agrees that AIG's remedies at law for a breach or threatened breach of any of the provisions of Sections IX.A, B, D and E of this Agreement would be inadequate, and, in recognition of this fact, the Employee agrees that, in the event of such a breach or threatened breach, in addition to any remedies at law, AIG, without posting any bond, shall be entitled to obtain equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction or any other equitable remedy which may then be available. In addition, AIG shall be entitled to immediately cease paying any amounts remaining due or providing any benefits to the Employee pursuant to Section IV of the Plan upon a determination by the "Plan Administrator" (as defined in the Plan) that the Employee has violated any provision of Section IX of this Agreement, subject to payment of all such amounts upon a final determination, by a court of competent jurisdiction, that the Employee had not violated Section IX of this Agreement.

XI. General Provisions

A. No Waiver; Severability

A failure of the Company or any of the Releasees to insist on strict compliance with any provision of this Agreement shall not be deemed a waiver of such provision or any other provision hereof. If any provision of this Agreement is determined to be so broad as to be unenforceable, such provision shall be interpreted to be only so broad as is enforceable, and in the event that any provision is determined to be entirely unenforceable, such provision shall be deemed severable, such that all other provisions of this Agreement shall remain valid and binding upon the Employee and the Releasees.

B. Governing Law

THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE WHOLLY PERFORMED WITHIN THAT STATE, WITHOUT REGARD TO ITS CONFLICT OF LAWS PROVISIONS OR THE CONFLICT OF LAWS PROVISIONS OF ANY OTHER JURISDICTION WHICH WOULD CAUSE THE APPLICATION OF ANY LAW OTHER THAN THAT OF THE STATE OF NEW YORK. THE EMPLOYEE CONSENTS TO THE EXCLUSIVE JURISDICTION OF THE FEDERAL AND STATE COURTS IN NEW YORK.

C. Entire Agreement/Counterparts

This Agreement constitutes the entire understanding and agreement between the Company and the Employee with regard to all matters herein. There are no other agreements, conditions, or representations, oral or written, express or implied, with regard thereto. This Agreement may be amended only in writing, signed by the parties hereto. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

D. Notice

For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given if delivered: (a) personally; (b) by overnight courier service; (c) by facsimile transmission; or (d) by United States registered mail, return receipt requested, postage prepaid, addressed to the respective addresses, as set forth below, or to such other address as either party may have furnished to the other in writing in accordance herewith; *provided* that notice of change of address shall be effective only upon receipt. Notices shall be deemed given as follows: (x) notices sent by personal delivery or overnight courier shall be deemed given when delivered; (y) notices sent by facsimile transmission shall be deemed given upon the sender's receipt of confirmation of complete transmission; and (z) notices sent by United

States registered mail shall be deemed given two days after the date of deposit in the United States mail.

If to the Employee, to the address as shall most currently appear on the records of the Company.

If to the Company, to:

American International Group, Inc.
80 Pine Street
New York, NY 10005
Fax: 212-770-1584
Attn: General Counsel

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement.

EMPLOYEE

By: ______________________________
Name: Date:
Title:

AMERICAN INTERNATIONAL GROUP, INC.

By: ______________________________
Name: Date:
Title:

AMERICAN INTERNATIONAL GROUP, INC.
2013 LONG TERM INCENTIVE PLAN

1. PURPOSE; DEFINITIONS

This American International Group, Inc. 2013 Long Term Incentive Plan (this "***Plan***"), as amended September 9, 2014, is designed to provide selected officers and key employees of American International Group, Inc. ("***AIG***" and together with its consolidated subsidiaries, determined in accordance with U.S. generally accepted accounting principles, the "***Company***") with incentives to contribute to the long-term performance of AIG in a manner that appropriately balances risk and rewards.

Awards under this Plan are issued under the American International Group, Inc. 2010 Stock Incentive Plan (as amended from time to time or any successor stock incentive plan, including the American International Group, Inc. 2013 Omnibus Incentive Plan, the "***SIP***"), the terms of which are incorporated in this Plan. Capitalized terms used in this Plan but not otherwise defined in this Plan or in the attached Glossary of Terms in Annex A have the meaning ascribed to them in the SIP.

2. PERFORMANCE PERIOD

This Plan will operate for successive overlapping three-year performance periods (each, a "***Performance Period***") beginning on January 1 of each year. The first Performance Period will be from January 1, 2013 through December 31, 2015. Each Performance Period will be for successive three calendar-year periods until the Plan is terminated by the Compensation and Management Resources Committee (including any successor, the "***Committee***") of the Board of Directors of AIG (the "***Board***").

3. AWARDS AND PARTICIPANTS

A. Performance Share Units. Awards issued under this Plan ("***Awards***") consist of performance share units ("***PSUs***") providing holders with the opportunity to earn shares of Common Stock ("***Shares***") based on achievement of performance criteria during the Performance Period. PSUs will be subject to the terms and conditions of this Plan and the SIP and will be issued only to the extent permissible under relevant laws, regulatory restrictions and agreements applicable to the Company, and the Committee may establish another form of Award to the extent it determines appropriate for some or all Participants (as defined below).

B. Participants. The Committee will from time to time determine (1) the officers and key employees of the Company who will receive Awards (the "***Participants***") and (2) the number of PSUs awarded to each Participant for a Performance Period. No Award of PSUs to a Participant for a Performance Period shall in any way obligate the Committee to (or imply that the Committee will) provide a similar Award (or any Award) to the Participant for any future Performance Period.

C. **Status of PSUs**. Each PSU constitutes an unfunded and unsecured promise of AIG to deliver (or cause to be delivered) one Share (or, at the election of AIG, cash equal to the Fair Market Value thereof) as provided in Section 5.E. Until such delivery, a holder of PSUs will have only the rights of a general unsecured creditor and no rights as a shareholder of AIG.

D. **Award Agreements**. Each Award granted under the Plan shall be evidenced by an award agreement that shall contain such provisions and conditions as the Committee deems appropriate; *provided that*, except as otherwise expressly provided in an award agreement, if there is any conflict between any provision of this Plan and an award agreement, the provisions of this Plan shall govern. By accepting an Award pursuant to this Plan, a Participant thereby agrees that the Award shall be subject to all of the terms and provisions of this Plan, the SIP and the applicable award agreement. Awards shall be accepted by a Participant signing the applicable award agreement, and returning it to the Company. Failure by a Participant to do so within 90 days from the date of the award agreement shall give the Company the right to rescind the Award.

4. Performance Criteria

The number of PSUs earned for any Performance Period will be based on one or more performance measures established by the Committee in its sole discretion with respect to such Performance Period (collectively, the "***Performance Measures***"). For each Performance Measure with respect to a Performance Period, the Committee will establish a "***Weighting***," "***Threshold***," "***Target***" and "***Maximum***."

5. PSUs Awards

A. **Performance Awards**. A Participant's award agreement will set forth a PSU award opportunity, which will cover such target number of PSUs as determined by the Committee (the "***Target PSUs***").

B. **Performance Results**. At the end of the Performance Period, the Committee will assess performance against each Performance Measure and determine the Earned Percentage for each such Performance Measure as follows, subject to the terms and conditions of this Plan and unless determined otherwise by the Committee:

Performance	**Earned Percentage**
Performance less than Threshold	0%
Performance at Threshold	50%
Performance at Target	100%
Performance at or above Maximum	150%

The Earned Percentage for performance between Threshold and Target and between Target and Maximum will be determined on a straight-line basis. For the avoidance of doubt, the Committee retains discretion to reduce any Earned PSU Award to zero.

C. **Earned PSUs**. The number of PSUs earned for the Performance Period (the "***Earned PSUs***") will equal the sum of the PSUs earned for each Performance Measure, calculated as follows:

PSUs earned for a Performance Measure	=	Target PSUs	x	Earned Percentage	x	Weighting of Perforn

D. **Vesting of Earned PSUs**. Except as provided in Section 6, and subject to the other terms and conditions of this Plan and the applicable award agreement, Earned PSUs or a portion shall vest in three equal annual installments on January 1 of the year immediately following the end of the Performance Period and January 1 of each of the next two years (each, a "***Scheduled Vesting Date***").

E. **Delivery of Earned PSUs**. Except as provided in Section 6, AIG will deliver (or cause to be delivered) to the Participant Shares (or, at the election of AIG, cash equal to the Fair Market Value thereof) in respect of any Earned PSUs, or portion thereof, as promptly as administratively practicable following the applicable Scheduled Vesting Date, *provided that* any delivery following the first Scheduled Vesting Date for a given Award of Earned PSUs shall be made as promptly as administratively practicable following the determination of Earned PSUs by the Committee, but no later than April 30th after such first Scheduled Vesting Date and delivery following the subsequent Scheduled Vesting Dates shall be made within 30 days following the applicable Scheduled Vesting Date. Subject to Section 6, a Participant must be Employed on the applicable Scheduled Vesting Date in order to be entitled to receive a delivery of any portion of the Earned PSUs.

6. Vesting and Payout Upon Termination of Employment and Corporate Events

A. **Termination Generally**. Except as otherwise provided in this Section 6, if a Participant's Employment is Terminated for any reason, then any unvested Awards, or parts thereof, shall immediately terminate and be forfeited.

B. **Involuntary Termination, Retirement or Disability**. Subject to Section 6.G, in the case of a Participant's involuntary Termination without Cause, Retirement or Disability, the Participant's Award will immediately vest and the Shares (or cash) corresponding to the Earned PSUs (based on the performance for the whole Performance Period) will be delivered to the Participant on the dates specified in Section 5.E that such Award would otherwise have been delivered if the Participant had continued to remain Employed. For the avoidance of doubt, an involuntary Termination without Cause as provided in this Section 6.B shall not include a resignation that a Participant may assert was a constructive discharge.

C. Qualifying Resignation. Subject to Section 6.G, in the case of a Participant's Qualifying Resignation after the first year of a Performance Period, the Participant's Award will immediately vest and the Shares (or cash) corresponding to the Earned PSUs (based on the performance for the whole Performance Period) will be delivered to the Participant on the dates specified in Section 5.E that such Award would otherwise have been delivered if the Participant had continued to remain Employed. For the avoidance of doubt, in the case of a Participant's Qualifying Resignation during the first year of a Performance Period, the Participant's Award shall immediately terminate and be forfeited.

D. Death. In the case of a Participant's death during a Performance Period or following a Performance Period but prior to the Committee's adjudication of performance under Section 5.B, the Participant's Award will immediately vest and the Shares (or cash) corresponding to the Target PSUs will be delivered to the Participant's estate as soon as practicable but in no event later than the end of the calendar year or, if later, within two and one-half months following the date of death. In the case of a Participant's death following the Committee's adjudication of performance for a Performance Period under Section 5.B, the Participant's Award will immediately vest and the Shares (or cash) corresponding to the Earned PSUs (based on performance for the whole Performance Period) will be delivered to the Participant's estate as soon as practicable but in no event later than the end of the calendar year or, if later, within two and one-half months following the date of death.

E. Change in Control. In the case of a Change in Control during a Performance Period and the Participant's involuntary Termination without Cause within twenty-four (24) months following such Change in Control, the Participant shall receive Shares (or cash) corresponding to the Target PSUs, unless the Committee determines to use actual performance through the date of the Change in Control, and such Shares (or cash) will immediately vest. In the case of a Change in Control following a Performance Period and the Participant's involuntary Termination without Cause within twenty-four (24) months following such Change in Control, the Participant shall receive Shares (or cash) corresponding to the Earned PSUs (based on performance for the whole Performance Period), and such Shares (or cash) will immediately vest. Any such vested amounts will be delivered by the end of the calendar year or, if later, within two and one-half months following the Participant's separation from service, *provided that* no delivery will be delayed as a result of the Change in Control.

F. Election to Accelerate or Delay Delivery. The Committee may, in its sole discretion, determine to accelerate or defer delivery of any Shares (or cash) underlying the Awards granted under the Plan or permit a Participant to elect to accelerate or defer delivery of any such Shares (or cash), in each case in a manner that conforms to the requirements of Section 409A and is consistent with the provisions of Section 8.E.

G. Release of Claims. In the case of a Participant's involuntary Termination without Cause, Qualifying Resignation or Retirement, the Company will require the Participant to execute a release substantially in the form attached as Annex B (the "***Release***"), subject to any provisions that the Senior HR Attorney and the Senior C&B Executive or their designee(s) may amend or add to the release in order to impose restrictive covenants requiring (x) confidentiality of information, non-disparagement and non-solicitation of Company employees for 12 months following the Termination and (y) in the case of a Qualifying Resignation, non-competition for twelve (12) months following the Termination, in each case as a condition to receiving delivery of any Shares (or cash) under any Awards. The release must be executed by the Participant and become irrevocable, in the case of a Participant's involuntary Termination without Cause, or Retirement, prior to or during the calendar year of the date on which a delivery of Shares (or cash) with respect to the Earned PSUs is scheduled to be delivered pursuant to Section 4.D, and in the case of a Participant's Qualifying Resignation, within 90 days following the Qualifying Resignation; *provided that* if the release is executed after such time, the delivery of Shares (or cash) with respect to such calendar year will be forfeited; *provided*, further, that if the local laws of a country or non-U.S. jurisdiction in which Participant performs services render invalid or unenforceable all or a portion of the Release (subject to additional provisions as described above), the Senior HR Attorney and the Senior C&B Executive or their designee(s) shall have the discretion to create a release that incorporates as much of the Release as possible while also complying with such local laws.

7. Administration of this Plan

A. General. This Plan shall be administered by the Committee and the person or persons designated by the Committee to administer the Plan from time to time. Actions of the Committee may be taken by the vote of a majority of its members. The Committee may allocate among its members and delegate to any person who is not a member of the Committee any of its administrative responsibilities. The Committee will have the power to interpret this Plan, to make regulations for carrying out its purposes and to make all other determinations in connection with its administration (including, without limitation, whether a Participant has become subject to Disability), all of which will, unless otherwise determined by the Committee, be final, binding and conclusive. The Committee may, in its sole discretion, reinstate any Awards made under this Plan that have been terminated and forfeited because of a Participant's Termination, if the Participant complies with any covenants, agreements or conditions that the Committee may impose; *provided*, *however*, that any delivery of Shares (or cash) under such reinstated Awards will not be made until the scheduled times set forth in this Plan.

B. Non-Uniform Determinations. The Committee's determinations under this Plan need not be uniform and may be made by it selectively with respect to persons who receive, or are eligible to receive, Awards (whether or not such persons are similarly situated). Without limiting the generality of the foregoing, the Committee will be entitled, among other things, to make non-uniform and selective determinations as to the persons to become Participants.

C. Determination of Employment. The Committee, with respect to any Participant under the purview of the Committee, and the Senior C&B Executive, with respect to any other Participant, will have the right to determine the commencement or Termination date of a Participant's Employment with the Company solely for purposes of this Plan, separate and apart from any determination as may be made by the Company with respect to the individual's employment.

D. Amendments. The Committee will have the power to amend this Plan and the performance criteria established pursuant to Section 4 in any manner and at any time, including in a manner adverse to the rights of the Participants. The Committee shall also have the power, in its sole discretion, to reduce the amount of any Target PSUs or Earned PSUs at any time including, for the avoidance of doubt, after the Performance Period has ended. Notwithstanding the foregoing, the Committee's rights and powers to amend the Plan shall be delegated to the Senior C&B Executive who shall have the right to amend the Plan with respect to (i) amendments required by relevant law, regulation or ruling, (ii) amendments that are not expected to have a material financial impact on the Company, (iii) amendments that can reasonably be characterized as technical or ministerial in nature, or (iv) amendments that have previously been approved in concept by the Committee. Notwithstanding the foregoing delegation, the Senior C&B Executive shall not have the power to make an amendment to the Plan that could reasonably be expected to result in a termination of the Plan or a change in the structure or the powers, duties or responsibilities of the Committee, unless such amendment is approved or ratified by the Committee.

E. No Liability. No member of the Board of Directors of AIG or any employee of the Company performing services with respect to the Plan (each, a "***Covered Person***") will have any liability to any person (including any Participant) for any action taken or omitted to be taken or any determination made, in each case, in good faith with respect to this Plan or any Participant's participation in it. Each Covered Person will be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense (including attorneys' fees) that may be imposed upon or incurred by such Covered Person in connection with or resulting from any action, suit or proceeding to which such Covered Person may be a party or in which such Covered Person may be involved by reason of any action taken or omitted to be taken under this Plan and against and from any and all amounts paid or Shares delivered by such Covered Person, with the Company's approval, in settlement thereof, or paid or delivered by such Covered Person in satisfaction of any judgment in any such action, suit or proceeding against such Covered Person, *provided that* the Company will have the right, at its own expense, to assume and defend any such action, suit or proceeding and, once the Company gives notice of its intent to assume the defense, the Company will have sole control over such defense with counsel of the Company's choice. To the extent any taxable expense reimbursement under this paragraph is subject to Section 409A, (x) the amount thereof eligible in one taxable year shall not affect the amount eligible in any other taxable year; (y) in no event shall any expenses be reimbursed after the last day of the taxable year following the taxable year in which the Covered Person incurred such expenses; and (z) in no event shall any right to reimbursement be subject to liquidation or exchange for another benefit. The foregoing right of indemnification will not be available to a Covered Person to the extent that a court of competent jurisdiction in a final judgment or other final adjudication, in either case, not subject to further appeal, determines that the acts or omissions of such Covered Person giving rise to the indemnification claim resulted from such Covered Person's bad faith, fraud or willful misconduct. The foregoing right of indemnification will not be exclusive of any other rights of indemnification to which Covered Persons may be entitled under AIG's Amended and Restated Certificate of Incorporation or Bylaws, as a matter of law, or otherwise, or any other power that the Company may have to indemnify such persons or hold them harmless.

F. **Clawback/Repayment**. Notwithstanding anything to the contrary herein, Awards and any payments or deliveries under this Plan will be subject to forfeiture and/or repayment to the extent provided in (i) the AIG Clawback Policy, as in effect from time to time and (ii) other agreements executed by a Participant.

8. General Rules

A. **No Funding**. The Company will be under no obligation to fund or set aside amounts to pay obligations under this Plan. A Participant will have no rights to any Awards or other amounts under this Plan other than as a general unsecured creditor of the Company.

B. **Tax Withholding**. The delivery of Shares (or cash) under this Plan is conditioned on a Participant's satisfaction of any applicable withholding taxes in accordance with Section 3.2 of the American International Group, Inc. 2010 Stock Incentive Plan, as amended from time to time, or such similar provision of any successor stock incentive plan.

C. **No Rights to Other Payments**. The provisions of this Plan provide no right or eligibility to a Participant to any other payouts from AIG or its subsidiaries under any other alternative plans, schemes, arrangements or contracts AIG may have with any employee or group of employees of AIG or its subsidiaries.

D. **No Effect on Benefits**. Grants and the delivery of Shares (or cash) under this Plan will constitute a special discretionary incentive payment to the Participants and will not be required to be taken into account in computing the amount of salary or compensation of the Participants for the purpose of determining any contributions to or any benefits under any pension, retirement, profit-sharing, bonus, life insurance, severance or other benefit plan of AIG or any of its subsidiaries or under any agreement with the Participant, unless AIG or the subsidiary with which the Participant is Employed specifically provides otherwise.

E. **Section 409A**.

(1) Awards made under the Plan are intended to be "deferred compensation" subject to Section 409A, and this Plan is intended to, and shall be interpreted, administered and construed to, comply with Section 409A. The Committee will have full authority to give effect to the intent of this Section 8.E.

(2) If any payment or delivery to be made under any Award (or any other payment or delivery under this Plan) would be subject to the limitations in Section 409A(a)(2)(b) of the Code, the payment or delivery will be delayed until six months after the Participant's separation from service (or earlier death) in accordance with the requirements of Section 409A.

(3) Each payment or delivery in respect of any Award will be treated as a separate payment or delivery for purposes of Section 409A.

F. **Severability**. If any of the provisions of this Plan is finally held to be invalid, illegal or unenforceable (whether in whole or in part), such provision will be deemed modified to the extent, but only to the extent, of such invalidity, illegality or unenforceability and the remaining provisions will not be affected thereby; *provided that* if any of such provisions is finally held to be invalid, illegal, or unenforceable because it exceeds the maximum scope determined to be acceptable to permit such provision to be enforceable, such provision will be deemed to be modified to the minimum extent necessary to modify such scope in order to make such provision enforceable hereunder.

G. **Entire Agreement**. This Plan contains the entire agreement of the parties with respect to the subject matter hereof and supersedes all prior agreements, promises, covenants, arrangements, communications, representations and warranties between them, whether written or oral with respect to the subject matter hereof.

H. **Waiver of Claims**. Each Participant recognizes and agrees that prior to being selected by the Committee to receive an Award he or she has no right to any benefits under this Plan. Accordingly, in consideration of the Participant's receipt of any Award hereunder, he or she expressly waives any right to contest the amount of any Award, the terms of this Plan, any determination, action or omission hereunder by the Committee or the Company or any amendment to this Plan.

I. No Third Party Beneficiaries. Except as expressly provided herein, this Plan will not confer on any person other than the Company and the Participant any rights or remedies hereunder. The exculpation and indemnification provisions of Section 7.E will inure to the benefit of a Covered Person's estate and beneficiaries and legatees.

J. Successor Entity; AIG's Assigns. Unless otherwise provided in the applicable award agreement and except as otherwise determined by the Committee, in the event of a merger, consolidation, mandatory share exchange or other similar business combination of AIG with or into any other entity ("***Successor Entity***") or any transaction in which another person or entity acquires all of the issued and outstanding Common Stock of AIG, or all or substantially all of the assets of AIG, outstanding Awards may be assumed or a substantially equivalent award may be substituted by such Successor Entity or a parent or subsidiary of such Successor Entity. The terms of this Plan will be binding and inure to the benefit of AIG and its successors and assigns.

K. Nonassignability. No Award (or any rights and obligations thereunder) granted to any person under the Plan may be sold, exchanged, transferred, assigned, pledged, hypothecated or otherwise disposed of or hedged, in any manner (including through the use of any cash-settled instrument), whether voluntarily or involuntarily and whether by operation of law or otherwise, other than by will or by the laws of descent and distribution, except as may be otherwise provided in the award agreement. Any sale, exchange, transfer, assignment, pledge, hypothecation, or other disposition in violation of the provisions of this Section 8.K will be null and void and any Award which is hedged in any manner will immediately be forfeited. All of the terms and conditions of this Plan and the award agreements will be binding upon any permitted successors and assigns.

L. Right to Discharge. Nothing contained in this Plan or in any Award will confer on any Participant any right to be continued in the employ of AIG or any of its subsidiaries or to participate in any future plans.

M. Consent. If the Committeeat any time determines that any consent (as hereinafter defined) is necessary or desirable as a condition of, or in connection with, the granting of any Award or the delivery of any Shares under this Plan, or the taking of any other action thereunder (each such action, a "***plan action***"), then such plan action will not be taken, in whole or in part, unless and until such consent will have been effected or obtained to the full satisfaction of the Committee; *provided that* if such consent has not been so effected or obtained as of the latest date provided by this Plan for payment of such amount or delivery and further delay is not permitted in accordance with the requirements of Section 409A, such amount will be forfeited and terminate notwithstanding any prior earning or vesting.

The term "***consent***" as used in this paragraph with respect to any plan action includes (1) any and all listings, registrations or qualifications in respect thereof upon any securities exchange or under any federal, state, or local law, or law, rule or regulation of a jurisdiction outside the United States, (2) any other matter, which the Committee may deem necessary or desirable to comply with the terms of any such listing, registration or qualification or to obtain an exemption from the requirement that any such listing, qualification or registration be made, (3) any and all other consents, clearances and approvals in respect of a plan action by any governmental or other regulatory body or any stock exchange or self-regulatory agency and (4) any and all consents required by the Committee.

N. Subject to Any AIG Section 162(m) Plan. AIG may, in any year, propose a Section 162(m) compliant performance incentive award plan (the "***AIG Section 162(m) Plan***"). If an AIG Section 162(m) Plan is proposed and approved by AIG stockholders in accordance with Section 162(m)(4)(C) of the Code and Treasury Regulation Section 1.162-27(e)(4), this Plan will function as a sub-plan under the AIG Section 162(m) Plan, whereby performance compensation amounts payable under the AIG Section 162(m) Plan can be paid in part by accruing awards with respect to a Performance Period.

O. No Liability With Respect to Tax Qualification or Adverse Tax Treatment. Notwithstanding anything to the contrary contained herein, in no event shall the Company be liable to a Participant on account of the failure of any Award or amount payable under this Plan to (a) qualify for favorable United States or foreign tax treatment or (b) avoid adverse tax treatment under United States or foreign law, including, without limitation, Section 409A.

9. Disputes

A. Governing Law. This Plan will be governed by and construed in accordance with the laws of the State of New York, without regard to principles of conflict of laws. The Plan shall also be subject to all applicable non-U.S. laws as to Participants located outside of the United States. In the event that any provision of this Plan is not permitted by the local laws of a country or jurisdiction in which a Participant performs services, such local law shall supersede that provision of this Plan with respect to that Participant. The benefits to which a Participant would otherwise be entitled under this Plan may be adjusted or limited to the extent that the Senior HR Attorney and the Senior C&B Executive or their designee(s) determine is necessary or appropriate in light of applicable law or local practice.

B. Arbitration. Subject to the provisions of this Section 9, any dispute, controversy or claim between AIG and a Participant, arising out of or relating to or concerning this Plan or any Award, will be finally settled by arbitration. Participants who are subject to an Employment Dispute Resolution Program ("EDR Program") maintained by AIG or any affiliated company of AIG, will resolve such dispute, controversy or claim in accordance with the operative terms and conditions of such EDR Program, and to the extent applicable, the employment arbitration rules of the American Arbitration Association ("AAA"). Participants who are not subject to an EDR Program shall arbitrate their dispute, controversy or claim in New York City before, and in accordance with the employment arbitration rules of the AAA, without reference to the operative terms and conditions of any EDR Program. Prior to arbitration, all claims maintained by a Participant must first be submitted to the Committee in accordance with claims procedures determined by the Committee.

C. **Jurisdiction**. **The Company and each Participant hereby irrevocably submit to the exclusive jurisdiction of a state or federal court of appropriate jurisdiction located in the Borough of Manhattan, the City of New York over any suit, action or proceeding arising out of or relating to or concerning this Plan or any Award that is not otherwise arbitrated or resolved according to Section 9.B.** The Company and each Participant acknowledge that the forum designated by this section has a reasonable relation to this Plan and to such Participant's relationship with the Company, that the agreement as to forum is independent of the law that may be applied in the action, suit or proceeding and that such forum shall apply even if the forum may under applicable law choose to apply non-forum law.

D. Waiver. The Company and each Participant waive, to the fullest extent permitted by applicable law, any objection which the Company and such Participant now or hereafter may have to personal jurisdiction or to the laying of venue of any such suit, action or proceeding in any court referred to in Section 9.C. The Company and each Participant undertake not to commence any action, suit or proceeding arising out of or relating to or concerning this Plan or any Award in any forum other than a forum described in Section 9.C. Notwithstanding the foregoing, nothing herein shall preclude the Company from bringing any action, suit or proceeding in any other court for the purpose of enforcing the provisions of this Section 9. The Company and each Participant agree that, to the fullest extent permitted by applicable law, a final and non-appealable judgment in any such suit, action or proceeding in any such court shall be conclusive and binding upon the Participant and the Company.

E. Service of Process. Each Participant irrevocably appoints the Secretary of AIG at 80 Pine Street, New York, New York 10005, U.S.A. as his or her agent for service of process in connection with any action, suit or proceeding arising out of or relating to or concerning this Plan or any Award that is not otherwise arbitrated or resolved according to Section 9.B. The Secretary will promptly advise the Participant of any such service of process.

F. Confidentiality. Each Participant must keep confidential any information concerning any grant or Award made under this Plan and any dispute, controversy or claim relating to this Plan, except that (i) a Participant may disclose information concerning a dispute or claim to the court that is considering such dispute or to such Participant's legal counsel (*provided that* such counsel agrees not to disclose any such information other than as necessary to the prosecution or defense of the dispute) or (ii) a Participant may disclose information regarding an Award to the Participant's personal lawyer or tax accountant, *provided that* such individuals agree to keep the information confidential.

10. Term of Plan

This Plan will continue until suspended or terminated by the Committee in its sole discretion. Any termination of this Plan will be done in a manner that the Committee determines complies with Section 409A.

Glossary of Terms

"***Cause***" means (1) a Participant's conviction, whether following trial or by plea of guilty or *nolo contendere* (or similar plea), in a criminal proceeding (A) on a misdemeanor charge involving fraud, false statements or misleading omissions, wrongful taking, embezzlement, bribery, forgery, counterfeiting or extortion, or (B) on a felony charge or (C) on an equivalent charge to those in clauses (A) and (B) in jurisdictions which do not use those designations; (2) a Participant's engagement in any conduct which constitutes an employment disqualification under applicable law (including statutory disqualification as defined under the Securities Exchange Act of 1934); (3) a Participant's violation of any securities or commodities laws, any rules or regulations issued pursuant to such laws, or the rules and regulations of any securities or commodities exchange or association of which the Company or any of its subsidiaries or affiliates is a member; or (4) a Participant's material violation of the Company's codes or conduct or any other AIG policy as in effect from time to time. The determination as to whether "***Cause***" has occurred shall be made by the Committee, with respect to any Participant under the purview of the Committee, or the Senior C&B Executive, with respect to any other Participant, in each case, in its or his or her sole discretion. The Committee or Senior C&B Executive, as applicable, shall also have the authority in its sole discretion to waive the consequences of the existence or occurrence of any of the events, acts or omissions constituting "***Cause***."

"***Change in Control***" means the occurrence of any of the following events:

(1) individuals who, on January 1, 2013, constitute the Board (the "***Incumbent Directors***") cease for any reason to constitute at least a majority of the Board, provided that any person becoming a director subsequent to January 1, 2013, whose election or nomination for election was approved by a vote of at least two-thirds of the Incumbent Directors then on the Board (either by a specific vote or by approval of AIG's proxy statement in which such person is named as a nominee for director, without written objection to such nomination) shall be an Incumbent Director; provided, however, that no individual initially elected or nominated as a director of AIG as a result of an actual or threatened election contest with respect to directors or as a result of any other actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board shall be deemed to be an Incumbent Director;

(2) Any "person" (as such term is defined in Section 3(a)(9) of the Exchange Act and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act), is or becomes a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of AIG representing 50% or more of the combined voting power of AIG's then outstanding securities eligible to vote for the election of the Board ("***AIG Voting Securities***"); provided, however, that the event described in this paragraph (2) shall not be deemed to be a Change in Control by virtue of an acquisition of AIG Voting Securities: (A) by AIG or any subsidiary of AIG (B) by any employee benefit plan (or related trust) sponsored or maintained by AIG or any subsidiary of AIG or (C) by any underwriter temporarily holding securities pursuant to an offering of such securities;

(3) The consummation of a merger, consolidation, statutory share exchange or similar form of corporate transaction involving AIG (a "***Business***

Combination") that results in any person (other than the United States Department of Treasury) becoming the beneficial owner, directly or indirectly, of 50% or more of the total voting power of the outstanding voting securities eligible to elect directors of the entity resulting from such Business Combination;

(4) The consummation of a sale of all or substantially all of AIG's assets (other than to an affiliate of AIG); or

(5) AIG's stockholders approve a plan of complete liquidation or dissolution of AIG.

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any person acquires beneficial ownership of more than 50% of the AIG Voting Securities as a result of the acquisition of AIG Voting Securities by AIG which reduces the number of AIG Voting Securities outstanding; provided that if after such acquisition by AIG such person becomes the beneficial owner of additional AIG Voting Securities that increases the percentage of outstanding AIG Voting Securities beneficially owned by such person, a Change in Control shall then occur.

"***Disability***" means that a Participant, who after receiving short term disability income replacement payments for six months, (i) is determined to be disabled in accordance with the Company's long term disability plan in which employees of the Company are generally able to participate, if one is in effect at such time, to the extent such disability complies with 26 C.F.R. §1.409A-3(i)4(i)(B), or (ii) to the extent such Participant is not participating in the Company's long term disability plan, or no such long term disability plan exists, is determined to have 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 as determined by, as applicable, the Company's long term disability insurer or the department or vendor directed by the Company to determine eligibility for unpaid medical leave.

"***Employed***" and "***Employment***" means (a) actively performing services for the Company, (b) being on a Company-approved leave of absence, whether paid or unpaid, or (c) receiving long term disability benefits, in each case while in good standing with the Company.

"***Qualifying Resignation***" for a Participant means voluntary Termination initiated by the Participant (while such Participant is in good standing with the Company), that would not otherwise satisfy the definition of Retirement below, after attainment of age plus years of service equal to 60; *provided that* such Termination occurs on or after age 50 with at least five years of service.

"***Retirement***" for a Participant means voluntary Termination initiated by the Participant (while such Participant is in good standing with the Company) (i) on or after age 60 with five years of service or (ii) on or after age 55 with 10 years of service

"***Senior C&B Executive***" means the Company's most senior executive whose responsibility it is to oversee both the Corporate Compensation Department and the Corporate Benefits Department. In the event that no individual holds such position, "Senior C&B Executive" will instead refer to the Company's most senior executive whose responsibility it is to oversee the global Human Resources Department.

"***Senior HR Attorney***" means the Company's most senior attorney whose responsibility it is to oversee Human Resource/employment matters.

"***Termination***" or "***Terminate***," with respect to a Participant, means the termination of the Participant's Employment.

Form of Release Referred to in Section 6.G of the Plan.

NOT personalized to each Participant.

(1) [Employee Name] ("***Employee***"), for good and sufficient consideration, the receipt of which is hereby acknowledged, hereby waives and forever releases and discharges any and all claims of any kind Employee may have against American International Group, Inc., its affiliate or subsidiary companies, or any officer, director or employee of, or any benefit plan sponsored by, any such company (collectively, the "***Released Parties***") which arise from Employee's employment with any of the Released Parties or the termination of Employee's employment with any of the Released Parties. [Specifically, but without limiting that release, Employee hereby waives any rights or claims Employee might have pursuant to the Age Discrimination in Employment Act of 1967, as amended (the "**Act**") and under the laws of any and all jurisdictions, including, without limitation, the United States. Employee recognizes that Employee is not waiving any rights or claims under the Act that may arise after the date that Employee executes this Release.] Nothing herein modifies or affects any vested rights that Employee may have under the [American International Group, Inc. Retirement Plan, or the American International Group, Inc. Incentive Savings Plan] [*and other plans applicable to Employee*]; nor does this Release confer any such rights, which are governed by the terms of the respective plans (and any agreements under such plans).

(2) Employee acknowledges that Employee has not filed any complaint, charge, claim or proceeding, if any, against any of the Released Parties before any local, state or federal agency, court or other body (each individually a "***Proceeding***"). Employee represents that Employee is not aware of any basis on which such a Proceeding could reasonably be instituted.

(3) Employee acknowledges and agrees that Employee has complied with and will continue to comply with the non-disparagement, non-solicitation and confidentiality provisions set forth in the Employee's award agreement pursuant to Section 3.D of the Plan, [*a copy of which is attached hereto as Exhibit A*], and further agrees that AIG's remedies at law for a breach or threatened breach of any of the non-disparagement, non-solicitation and confidentiality provisions in the Employee's award agreement would be inadequate. In recognition of this fact, the Employee agrees that, in the event of such a breach or threatened breach, in addition to any remedies at law, AIG, without posting any bond, shall be entitled to obtain equitable relief from a court of competent jurisdiction in the form of specific performance, temporary restraining order, temporary or permanent injunction or any other equitable remedy which may then be available;

(4) [Employee acknowledges and understands that Employee is hereby being advised to consult with an attorney prior to executing this Release. Employee also acknowledges and understands that Employee has [twenty-one (21)] days to consider the terms of this Release before signing it. However, in no event may Employee sign this Release before Employee's termination date.]

(5) [Upon the signing of this Release by Employee, Employee understands that Employee shall have a period of seven (7) days following Employee's signing of this Release in which Employee may revoke this Release.

Employee understands that this Release shall not become effective or enforceable until this seven (7) day revocation period has expired, and that neither the Released Parties nor any other person has any obligation [pursuant to the American International Group, Inc. 2013 Long Term Incentive Plan] until eight (8) days have passed since Employee's signing of this Release without Employee having revoked this Release. If Employee revokes this Release, Employee will be deemed not to have accepted the terms of this Release.]

(6) Any dispute arising under this Release shall be governed by the law of the State of New York, without reference to the choice of law rules that would cause the application of the law of any other jurisdiction

__________________________ ___________________________

DATE [Employee]

American International Group, Inc.
2013 Short-Term Incentive Plan

As Amended September 9, 2014

1. Purpose

The purpose of the American International Group, Inc. 2013 Short-Term Incentive Plan (the "**Plan**") of the American International Group, Inc. ("**AIG**" and together with its consolidated subsidiaries, the "**Company**") is to strengthen our pay-for-performance culture by rewarding employees for overall AIG, "Business/Functional Segment" and individual performance during the Performance Year (as defined in Section 3 below) and to provide the Company with effective means of attracting, retaining and motivating employees and encouraging the continued commitment of participants on behalf of the Company and its Business/Functional Segments. Incentive Awards under the Plan will be in the form of cash. Capitalized terms not otherwise defined herein shall have the meaning set forth in the Glossary of Terms set forth in Appendix C.

2. Eligibility

All full and part-time employees of the Company, excluding external contractors, independent contractors, temporary workers and independent agents (the "**Participants**") are eligible to participate in the Plan, unless the employee is a participant in another variable pay or sales plan that the business has determined is in lieu of the Plan during the Performance Year. Being eligible for any bonus plan that is required to be provided under local law shall not cause an employee who satisfies the definition above to lose eligibility for this Plan (unless the business expressly elects to so exclude such employee). Subject to Sections 7 and 11 and Appendix B, in order to be eligible to be a Participant in this Plan for a Performance Year, the employee must be employed by the Company in the Performance Year. Employees who have an employment contract with AIG or its subsidiaries for ongoing employment of unlimited duration and that is not confined to a specific, finite project will not be excluded from being eligible to participate in this Plan.

3. Performance Year

The Plan will operate for successive one calendar year (January 1 – December 31) periods (each, a "**Performance Year**") until the Plan is terminated by the CMRC (as defined in Section 4 below). The first Performance Year will be from January 1, 2013 through December 31, 2013.

4. Funding Approval and Plan Administration

A. In General

The aggregate Funding of the Plan (the amount that represents the sum of the Business/Functional Segment Short-Term Incentive Pools) is approved by the members of the Compensation and Management Resources Committee of AIG's Board of Directors (the

“**CMRC**”). Compensation Center of Excellence (“**Compensation COE**”) under the direction of the Operating Committee then allocates portions of the Funding to each of the Business/Functional Segments (the “**Business/Functional Segment Funding**”).

B. Funding Approval

The Funding approval process begins with an assessment by the CMRC of the Company’s overall performance against pre-determined goals and objectives. Next, the CMRC determines how each Business/Functional Segment performed against its pre-determined goals. If a Business/Functional Segment’s performance exceeded its pre-determined goals, funding of the Business/Functional Segment’s Short-Term Incentive Pool above 100% will only be permitted if the Company’s overall performance meets or exceeds the minimum threshold of the Company’s goals and objectives.

The CMRC determines the performance metrics and a threshold, target and maximum achievement level for each metric within the first ninety (90) days of a Performance Year. For Business/Functional Segments that are business units, the performance metrics are specific to the business unit. For Business/Functional segments that are the global functional units, the performance metrics are a mix of AIG and functional unit metrics. Following the end of the Performance Year, the CMRC will measure and certify performance against the performance metrics. The CMRC’s assessment of performance against the pre-determined goals will be expressed in the form of a “Modifier” ranging from 0% to 125%. The Modifier will be determined based upon whether performance is at minimum, target or maximum achievement levels. Each Business/Functional Segment may be assigned a Modifier that, when applied to the targeted amount of the Short-Term Incentive Pool for that Business/Functional Segment, will be used to establish the Business/Functional Segment’s Short-Term Incentive Pool. Once the process described above is complete, the CMRC will approve the aggregate Funding at the Company level.

Additionally, final pool sizes are subject to adjustment at the discretion of the Operating Committee and the CMRC to ensure that the Plan rewards all Participants appropriately and in the intended manner.

Excluded from the Funding are any guaranteed bonuses pursuant to an individual offer letter or employment agreement.

C. Plan Administration

The Plan is administered by the CMRC who, in its sole discretion and subject to Section 22, may allocate among its members and delegate to any person who is not a member of the CMRC any of its powers, responsibilities or duties under the Plan, including, but not limited to, the Senior C&B Executive and the Compensation COE. The CMRC will have the power to construe, interpret and implement this Plan, to make rules for carrying out its purposes and to make all other determinations in connection with its administration, all of which will, unless otherwise determined by the CMRC, be final, binding and conclusive.

5. Individual Participant Target and Performance Measurement

For each Performance Year, each Participant will be assigned an annual "**Incentive Target Amount**" by the CMRC or the applicable Business/Functional Segment in which the Participant is Employed, expressed as a flat local currency amount, which takes into consideration the Participant's job grade, business, local market, job scope, responsibilities and experience. The Participant's performance during the Performance Year will be determined by the CMRC or the applicable Business/Functional Segment in which the Participant is Employed in accordance with Appendix A (the "**Performance Measurement Methodology**"), which will result in a Relative Performance Rating ("**RPR"**) for the Participant and an Incentive Opportunity Percent that corresponds to the RPR.

6. Calculation of Incentive Payment/Determination of Awards

A. As described in this Section 6, each Participant's Incentive Award Recommendation will take into account the Participant's RPR, the Incentive Target Amount, the Incentive Opportunity Range as described in Appendix A and the Short-Term Incentive Pool that was approved for the Participant's Business/Functional Segment as outlined in Section 4B.

B. Subject to the Funding limit described in Section 4, once the Participant's performance has been determined, the CMRC or the Participant's manager, as applicable, uses discretion, taking into account the Participant's RPR, to multiply the Participant's Incentive Target Amount by the Incentive Opportunity Percent to arrive at the Participant's Incentive Award Recommendation. The Participant's Incentive Award Recommendation will then be adjusted by the applicable Modifier that was determined in Section 4B. Following the application of the Modifier, the CMRC or the Participant's manager, as applicable, has the discretion to further revise the Participant's Incentive Award Recommendation. In the event an individual is hired after the Performance Year commences, the individual may become a Participant in the Plan and be assigned an annual Incentive Target Amount which is based on the job grade, business, local market, job scope, responsibilities for the position, as well as the Participant's experience; provided, however, the amount of the Incentive Award may be pro-rated to reflect the portion of the Performance Year that such Participant worked for the Company.

C. The total Incentive Award Recommendations (after each has been adjusted by the applicable Business/Functional Segment Modifier) must not exceed the Funding approved by the CMRC pursuant to Section 4B. The CMRC or the applicable Business/Functional Segment is responsible for allocating awards among the Participants based on the applicable Business/Functional Segment's Short-Term Incentive Pool in accordance with the guidelines set forth in Appendix A.

D. The Compensation COE will conduct validation analyses to determine that the Plan is generally operated in accordance with the Performance Measurement Methodology in Section 5 and Appendix A, and in accordance with paragraphs 6A and 6B as well as to determine whether the Incentive Award percentages are differentiated for each RPR level as a whole in accordance with the range for that level. It will also prepare an exception report for the Operating Committee's review.

E. Aggregate Business/Functional Segment recommendations are presented to the CMRC for approval no later than March 31st following the Performance Year. On such date or dates following such CMRC approval as the CMRC determines in its sole discretion, but no later than April 30th following the Performance Year (the "**Award Date**"), each Participant will be granted an Incentive Award equal to the Participant's final Incentive Award Recommendation as adjusted by the applicable Modifier, payable pursuant to Section 7. The CMRC expressly reserves the right not to pay an Incentive Award to any, some or all Participants for a Performance Year.

7. Vesting; Payout of Incentive Award

A Participant must be Employed by the Company on the Award Date to be eligible to receive his or her Incentive Award except to the extent provided in Section 11 and Appendix B. Each Incentive Award will be fully-vested on the Award Date. Except as provided in the paragraph below, Incentive Awards will be paid 100% in cash on the Award Date.

Prior to March 31 of a Performance Year, the CMRC may determine that all or a specified percentage of a Participant's Incentive Award will be a "**Deferred Award**," in which case such Incentive Award will be paid in cash on March 1 of the year following the year in which the Award Date occurs. For the 2013 Performance Year, 50% of Incentive Awards for Participants in grade level 27 and above will be Deferred Awards.

To the extent a Participant does not receive a payment for a Performance Year on or before March 15 of the calendar year following the year in which the Award Date occurs, the Participant shall forfeit all rights to payment.

8. Limitation of Incentive Payment under Certain Conditions

In the event any Incentive Award payment received or to be received by any Participant under this Plan would be subject to the excise tax imposed by Section 4999 of the Code or any similar or successor provision to Section 4999 (the "**Excise Tax**") then, at the discretion of the Chief Human Resources Officer such Incentive Award payment shall be reduced up to the largest amount which would result in no portion of the Incentive Award payment being subject to the Excise Tax. The determination of any such reduction pursuant to this Section 8 will be made by the Senior C&B Executive and such determination will be conclusive and binding upon the Company, the Participant, the Senior C&B Executive and the CMRC for all purposes.

9. Plan Termination/Amendment

The Plan may be amended or modified, with or without prior notification of the Participants, at any time in the sole discretion of the CMRC. The Plan will continue until suspended or terminated by the CMRC in its sole discretion; *provided that* all Incentive Awards made under the Plan before its suspension or termination will remain in effect until such awards have been satisfied or terminated in accordance with the terms and provisions of the Plan and the applicable award. Notwithstanding the foregoing, the CMRC's rights and powers to amend the Plan shall be delegated the Senior C&B Executive who shall have the right to amend the Plan with respect to (i) amendments required by relevant law, regulation or ruling, (ii) amendments that are not expected to have a material financial impact on the Company, (iii) amendments that can reasonably be characterized as technical or ministerial in nature or (iv) amendments that have previously been approved in concept by the CMRC. Notwithstanding the foregoing delegation, the Senior C&B Executive shall not have the power to make an amendment to the Plan that could reasonably be expected to result in a termination of the Plan or a change in the structure or the powers, duties or responsibilities of the CMRC, unless such amendment is approved or ratified by the CMRC.

10. Effective Date

The Plan is effective as of the 2013 Performance Year, and will continue thereafter until terminated by the CMRC; provided, however, that the existence of the Plan at any time or from time to time does not guarantee or imply the payment of any Incentive Awards hereunder, or the establishment of any future plans or the continuation of this Plan.

11. Termination of Employment/Breaks in Service

In the event (i) a Participant's Employment terminates during the Performance Year or prior to the Award Date, or (ii) a Participant is Employed, but not actively performing services for the Company for a portion of the Performance Year, or on the actual payment date of an Incentive Award, for certain reasons specified in Appendix B, the amount of an Incentive Award, if any, that the Participant will receive and payment thereof will be determined (and, if applicable, modified) in accordance with Appendix B.

In the event a Participant is involuntarily Terminated without Cause pursuant to Appendix B, AIG will require the Participant to execute a release, as described below, in order to impose restrictive covenants requiring confidentiality of information, non-disparagement and non-solicitation of Company employees for 12 months following Termination without Cause as a condition to receiving payment of all or a portion of the Incentive Award. Such release shall be the release required by the severance plan or program applicable to the Participant's Termination without Cause; provided, however, to the extent that no such established severance plan or program is deemed applicable by the CMRC, with respect to any Participant under the purview of the CMRC, or the Senior C&B Executive, with respect to any other Participant, or their delegate(s), in each case, in its or his or her sole discretion, then the release shall be a release generally in the form set forth in Appendix D, subject to any provisions that the Senior HR Attorney and the Senior C&B Executive or their delegate(s) may amend or add to the release. Such release must be executed by the Participant, submitted to the Company and become irrevocable prior to the date on which any Incentive Award shall be paid, but in no event shall the release be executed later than March 10th of the year following the year in which the Termination without Cause occurred; provided that if the release is executed after such time, the payment with respect to such Incentive Award will be forfeited; provided, further, that if the local laws of a country or non-U.S. jurisdiction in which Participant performs services would not permit all or a portion of the release in Appendix D to be structured or executed in the applicable form attached hereto, the Senior HR Attorney and the Senior C&B Executive or their delegate(s) shall have the discretion to create a release that incorporates as much of the Appendix D release as possible, while also complying with such local laws.

12. Taxes

The Company will comply with all applicable tax reporting, withholding and other requirements globally with respect to amounts paid under this Plan, in amounts and in a manner determined in the sole discretion of the Company. As a condition to the payment of any amount under this Plan, or in connection with any other event related to this Plan, that gives rise to a federal or other governmental tax withholding obligation (1) the Company may deduct or withhold (or cause to be deducted or withheld) from any payment to a Participant whether or not pursuant to this Plan or (2) the CMRC will be entitled to require that the Participant remit cash to the Company (through payroll deduction or otherwise), in each case, in an amount sufficient in the opinion of the Company to satisfy such withholding obligation.

13. Effect on Benefit Plans

The Incentive Award payment is deemed compensation under certain of the Company's compensation and benefit plans, but it is not deemed compensation for other programs; provided, however that for purposes of the Company's benefit programs, this Plan will be deemed a short-term incentive, annual, year-end bonus program. The Summary Plan Description and plan summaries of each of the Company's compensation and benefit plans will govern whether and the extent to which the Incentive Award payment will affect the Participant's benefits under such plans, and the Company reserves the right to amend those compensation and benefit plans at any time.

14. Other Payments or Awards

Nothing contained in the Plan will be deemed in any way to limit or restrict the Company from adopting or continuing in effect any compensation arrangements or making any award or payment to any person under any other plan, arrangement or understanding, whether now existing or hereafter in effect.

15. Governing Law; Section 409A

The Plan will be governed and enforced in accordance with the appropriate country and local regulations. With respect to Participants working in the United States, this Plan will be governed by and construed in accordance with the laws of the State of New York, without regard to principles of conflict of laws.

The Plan shall also be subject to all applicable non-U.S. laws as to Participants located outside of the United States. In the event that any provision of this Plan is not permitted by the local laws of a country or jurisdiction in which a Participant works, such local law shall supersede that provision of this Plan with respect to that Participant. The Senior HR Attorney and the Senior C&B Executive or their delegate(s) shall have the discretion to operate the Plan with respect to such Participant in a manner that incorporates as much of the Plan's current terms as possible while also complying with such local laws.

Each payment made under the Plan shall be deemed to be a separate payment for purposes of Section 409A, and amounts payable shall be deemed not to be a "deferral of compensation" subject to Section 409A to the extent provided in the "short-term deferral" exception in Treasury

Regulation Section 1.409A-1(b)(4). For the avoidance of doubt, all Incentive Awards under the Plan are intended to satisfy such short-term deferral exception. To the extent any payment under the Plan constitutes "deferred compensation" subject to Section 409A, the Plan will be interpreted, administered and construed to comply with Section 409A with respect to such payment. The CMRC will have full authority to give effect to the intent of this paragraph of Section 15.

16. No Right of Employment

Nothing in this Plan will be construed as creating any contract of employment or conferring upon the Participant any right to continue in the employ or other service of the Company, or any of its subdivisions or subsidiaries, or limit in any way the right of the Company to change such Participant's compensation or benefits or to terminate the employment or other service of such Participant with or without cause.

17. Section Headings

The section headings contained herein are for convenience only, and in the event of any conflict, the text of the Plan, rather than the headings will control.

18. Severability

If any term or provision contained herein is finally held to be, to any extent, invalid, illegal or unenforceable (whether in whole or in part), such provision will be deemed modified only to the extent of such invalidity, illegality or unenforceability and the remaining provisions will not be affected thereby.

19. Entire Understanding

The Plan contains the entire understanding of the Company and the Participants with respect to the subject matter thereof and supersedes all prior promises, covenants, arrangements, agreements, communications, representations and understanding between the Company and the Participant.

20. Successor and Assigns

The terms of this Plan will inure to the benefit of the Company and any successor entity.

21. Repayment and Clawback

Notwithstanding anything to the contrary herein, in consideration of the grant of an Incentive Award, the award and any payments under this Plan will be subject to forfeiture and/or or repayment to the extent provided for in the AIG Clawback Policy, as in effect from time to time.

22. Subject to Any AIG Section 162(m) Plan

AIG may, in any year, propose a Section 162(m) compliant performance incentive award plan (the "**AIG Section 162(m) Plan**"). If an AIG Section 162(m) Plan is proposed and approved by the AIG stockholders in accordance with Section 162(m)(4)(C) of the Code and Treasury Regulation Section 1.162-27(e)(4), this Plan will function as a sub-plan under the AIG Section 162(m) Plan, whereby performance compensation amounts payable under the AIG Section 162(m) Plan can be paid in part by accruing awards with respect to a Performance Period.

23. No Funding

The Company will be under no obligation to fund or set aside amounts to pay obligations under this Plan. A Participant will have no rights to awards or other amounts under this Plan other than as a general, unsecured creditor of the Company.

Appendix A

Performance Measurement Methodology for Assessing a Participant's Performance

For each Performance Year, each Participant's Incentive Target Amount will be determined generally based on the Participant's job grade, business, local market, job scope, responsibilities and experience. The actual Incentive Award Recommendation (above or below target) is determined through a performance management process which measures and rewards an employee's performance against a "peer performance group." A Participant's peer performance group consists of employees in similar job grades, functions and levels of responsibility within and across Business/Functions. Through "Roundtable" discussions (discussions among supervisors of those who are members of a peer performance group), a Participant's performance is discussed and measured against the others in the peer performance group, and each Participant is ultimately assigned a RPR. The RPR levels, descriptions and distribution percentages set forth in chart below may be amended from time to time in the sole discretion of the CMRC.

Each RPR level has a guideline Incentive Opportunity Range, as described in the table below, generally to be used as a guideline by management in determining an Incentive Opportunity Percent that will be applied, based on management discretion, to the Participant's Incentive Target Amount to calculate the Incentive Award Recommendation. The RPR guidelines assist the CMRC and/or manager in allocating incentive amounts among eligible employees.

Only a limited percentage of employees within a performance peer group may be assigned to each RPR level, and generally each performance peer group will achieve optimal distribution of ratings, as is set forth in the table.

Appendix A (continued)

Performance Rating Descriptions and Incentive Opportunity Guidelines

RPR Category & Opportunity Guidelines*	Description	Distribution of Ratings*
Top Performance (1) Incentive Opportunity Range %: 130% - 150%	**Relative Performance Rating** Consistently exceeded goals and objectives relative to peer group to achieve superior results and contributions. Evidence of superior peer group contribution to achieving business unit, function, group and Company objectives.	10% of Peer Group
Excellent Performance (2) Incentive Opportunity Range %: 120% to 140%	**Relative Performance Rating** Consistently exceeded performance standards and expectations relative to peer group to achieve strong results and contributions.	20% of Peer Group
Solid Performance (3) Incentive Opportunity Range %: 80% to 120%	**Relative Performance Rating** Consistently met performance standards and expectations relative to peer group to deliver results.	50% of Peer Group
Developmental Performance (4) Incentive Opportunity Range %: 20% to 80%	**Relative Performance Rating** Inconsistently met performance standards and expectations relative to peer group; and/or limited contribution relative to peer group in achieving Business/Functional unit, function and/or Company objectives.	20% of Peer Group
Unsatisfactory Performance (5) Incentive Opportunity Range %: 0%	**Relative Performance Rating** Did not perform to the performance standard of his/her peer group.	
New to Company – (too soon to rate) Incentive Opportunity Range %: 80% to 120%	All new employees who are new to the Company after ***June 30th*** will be excluded from the current year's RPR process.	

* AIG has the discretion to change these percentages from time to time.

Appendix B

Treatment of Incentive Award Upon Various Types of Breaks in Service or Terminations of Employment

Type of Break in Service or Termination of Employment	Amount the Participant Receives
Short-Term & Long-Term Medical Leaves of Absence (STD & LTD) **Family Medical & Domestic Partner Leave** **Non-Medical Leave of Absence** (Personal Leave) **Military Leave of Absence**	If a Participant is on an approved leave of absence during which the Participant is receiving salary continuation from a Company payroll (a "Paid Leave of Absence"), such Paid Leave of Absence will not be deemed a break a service or a termination of employment for purposes of this Plan. Time on a Paid Leave of Absence will be treated the same as time during which the Participant performs services for the Company. If a Participant is on an approved leave of absence during which the Participant is NOT receiving salary continuation from a Company payroll, including a period of long term disability leave during which a Participant may be receiving long term disability insurance payments from a long term disability insurer (an "Unpaid Leave of Absence"), their Incentive Award will be prorated based on the number of months during the Performance Year that the Participant was actively employed or on a Paid Leave of Absence with the Company, but will not include the number of months that the Participant was on an Unpaid Leave of Absence. Incentive Awards are paid on the Normal Schedule.
Retirement	*During the Performance Year*: If the Termination occurs after March 31st and before the end of the Performance Year, the Incentive Award is prorated based on the number of months during the Performance Year that the Participant was actively employed or on a Paid Leave of absence with the Company and the amount of the Incentive Award is based on 100% of the Incentive Target Amount for the Participant for such Performance Year and actual performance of the applicable Business/Functional Segment as determined by the CMRC. Paid on the Normal Schedule. If the last day worked occurs on or before March 31st, the Participant will not receive any pro-rated Incentive Award payment for the current Performance Year. *After the End of the Performance Year but prior to the Award Date*: If a Participant Retires after the end of the Performance Year, the Incentive Award is not prorated, but is paid in full based on individual and business or global function performance for such Performance Year. Paid on the Normal Schedule.
Death	*If a Participant Dies While Actively Employed or on a Paid Leave of Absence:* *During the Performance Year*: If the date of death occurs after March 31st and before the end of the Performance Year, the Incentive Award is prorated based on the number of months during the Performance Year that the Participant was actively employed or on a Paid Leave of Absence with the Company and the amount of the Incentive Award is based on 100% of Incentive Target Amount for the Participant for such Performance Year. Paid as soon as administratively possible after the date of death, but in no event later than March 15th following such Performance Year. If the date of death occurs on or before March 31st, the Participant will not receive any pro-rated Incentive Award payment for the current Performance Year. *After the End of the Performance Year but prior to the Award Date*: If a Participant dies after the end of the Performance Year, the Incentive Award is not prorated, but is paid 100% of the Incentive Target Award in effect on the date of death. Paid as soon as administratively possible after the date of death, but in no event later than March 15th following the year in which the death occurred.
Resignation, Voluntary Quit, Constructive Discharge	If the last day worked is prior to the Award Date, Incentive Award is forfeited.
Involuntary Termination without Cause	*During the Performance Year or After the Performance Year but prior to the Award Date*: For Participants in the 2012 Executive Severance Plan, paid in accordance with such plan. For other Participants, payable pursuant to the AIG, Inc. Severance program, or other severance arrangement applicable to such termination as follows: If the last day worked occurs after March 31st and before the end of the Performance Year, the Incentive Award is prorated based on the number of months during the Performance Year that the Participant was actively employed or on a Paid Leave of absence with the Company and the amount of the Incentive Award is based on 80% of the Incentive Target Amount for the Participant for such Performance Year and actual performance of the applicable Business/Functional Segment as determined by the CMRC. Paid on the Award Date (but no later than March 15th following the Performance Year). To the extent there is an inconsistency between this Plan and the applicable severance program, the severance program will prevail. To the extent the CMRC, with respect to any Participant under the purview of the CMRC, or the Senior C&B Executive, with respect to any other Participant, or their delegate(s), in each case, in its or his or her sole discretion determines that no established severance program or arrangement is applicable to a Participant's Termination without Cause, then, in accordance with Section 11, the Participant will need to execute a release generally in the form set forth in Appendix D, subject to any provisions that the Senior HR Attorney and the Senior C&B Executive, or their delegate(s) may amend or add to the release.

Glossary of Terms

AIG – The American International Group, Inc.

American International Group, Inc. Short-Term Incentive Plan (the "Plan") – this plan (also referred to as "Compensation Plan 483").

Breaks in Service – Refers to the cessation of actively performing services for the Company, either on a temporary or permanent basis. Included are: Resignation, Termination, Leaves of Absence, Retirement, and Death. See Appendix B.

Business/Functional Segments – business unit segments and functional unit segments approved by the CMRC, each of which has its own performance metrics and funding. For example, business unit segments for 2013 are Property Casualty, Life & Retirement and United Guaranty Corporation, and the functional unit segments for 2013 are Investments & Financial Services; Chief Administrative Office; Communications; Enterprise Risk Management; Global Finance; Global Legal, Regulatory & Compliance; Internal Audit Division; Human Resources and Operations & Systems. Functional unit segments are established on a global basis and include any employees who work within the function either at the parent or any subsidiary level.

Business/Functional Segment Short-Term Incentive Pool – the funding allocated to each discreet Business/Functional Segment based on actual performance as measured against pre-established metrics. As noted above, any employees who work within a functional unit either at the parent or any subsidiary level, on a global basis, will participate in the global Business/Functional Segment Short-Term Incentive Pool applicable to that functional unit, not the pool applicable to the subsidiary or entity that employs them or for which they work.

CMRC – the AIG Compensation and Management Resources Committee of the Board of Directors.

Code – the U.S. Internal Revenue Code of 1986, as amended.

Compensation COE – the Compensation Center of Excellence.

Company – American International Group, Inc. and its consolidated subsidiaries.

Disability – means a Participant, who after receiving short term disability income replacement payments for six months, is (i) determined to be disabled in accordance with AIG's long term disability plan in which employees of AIG are generally able to participate, if one is in effect at such time, to the extent such disability complies with 26 C.F.R. §1.409A-3(i)4(i)(B), or (ii) to the extent such Participant is not participating in AIG's long term disability plan, or no such plan exists, is determined to have 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 as determined by AIG's long term disability insurer or the department or vendor directed by AIG to determine eligibility for unpaid medical leave.

Employed and Employment – means (a) actively performing services for the Company, (b) being on a Company approved leave of absence whether paid or unpaid, or (c) receiving long term disability benefits for up to three years from the date short term disability leave commenced, in each case while in good standing with the Company.

Funding – the total funding for all the Business/Functional Segments as described in Section 4 and any additional unallocated funds approved by the CMRC.

Incentive Award – the amount that will be paid under this Plan to a Participant with respect to a Performance Year.

Incentive Award Recommendation – the amount that the CMRC or management recommends that a Participant's Incentive Award should be, and will be calculated by multiplying the Incentive Opportunity Percent by the Participant's Incentive Target Amount.

Incentive Opportunity Percent – the percent that the CMRC or a Manager selects generally based on the Incentive Opportunity Range applicable to a Participant and that is communicated to the Participant by the CMRC or the Manager that will be multiplied against the Participant's Incentive Target Award to determine a Participant's Incentive Award Recommendation for a Performance Year.

Incentive Opportunity Range – represents the guideline opportunity for each Participant with a given RPR to receive a percentage of the Participant's Incentive Target Award.

Incentive Target Amount – For each Performance Year, each Participant will be assigned a targeted incentive award amount generally based on the job grade for the Participant's position, as well as the Participant's business, local market, job scope, responsibilities and experience. The Participant's Incentive Award Recommendation will generally fall within the Incentive Opportunity Range established for each performance category, and may be at, above, or below the Incentive Target Amount.

Modifier – is the adjustment factor (expressed as a percentage) that expresses, relative to 100% (from 0% to 125%), the performance of a Business/Functional Segment, as determined by the CMRC. For the avoidance of doubt, a Modifier for a functional unit segment may be based, in whole or in part, on the performance of such functional unit segment and/or the performance of one or more business unit segments.

Normal Schedule – means the date specified in Section 7 that an Incentive Award would otherwise have been paid if the Participant had continued to remain Employed by the Company. For the avoidance of doubt, the Normal Schedule for a Deferred Award is March 1 of the year following the year in which the Award Date occurs.

Operating Committee – the group of senior executives selected by the President and CEO to be a member of this deliberative group.

Paid Leave of Absence - an approved leave of absence during which the Participant is receiving salary continuation from a Company payroll.

Participants – all employees eligible to participate.

Peer Group – a group of employees with similar job grades, roles and levels of responsibility. During a Roundtable discussion, the individual's performance is compared to that of others in the defined peer group.

Performance Measurement Methodology – the methodology used to determine each Participant's Incentive Award, discussed in more detail in Appendix A.

Pro-Rated – any amount to be pro-rated under this Plan will be multiplied by a fraction, the numerator of which is the number of months (rounding up for partial months) during the Performance Year that the Participant actively performed services for the Company (including any period designated by the Company as Working Notice) or was on short-term disability leave (including parental leave), and the denominator of which is the number of months in the Performance Year.

RPR – the Relative Performance Rating is an individual's performance rating compared to a peer performance group, as measured through the Performance Management Process, discussed in more detail in Appendix A.

Retirement – means, solely for purposes of this Plan, (i) in the United States, voluntary Termination initiated by the Participant (while such Participant is in good standing with the Company) (x) on or after age 60 with five years of service or (y) on or after age 55 with 10 years of service, and (ii) outside of the United States, a Participant's termination of employment after the Participant has achieved certain service and/or age milestones in accordance with the local policy on retirement for the entity that employs such Participant.

Roundtable – a forum where managers come together to review and discuss employee performance and determine how the performance of individual employees compares to the performance of peers. The goal of the Roundtables is to identify the individuals who will be rated into the performance categories set forth in Appendix A.

Section 409A – Refers to Section 409A of the Code, including any amendments or successor provisions to that section, and any regulations and other administrative guidance.

Senior C&B Executive -- means the Company's most senior executive whose responsibility it is to oversee both the Corporate Compensation Department and the Corporate Benefits Department. In the event that no individual holds such position, "Senior C&B Executive" will instead refer to the Company's most senior executive whose responsibility it is to oversee the global Human Resources Department.

Senior HR Attorney -- means the Company's most senior attorney whose responsibility it is to oversee Human Resource/employment matters.

Short-Term Incentive Pool – the total amount approved to be paid as short-term Incentive Awards to Participants in the Plan.

Termination – With respect to a Participant, means the cessation of the Participant's Employment with the Company.

Termination Without Cause – means involuntary Terminations due to reduction in force, position elimination, or office closing.

Unpaid Leave of Absence - an approved leave of absence during which the Participant is not receiving salary continuation from a Company payroll, including a period of long term disability leave during which a Participant may be receiving long term disability insurance payments from a long term disability insurer.

Form of Release Referred to in Section 11 of the Plan

NOT personalized to each Participant.

(1) [Employee Name] ("*Employee*"), for good and sufficient consideration, the receipt of which is hereby acknowledged, hereby waives and forever releases and discharges any and all claims of any kind Employee may have against American International Group, Inc., its affiliate or subsidiary companies, or any officer, director or employee of, or any benefit plan sponsored by, any such company (collectively, the "*Released Parties*") which arise from Employee's employment with any of the Released Parties or the termination of Employee's employment with any of the Released Parties. [Specifically, but without limiting that release, Employee hereby waives any rights or claims Employee might have pursuant to the Age Discrimination in Employment Act of 1967, as amended (the "Act") and under the laws of any and all jurisdictions, including, without limitation, the United States. Employee recognizes that Employee is not waiving any rights or claims under the Act that may arise after the date that Employee executes this Release.] Nothing herein modifies or affects any vested rights that Employee may have under the [American International Group, Inc. Retirement Plan, or the American International Group, Inc. Incentive Savings Plan] [*and other plans applicable to Employee*]; nor does this Release confer any such rights, which are governed by the terms of the respective plans (and any agreements under such plans).

(2) Employee acknowledges that Employee has not filed any complaint, charge, claim or proceeding, if any, against any of the Released Parties before any local, state or federal agency, court or other body (each individually a "*Proceeding*"). Employee represents that Employee is not aware of any basis on which such a Proceeding could reasonably be instituted.

(3) Confidentiality/Non-Disclosure. During the term of Employee's employment, the Company permitted Employee to have access to and become acquainted with trade secret information of a confidential, proprietary or secret nature. Subject to and in addition to any confidentiality or non-disclosure requirements to which Employee was subject prior to the date the Employee executes this Release, effective as of the date Employee executes this Release, Employee acknowledges and agrees that (i) all confidential, proprietary, trade secret information received, obtained or possessed at any time by Employee concerning or relating to the business, financial, operational, marketing, economic, accounting, tax or other affairs at the Company or any client, customer, agent or supplier or prospective client, customer, agent or supplier of the Company will be treated by Employee in the strictest confidence and will not be disclosed or used by Employee in any manner without the prior written consent of the Company or unless required by law, and ii) Employee has not during the term of Employee's employment and will not remove or destroy any such confidential information.

(4) Non-Solicitation. Employee acknowledges and agrees that Employee's employment with the Company required exposure to and use of confidential trade secret information (as set forth in Paragraph 3). Subject to and in addition to any non-solicitation requirements to which Employee was subject prior to the date Employee executes this Release, effective as of the date Employee executes this Release, Employee acknowledges and agrees that (i) Employee will not, directly or indirectly, on Employee's own behalf or on behalf of any other person or entity solicit, contact, call upon, communicate with or attempt to communicate with

any customer or client or prospective customer or client of the Company where to do so would require the use or disclosure of trade secret information, and (ii) for a period of one (1) year after employment terminates for any reason, Employee will not solicit or in any manner encourage or provide assistance to any employee, consultant or agent of the Company to terminate his or her employment or other relationship with the Company or to leave its employ or other relationship with the Company for any engagement in any capacity or any other person or entity.

(5) Non-Disparagement. Employee acknowledges and agrees that Employee will not disparage AIG or any of its subsidiaries or affiliates or any of their officers, directors or employees to any person or entity not affiliated with AIG; provided, however, that nothing herein prohibits the Employee from giving truthful testimony as required by law.

(6) Employee agrees that AIG's remedies at law for a breach or threatened breach of Section 3, 4 and 5 of this Release would be inadequate. In recognition of this fact, Employee agrees that, in the event of such a breach or threatened breach, in addition to any remedies at law, AIG, without posting any bond, shall be entitled to obtain equitable relief from a court of competent jurisdiction the form of specific performance, temporary restraining order, temporary or permanent injunction or any other equitable remedy which may then be available in the event of a breach or threatened breach of such provision.

(7) [Employee acknowledges and understands that Employee is hereby being advised to consult with an attorney prior to executing this Release. Employee also acknowledges and understands that Employee has twenty-one (21) days to consider the terms of this Release before signing it. However, in no event may Employee sign this Release before Employee's termination date.]

(8) [Upon the signing of this Release by Employee, Employee understands that Employee shall have a period of seven (7) days following Employee's signing of this Release in which Employee may revoke this Release. Employee understands that this Release shall not become effective or enforceable until this seven (7) day revocation period has expired, and that neither the Released Parties nor any other person has any obligation [pursuant to the American International Group, Inc. Short-Term Incentive Plan] until eight (8) days have passed since Employee's signing of this Release without Employee having revoked this Release. If Employee revokes this Release, Employee will be deemed not to have accepted the terms of this Release.]

(9) Any dispute arising under this Release shall be governed by the [law of the State of New York], without reference to the choice of law rules that would cause the application of the law of any other jurisdiction.

____________________________ ____________________________

DATE [Employee]

Exhibit 10(6)

AMERICAN INTERNATIONAL GROUP, INC.
ANNUAL SHORT-TERM INCENTIVE PLAN
AS AMENDED SEPTEMBER 9, 2014

1. PURPOSE

American International Group, Inc. ("***AIG***" and together with its consolidated subsidiaries, the "***Company***") has created this American International Group, Inc. Annual Short-Term Incentive Plan (this "***Plan***") to strengthen our pay-for-performance culture by rewarding employees for business and individual performance during the applicable Performance Year. This Plan replaces the American International Group, Inc. 2013 Short-Term Incentive Plan beginning with the Performance Year from January 1, 2014 through December 31, 2014. Awards under this Plan (each, an "***Incentive Award***") will be in the form of cash. Capitalized terms not otherwise defined herein will have the meanings set forth in the Glossary of Terms in Appendix A.

2. PERFORMANCE PERIODS

This Plan will operate for successive one-year periods beginning on January 1 of each year (each, a "***Performance Year***") until this Plan is terminated by the Compensation and Management Resources Committee of the Board of Directors of AIG (including any successor thereto, the "***Committee***"). The first Performance Year will be January 1, 2014 through December 31, 2014.

3. ELIGIBILITY

All full and part-time employees of the Company, excluding external contractors, independent contractors, temporary workers, and independent agents during the applicable Performance Year (the "***Participants***") are eligible to participate in this Plan for such Performance Year, unless the employee is a participant in another variable pay or sales plan that the applicable business has determined is in lieu of this Plan during such Performance Year. For the avoidance of doubt, employees who are eligible to participate in a bonus plan that is required to be provided under local law or who have an employment contract with AIG or its subsidiaries for ongoing employment of unlimited duration that is not confined to a specific, finite project will not be ineligible for the Plan (unless the applicable business expressly elects to exclude such employee). If an individual is hired after the Performance Year commences, the individual may become a Participant in the Plan, and the amount of his or her Incentive Award may be Pro-Rated to reflect the portion of the Performance Year worked.

4. BONUS POOL FUNDING

A. **Determination.** As soon as practicable following a Performance Year, the Committee will determine the aggregate bonus pool (the "***Earned Bonus Pool***") to ensure that the Plan rewards all Participants appropriately and consistent with the purpose of this Plan. Promptly following this determination, the Compensation Center of Excellence ("***Compensation COE***") under the direction of the Operating Committee will allocate the Earned Bonus Pool to each of the

Business/Functional Segments. Prior to March 31st of any Performance Year, the Committee will have the discretion to establish a threshold goal (the "***Threshold Goal***") and determine that, if the Threshold Goal is not met, the Earned Bonus Pool will be capped at a fixed amount (including $0) or the amount resulting from a specified formula.

B. **Exceptions to Earned Bonus Pool.** As soon as practicable following a Performance Year, the Committee will determine whether the Incentive Awards for any Participants will be excluded from, and not subject to, the Earned Bonus Pool.

5. INCENTIVE AWARDS

A. **Amount and Form.** Prior to or as soon as practicable following the commencement of a Performance Year, a Participant's target Incentive Award (the "***Individual Target Award***") will be established by the Committee or the applicable Business/Functional Segment in which the Participant is Employed. The Individual Target Award will generally be established after considering the Participant's job grade, business, local market, job scope, responsibilities and experience.

B. **Performance Metrics.** Prior to or as soon as practicable following the commencement of a Performance Year, the Committee will determine the performance metric(s) (each, a "***Performance Metric***") and the manner in which each Participant's actual Incentive Award (the "***Earned Individual Award***") will be calculated for such Performance Year. Unless otherwise determined by the Committee, there will be three categories of Performance Metrics: (1) Company-based Performance Metrics, (2) Business/Functional Segment-based Performance Metrics and (3) Individual-based Performance Metrics; *provided that* for any Performance Year there will be at least one Company-based Performance Metric or Business/Functional Segment-based Performance Metric (which could include the Threshold Goal). The Earned Individual Awards may be determined for any Performance Year on the basis of one or any combination of the Performance Metrics, as determined by the Committee in its sole discretion, and the Performance Metrics will be documented in a written Administrative Guide prepared by management for the Performance Year. In determining the manner in which the Earned Individual Award will be calculated, the Committee may establish minimum, target and maximum achievement levels for any Performance Metric.

C. **Earned Individual Award.** The Committee will assess performance against (1) any Company-based Performance Metrics, (2) any Business/Functional Segment-based Performance Metrics and (3) for Participants who are under the purview of the Committee, any Individual-based Performance Metrics, in each case, as soon as practicable following a Performance Year. For any Participants who are not under the purview of the Committee, such Participant's manager (in accordance with the then-current performance management process, if any) will assess performance against his or her Individual-based Performance Metrics, if applicable. Each Participant's Earned Individual Award will be determined by the extent to which the Performance Metrics applicable to the Plan Year have been attained. The Committee may provide that an Earned Individual Award may not exceed a certain percentage of the Individual Target Award. In addition, in no event will the aggregate Earned Individual Awards for a Performance Year exceed the Earned Bonus Pool.

D. **Vesting; Payment.** Earned Individual Awards for a Performance Year will be granted as the Committee determines in its sole discretion and paid on such date or dates following the determination process described in Section 5.C, but no later than April 30th following the Performance Year (the "***Award Date***"). A Participant must be employed on the Award Date to be eligible to receive his or her Earned Individual Award except to the extent provided in Section 6 and Appendix B. Prior to March 31st of a Performance Year, the Committee may determine that all or a specified percentage of a Participant's Earned Incentive Award will be a "***Deferred Award***," in which case such Earned Incentive Award will be paid on the one-year anniversary of the Award Date (the "***Deferred Award Payment Date***").

6. Termination in Service; Breaks in Service

A. **Termination Generally**. In the event (i) a Participant's Employment is Terminated for any reason during the Performance Year or prior to the Award Date or (ii) a Participant is Employed but not actively performing services for the Company for a portion of the Performance Year or on the Award Date for certain reasons specified in Appendix B, the amount and payment of the Earned Individual Award, if any, that the Participant will receive will be determined (and, if applicable, modified) in accordance with Appendix B.

B. **Termination without Cause.** In the event that a Participant is involuntarily Terminated without Cause, AIG will require the Participant to execute a Release in order to impose restrictive covenants requiring confidentiality of information, non-disparagement and non-solicitation of Company employees for 12 months following the termination as a condition to receiving payment of all or a portion of an Earned Individual Award for which the Award Date has not occurred as of such termination. The Release must be executed by the Participant, submitted to the Company and become irrevocable prior to the date on which any such Earned Individual Award shall be paid, but in no event shall the Release be executed later than March 10th of the year following the year in which the Termination without Cause occurred; *provided that* if the Release is executed after such time, any payments with respect to the Earned Individual Award will be forfeited.

7. Clawback/Repayment.

Notwithstanding anything to the contrary herein, in consideration of the grant of an Incentive Award, the award and any payments under this Plan will be subject to forfeiture and/or repayment to the extent provided for in the AIG Clawback Policy, as in effect from time to time.

8. Administration

A. **General.** The Plan will be administered by the Committee, and any person or persons designated by the Committee to administer the Plan from time to time including, but not limited to, the Senior C&B Executive and the Compensation COE. The Compensation COE will conduct validation analyses to determine that this Plan is generally operated in accordance with the terms of this Plan and the applicable Administrative Guide. Actions of the Committee may be taken by the vote of a majority of its members. The Committee may allocate among its members and delegate to any person who is not a member of the Committee any of its powers, responsibilities or duties under the Plan. The Committee will have the power to construe, interpret and implement this Plan, to make regulations for carrying out its purposes and to make all other determinations in connection with its administration, all of which will, unless otherwise determined by the Committee, be final, binding and conclusive. The Committee may, in its sole discretion, reinstate any Earned Individual Awards made under this Plan that have been terminated and forfeited because of a Participant's Termination, if the Participant complies with any covenants, agreements or conditions that the Committee may impose; *provided*, *however*, that payment under such reinstated awards will not be made until the scheduled times set forth in this Plan.

B. **Determination of Employment**. The Committee, with respect to any Participant under the purview of the Committee, and the Senior C&B Executive, with respect to any other Participant, will have the right to determine the commencement or Termination date of a Participant's Employment with the Company solely for purposes of this Plan, separate and apart from any determination as may be made by the Company with respect to the individual's employment.

C. **No Liability**. No member of the Board of Directors of AIG (the "***Board***") or any employee of AIG performing services with respect to the Plan (each, a "***Covered Person***") will have any liability to any person (including any Participant) for any action taken or omitted to be taken or any determination made, in each case, in good faith with respect to this Plan or any Participant's participation in it. Each Covered Person will be indemnified and held harmless by AIG against and from any loss, cost, liability, or expense (including attorneys' fees) that may be imposed upon or incurred by such Covered Person in connection with or resulting from any action, suit or proceeding to which such Covered Person may be a party or in which such Covered Person may be involved by reason of any action taken or omitted to be taken under this Plan and against and from any and all amounts paid by such Covered Person, with AIG's approval, in settlement thereof, or paid by such Covered Person in satisfaction of any judgment in any such action, suit or proceeding against such Covered Person, *provided that* AIG will have the right, at its own expense, to assume and defend any such action, suit or proceeding and, once AIG gives notice of its intent to assume the defense, AIG will have sole control over such defense with counsel of AIG's choice. To the extent any taxable expense reimbursement under this paragraph is subject to Section 409A, (1) the amount thereof eligible in one taxable year shall not affect the amount eligible in any other taxable year; (2) in no event shall any expenses be reimbursed after the last day of the taxable year following the taxable year in which the Covered Person incurred such expenses; and (3) in no event shall any right to reimbursement be subject to liquidation or exchange for another benefit. The foregoing right of indemnification will not be available to a Covered Person to the extent that a court of competent jurisdiction in a final judgment or other final adjudication, in either case, not subject to further appeal, determines that the acts or omissions of such Covered Person giving rise to the indemnification claim resulted from such Covered Person's bad faith, fraud or willful misconduct. The foregoing right of indemnification will not be exclusive of any other rights of indemnification to which Covered Persons may be entitled under AIG's Amended and Restated Certificate of Incorporation or Bylaws, as a matter of law, or otherwise, or any other power that AIG may have to indemnify such persons or hold them harmless.

D. **Consent**. If the Committee at any time determines, in its sole discretion, that any consent (as hereinafter defined) is necessary or desirable as a condition of, or in connection with, the granting of any award or the payment of any amount under this Plan or the taking of any other action thereunder (each such action, a "***plan action***"), then such plan action will not be taken, in whole or in part, unless and until such consent will have been effected or obtained to the full satisfaction of the Committee; *provided that* if such consent has not been so effected or obtained as of the latest date provided by this Plan for payment of such amount and further delay is not permitted in accordance with the requirements of Section 409A, such amount will be forfeited and terminate notwithstanding any prior earning or vesting.

The term "***consent***" as used in this paragraph with respect to any plan action includes (1) any and all listings, registrations or qualifications in respect thereof upon any securities exchange or under any federal, state, or local law, or law, rule or regulation of a jurisdiction outside the United States, (2) any other matter, which the Committee may deem necessary or desirable to comply with the terms of any such listing, registration or qualification or to obtain an exemption from the requirement that any such listing, qualification or registration be made, (3) any and all other consents, clearances and approvals in respect of a plan action by any governmental or other regulatory body or any stock exchange or self-regulatory agency and (4) any and all consents required by the Committee.

9. Other Provisions

A. **No Funding.** The Company will be under no obligation to fund or set aside amounts to pay obligations under this Plan. A Participant will have no rights to awards or other amounts under this Plan other than as a general, unsecured creditor of the Company.

B. **Tax Withholding**. The Company will comply with all applicable tax reporting, withholding and other requirements globally with respect to amounts paid under this Plan, in amounts and in a manner determined in the sole discretion of the Company. As a condition to the payment of any amount under this Plan, or in connection with any other event related to this Plan, that gives rise to a federal or other governmental tax withholding obligation (1) the Company may deduct or withhold (or cause to be deducted or withheld) from any payment to a Participant whether or not pursuant to this Plan or (2) the Committee will be entitled to require that the Participant remit cash to the Company (through payroll deduction or otherwise), in each case, in an amount sufficient in the opinion of the Company to satisfy such withholding obligation.

C. **No Rights to Other Payments**. The provisions of this Plan provide no right or eligibility to a Participant to any other payouts from AIG or its subsidiaries under any other alternative plans, schemes, arrangements or contracts AIG may have with any employee or group of employees of AIG or its subsidiaries. Nothing contained in the Plan will be deemed in any way to limit or restrict the Company from adopting or continuing in effect any compensation arrangements or making any award or payment to any person under any other plan, arrangement or understanding, whether now existing or hereafter in effect.

D. **Effect on Benefit Plans**. The Incentive Award payment is deemed compensation under certain of the Company's compensation and benefit plans, but it is not deemed compensation for other programs; provided, however, that for purposes of the Company's benefit programs, this Plan will be deemed a short-term incentive, annual, year-end bonus program. The Summary Plan Description and plan summaries of each of the Company's compensation and benefit plans will govern whether and the extent to which the Incentive Award payment will affect the Participant's benefits under such plans, and the Company reserves the right to amend those compensation and benefit plans at any time.

E. **Section 409A**. Payments under this Plan are intended to be exempt from Section 409A to the extent they satisfy the "short-term deferral exception" in Treasury Regulation Section 1.409A-1(b)(4) and otherwise to be compliant with Section 409A, and this Plan shall be interpreted, operated and administered accordingly. For the avoidance of doubt, all Incentive Awards under the Plan other than Deferred Awards are intended to satisfy the short-term deferral exception and all Deferred Awards constitute "deferred compensation" subject to Section 409A. With respect to any Incentive Award that constitutes "deferred compensation" subject to Section 409A, (1) references to termination of the Participant's employment will mean the Participant's separation from service with the Company within the meaning of Section 409A and (2) any payment to be made with respect to such Incentive Award in connection with the Participant's separation from service with the Company within the meaning of Section 409A that would be subject to the limitations in Section 409A(a)(2)(b) of the Code will be delayed until six months after the Participant's separation from service (or earlier death) in accordance with the requirements of Section 409. Each payment made under the Plan will be deemed to be a separate payment for purposes of Section 409A. The Committee will have full authority to give effect to the intent of this Section 9.E.

F. **Section 4999.** In the event that any Incentive Award payment received or to be received by any Participant under this Plan would be subject to the excise tax imposed by Section 4999 of the Code or any similar or successor provision to Section 4999 (the "***Excise Tax***") then, at the discretion of the Chief Human Resource Officer, such Incentive Award payment shall be reduced up to the largest amount which would result in no portion of the Incentive Award payment being subject to the Excise Tax. The determination of any such reduction pursuant to this Section 9.F will be made by the Senior C&B Executive, and such determination will be conclusive and binding upon the Company, the Participant, the Senior C&B Executive and the Committee for all purposes.

G. **Section Headings**. The section headings contained herein are for convenience only, and in the event of any conflict, the text of the Plan, rather than the headings will control.

H. **Severability**. If any term or provision contained herein is finally held to be, to any extent, invalid, illegal or unenforceable (whether in whole or in part), such provision will be deemed modified only to the extent of such invalidity, illegality or unenforceability and the remaining provisions will not be affected thereby.

I. **No Third Party Beneficiaries**. Except as expressly provided herein, this Plan will not confer on any person other than AIG and the Participant any rights or remedies hereunder. The exculpation and indemnification provisions of Section 8.C will inure to the benefit of a Covered Person's estate and beneficiaries and legatees.

J. **Nonassignability**. No award (or any rights and obligations thereunder) granted to any person under the Plan may be sold, exchanged, transferred, assigned, pledged, hypothecated or otherwise disposed of or hedged, in any manner (including through the use of any cash-settled instrument), whether voluntarily or involuntarily and whether by operation of law or otherwise, other than by will or by the laws of descent and distribution, except as may be otherwise provided in the award agreement. Any sale, exchange, transfer, assignment, pledge, hypothecation, or other disposition in violation of the provisions of this Section 9.J will be null and void and any award which is hedged in any manner will immediately be forfeited. All of the terms and conditions of this Plan and the award agreements will be binding upon any permitted successors and assigns.

K. **Entire Understanding.** The Plan and, with respect to a Performance Year, the applicable Administrative Guide, contains the entire understanding of the Company and the Participants with respect to the subject matter thereof and supersedes all prior promises, covenants, arrangements, agreements, communications, representations and understanding between the Company and the Participant.

L. **No Right of Employment**. Nothing in this Plan will be construed as creating any contract of employment or conferring upon the Participant any right to continue in the employ or other service of the Company, or any of its subdivisions or subsidiaries, or limit in any way the right of the Company to change such Participant's compensation or benefits or to terminate the employment or other service of such Participant with or without Cause.

M. **Successor and Assigns**. The terms of this Plan will inure to the benefit of AIG and any successor entity.

N. **Subject to Any AIG Section 162(m) Plan**. AIG may, in any year, propose a Section 162(m) compliant performance incentive award plan (the "***AIG Section 162(m) Plan***"). If an AIG Section 162(m) Plan is proposed and approved by the AIG stockholders in accordance with Section 162(m)(4)(C) of the Code and Treasury Regulation Section 1.162-27(e)(4), this Plan will function as a sub-plan under the AIG Section 162(m) Plan, whereby performance compensation amounts payable under the AIG Section 162(m) Plan can be paid in part by accruing awards with respect to a Performance Year.

O. **No Liability With Respect to Tax Qualification or Adverse Tax Treatment**. Notwithstanding anything to the contrary contained herein, in no event shall the Company be liable to a Participant on account of the failure of any Incentive Award or amount payable under this Plan to (a) qualify for favorable United States or foreign tax treatment or (b) avoid adverse tax treatment under United States or foreign law, including, without limitation, Section 409A.

10. Governing Law.

The Plan will be governed and enforced in accordance with the appropriate country and local regulations. With respect to Participants working in the United States, this Plan will be governed by and construed in accordance with the laws of the State of New York, without regard to principles of conflict of laws.

The Plan shall also be subject to all applicable non-U.S. laws as to Participants located outside of the United States. In the event that any provision of this Plan is not permitted by the local laws of a country or jurisdiction in which a Participant works, such local law shall supersede that provision of this Plan with respect to that Participant. The Senior HR Attorney and the Senior C&B Executive or their designee(s) shall have the discretion to operate the Plan with respect to such Participant in a manner that incorporates as much of the Plan's current terms as possible while also complying with such local laws.

11. Plan Termination; Amendment

The Plan may be amended or modified, with or without prior notification of the Participants, at any time in the sole discretion of the Committee. The Plan will continue until suspended or terminated by the Committee in its sole discretion; *provided that* all Incentive Awards made under the Plan before its suspension or termination will remain in effect until such awards have been satisfied or terminated in accordance with the terms and provisions of the Plan and the applicable award. Any termination of this Plan will be done in a manner that the Committee determines complies with Section 409A.

Notwithstanding the foregoing, the Committee's rights and powers to amend the Plan shall be delegated to the Senior C&B Executive, who shall have the right to amend the Plan with respect to (i) amendments required by relevant law, regulation or ruling, (ii) amendments that are not expected to have a material financial impact on the Company, (iii) amendments that can reasonably be characterized as technical or ministerial in nature or (iv) amendments that have previously been approved in concept by the Committee. Notwithstanding the foregoing delegation, the Senior C&B Executive shall not have the power to make an amendment to the Plan that could reasonably be expected to result in a termination of the Plan or a change in the structure or the powers, duties or responsibilities of the Committee, unless such amendment is approved or ratified by the Committee.

12. Effective Date

The Plan is effective as of the 2014 Performance Year, and will continue thereafter until terminated by the Committee; *provided, however*, that the existence of the Plan at any time or from time to time does not guarantee or imply the payment of any Incentive Awards hereunder, or the establishment of any future plans or the continuation of this Plan.

Glossary of Terms

"***AIG***" means American International Group, Inc.

"***AIG Section 162(m) Plan***" means a Section 162(m) compliant performance incentive award plan.

"***Award Date***" means the date, in accordance with Section 5.D, that the Incentive Award is granted to and becomes non-forfeitable (other than with respect to the clawback provisions of Section 7 of the Plan) to the Participant. For point of clarity, for Participants with an Incentive Award of which a portion is designated as a Deferred Award (with such portion payable in a year later than the year following the Performance Year), the Award Date is the date the entire Incentive Award becomes non-forfeitable and that the portion of the Incentive Award **not** designated as a Deferred Award is paid. For all others, the Award Date is the date that the entire Incentive Award is paid.

"***Board***" means the Board of Directors of AIG.

"***Breaks in Service***" means the cessation of actively performing services for the Company, either on a temporary or permanent basis (including Resignation, Termination, Leaves of Absence, Retirement and Death). See Appendix B for more information.

"***Business/Functional Segments***" means the business unit segments and functional unit segments established by the Committee for a Performance Year.

"***Cause***" has the meaning provided in the applicable severance plan, program or other arrangement in which the Participant is eligible to participate; *provided that*, to the extent that the Committee, with respect to any Participant under the purview of the Committee, or the Senior C&B Executive, with respect to any other Participant, or their delegate(s), in each case, in its or his or her sole discretion determines that the Participant is not eligible to participate in a severance plan, program or arrangement, "Termination without Cause" shall mean a Termination due to a reduction in force, position elimination or office closing.

"***Code***" means the Internal Revenue Code of 1986, as amended from time to time.

"***Committee***" means the Compensation and Management Resources Committee of the Board of Directors of AIG (including any successor thereto).

"***Company***" means AIG together with its consolidated subsidiaries.

"***Compensation COE***" means the Compensation Center of Excellence.

"***Covered Person***" means any employee of AIG performing services with respect to the Plan.

"***Deferred Award***" means all or a specified percentage of a Participant's Earned Incentive Award that the Committee determines, prior to March 31st of a Performance Year, will be paid on the Deferred Award Payment Date.

"***Deferred Award Payment Date***" means the one-year anniversary of the Award Date.

"***Earned Bonus Pool***" means the actual bonus pool approved by the Committee under this Plan for a Performance Year.

"***Earned Individual Award***" means a Participant's actual Incentive Award.

"***Employed***" and "***Employment***" means (a) actively performing services for the Company, (b) being on a Company-approved leave of absence, whether paid or unpaid, or (c) receiving long term disability benefits for up to three years from the date short term disability leave commenced, in each case while in good standing with the Company.

"***Excise Tax***" means the excise tax imposed by Section 4999 of the Code or any similar or successor provision to Section 4999.

"***Incentive Award***" means an award under this Plan.

"***Individual Target Award***" means a Participant's target Incentive Award.

"***Normal Schedule***" means the date specified in Section 5.D that an Incentive Award would otherwise have been paid if the Participant had continued to remain Employed by the Company.

"***Operating Committee***" means the group of senior executives selected by the President and CEO to be a member of this deliberative group.

"***Paid Leave of Absence***" means an approved leave of absence during which the Participant is receiving salary continuation from a Company payroll.

"***Participant***" has the meaning provided in Section 3.

"***Performance Metric***" means a performance metric determined by the Committee prior to or as soon as practicable following the commencement of a Performance Year in accordance with Section 5.B.

"***Performance Year***" means each successive one-year periods beginning on January 1 of each year.

"***Plan***" means this American International Group, Inc. Annual Short-Term Incentive Plan (also referred to as "Compensation Plan 483").

"***Pro-Rated***" means, for any amount under this Plan, multiplying such amount by a fraction, the numerator of which is the number of months (rounding up for partial months) during the Performance Year that the Participant actively performed services for the Company (including any period designated by the Company as "working notice") or was on a Paid Leave of Absence, and the denominator of which 12.

"***Release***" means the release required by the severance plan or program applicable to the Participant's Termination without Cause; *provided that*, to the extent that no such established severance plan or program is deemed applicable by the Committee, with respect to any Participant under the purview of the Committee, or the Senior C&B Executive, with respect to any other Participant, or their delegate(s), in each case, in its or his or her sole discretion, then the release will be a release generally in the form set forth in Appendix C, subject to any provisions that the Senior HR Attorney and the Senior C&B

Executive or their delegate(s) may amend or add to the release; *provided*, further, that if the local laws of a country or non-U.S. jurisdiction in which the Participant performs services would not permit all or a portion of the release in Appendix C to be structured or executed in the applicable form attached hereto, the Senior HR Attorney and the Senior C&B Executive or their designee(s) shall have the discretion to create a release that incorporates as much of the release in the form attached as Appendix C as possible while also complying with such local laws.

"***Retirement***" or "***Retire***" means, solely for purposes of this Plan, (i) in the United States, voluntary Termination initiated by the Participant (while such Participant is in good standing with the Company) (x) on or after age 60 with five years of service or (y) on or after age 55 with 10 years of service, and (ii) outside of the United States, a Participant's termination of employment after the Participant has achieved certain service and/or age milestones in accordance with the local policy on retirement for the entity that employs such Participant.

"***Section 409A***" means Section 409A of the Code, including any amendments or successor provisions to that section, and any regulations and other administrative guidance relating thereto, in each case as they may be from time to time amended or interpreted through further administrative guidance.

"*Senior C&B Executive*" means the Company's most senior executive whose responsibility it is to oversee both the Corporate Compensation Department and the Corporate Benefits Department. In the event that no individual holds such position, "Senior C&B Executive" will instead refer to the Company's most senior executive whose responsibility it is to oversee the global Human Resources Department.

"*Senior HR Attorney*" means the Company's most senior attorney whose responsibility it is to oversee Human Resource/employment matters.

"***Termination***" or "***Terminate***," with respect to a Participant, means the termination of the Participant's Employment.

"***Threshold Goal***" has the meaning provided in Section 4.

"***Unpaid Leave of Absence***" means an approved leave of absence during which the Participant is not receiving salary continuation from a Company payroll, including a period of long term disability leave during which a Participant may be receiving long term disability insurance payments from a long term disability insurer.

Appendix B

Treatment of Incentive Awards Upon Various Types of Breaks in Service or Terminations of Employment

Type of Break in Service or Termination of Employment	Amount the Participant Receives
Short-Term & Long-Term Medical Leaves of Absence (STD & LTD) **Family Medical & Domestic Partner Leave** **Non-Medical Leave of Absence** (Personal Leave) **Military Leave of Absence**	If a Participant is on an approved leave of absence during which the Participant is receiving salary continuation from a Company payroll (a "***Paid Leave of Absence***"), such Paid Leave of Absence will not be deemed a break a service or a Termination for purposes of this Plan. Time on a Paid Leave of Absence will be treated the same as time during which the Participant performs services for the Company. If a Participant is on an approved leave of absence during which the Participant is NOT receiving salary continuation from a Company payroll, including a period of long term disability leave during which a Participant may be receiving long term disability insurance payments from a long term disability insurer (an "***Unpaid Leave of Absence***"), his or her Incentive Award will be Pro-Rated based on the number of months during the Performance Year that the Participant was actively employed (prior to the Participant's last day worked) or on a Paid Leave of Absence with the Company, but will not include the number of months that the Participant was on an Unpaid Leave of Absence. Incentive Awards are paid on the Normal Schedule.
Retirement	*If a Participant Retires During the Performance Year, after March 31st and before the End of the Performance Year:* · The Incentive Award is Pro-Rated based on the number of months during the Performance Year that the Participant was actively employed (prior to the Participant's last day worked) or on a Paid Leave of Absence with the Company and, · The amount of the Incentive Award is based on 100% of the Participant's Individual Target Award for such Performance Year and, · To the extent applicable for such Performance Year, actual performance against the Company-based Performance Metrics and the Business/Functional Segment-based Performance Metrics as determined by the Committee. · Paid on the Normal Schedule. *If a Participant Retires on or before March 31st of the Performance Year:* · Participant will not receive any Pro-Rated Incentive Award payment for the current Performance Year. *If a Participant Retires After the End of the Performance Year but prior to the Award Date:* · The Incentive Award is not Pro-Rated, but is paid in full based on, to the extent applicable for such Performance Year, actual performance against the Individual-based Performance Metrics, the Company-based Performance Metrics and the Business/Functional Segment-based Performance Metrics for such Performance Year. · Paid on the Normal Schedule.
Death	*If a Participant Dies During the Performance Year, after March 31st and before the End of the Performance Year:* · The Incentive Award is Pro-Rated based on the number of months during the Performance Year that the Participant was actively employed (prior to the Participant's last day worked) or on a Paid Leave of Absence with the Company and the amount of the Incentive Award is based on 100% of the Participant's Individual Target Award for such Performance Year. · Paid as soon as administratively possible after the date of death, but in no event later than March 15th following such Performance Year. *If a Participant Dies on or before March 31st of the Performance Year:* · The Participant will not receive any Pro-Rated Incentive Award payment for the current Performance Year. *If a Participant Dies After the End of the Performance Year but prior to the Award Date:* · The Incentive Award is not Pro-Rated, but is paid 100% of the Individual Target Award in effect on the date of death. · Paid as soon as administratively possible after the date of death, but in no event later than March 15th following the year in which the death occurred.
Resignation, Voluntary Quit, Constructive Discharge	If the last day the Participant was actively performing services for the Company (the Participant's last day worked) or on a Paid Leave of Absence is prior to the Award Date, the Incentive Award is forfeited.
Termination without Cause	*If a Participant Experiences a Termination without Cause:* For Participants in the 2012 Executive Severance Plan or its successor plan, paid in accordance with such plan. For all other Participants, payable pursuant to the AIG, Inc. Severance Plan, or other severance arrangement applicable to such Termination without Cause as follows: *Termination without Cause During the Performance Year* · If the last day that the Participant was actively performing services for the Company (the Participant's last day worked) or on a Paid Leave of Absence occurs after March 31st and before the end of the Performance Year, the Participant will receive 80% of the Participant's Individual Target Award with respect to such Performance Year Pro-Rated based on the number of months during the Performance Year that the Participant was actively performing services for the Company (prior to the Participant's last day worked) or on a Paid Leave of Absence. · For the avoidance of doubt, if the last day that the Participant was actively performing services for the Company or on a Paid Leave of Absence occurs on or before March 31st of a Performance Year, the Participant will not receive any Incentive Award payment for such Performance Year.

	Termination without Cause After the End of the Performance Year but prior to the Award Date · If the last day that the Participant was actively performing services for the Company (the Participant's last day worked) or on a Paid Leave of Absence occurs after the end of the Performance Year, but prior to the Award Date for such Performance Year, the Participant will receive 80% of the Participant's Individual Target Award with respect to such Performance Year. *Timing of Payments* · Paid as soon as administratively possible after the date of Termination without Cause, but no later than March 15th following the year in which the Termination without Cause occurs, and in no event later than when other actively employed Participants are paid similar Incentive Awards under the Plan; *provided that* any Deferred Award will be paid on the Normal Schedule. To the extent there is an inconsistency between this Plan and the applicable severance program, the severance program will prevail. To the extent the Committee, with respect to any Participant under the purview of the Committee, or the Senior C&B Executive, with respect to any other Participant, or their delegate(s), in each case, in its or his or her sole discretion determines that no established severance program or arrangement is applicable to a Participant's Termination without Cause, then, in accordance with Section 6.B, the Participant will need to execute a release generally in the form set forth in Appendix C, subject to any provisions that the Senior HR Attorney and the Senior C&B Executive or their delegate(s) may amend or add to the release.

<u>Form of Release Referred to in Section 6.B of the Plan</u>

NOT personalized to each Participant.

(1) [Employee Name] ("***Employee***"), for good and sufficient consideration, the receipt of which is hereby acknowledged, hereby waives and forever releases and discharges any and all claims of any kind Employee may have against American International Group, Inc., its affiliate or subsidiary companies, or any officer, director or employee of, or any benefit plan sponsored by, any such company (collectively, the "***Released Parties***") which arise from Employee's employment with any of the Released Parties or the termination of Employee's employment with any of the Released Parties. [Specifically, but without limiting that release, Employee hereby waives any rights or claims Employee might have pursuant to the Age Discrimination in Employment Act of 1967, as amended (the "***Act***") and under the laws of any and all jurisdictions, including, without limitation, the United States. Employee recognizes that Employee is not waiving any rights or claims under the Act that may arise after the date that Employee executes this Release.] Nothing herein modifies or affects any vested rights that Employee may have under the [American International Group, Inc. Retirement Plan, or the American International Group, Inc. Incentive Savings Plan] [*and other plans applicable to Employee*]; nor does this Release confer any such rights, which are governed by the terms of the respective plans (and any agreements under such plans).

(2) Employee acknowledges that Employee has not filed any complaint, charge, claim or proceeding, if any, against any of the Released Parties before any local, state or federal agency, court or other body (each individually a "***Proceeding***"). Employee represents that Employee is not aware of any basis on which such a Proceeding could reasonably be instituted.

(3) <u>Confidentiality/Non-Disclosure</u>. During the term of Employee's employment, the Company permitted Employee to have access to and become acquainted with trade secret information of a confidential, proprietary or secret nature. Subject to and in addition to any confidentiality or non-disclosure requirements to which Employee was subject prior to the date the Employee executes this Release, effective as of the date Employee executes this Release, Employee acknowledges and agrees that (i) all confidential, proprietary, trade secret information received, obtained or possessed at any time by Employee concerning or relating to the business, financial, operational, marketing, economic, accounting, tax or other affairs at the Company or any client, customer, agent or supplier or prospective client, customer, agent or supplier of the Company will be treated by Employee in the strictest confidence and will not be disclosed or used by Employee in any manner without the prior written consent of the Company or unless required by law, and ii) Employee has not during the term of Employee's employment and will not remove or destroy any such confidential information.

(4) <u>Non-Solicitation</u>. Employee acknowledges and agrees that Employee's employment with the Company required exposure to and use of confidential trade secret information (as set forth in Paragraph 3). Subject to and in addition to any non-solicitation requirements to which Employee was subject prior to the date Employee executes this Release, effective as of the date Employee executes this Release, Employee acknowledges and agrees that (i) Employee will not, directly or indirectly, on Employee's own behalf or on behalf of any other person or entity

solicit, contact, call upon, communicate with or attempt to communicate with any customer or client or prospective customer or client of the Company where to do so would require the use or disclosure of trade secret information, and (ii) for a period of one (1) year after employment terminates for any reason, Employee will not solicit or in any manner encourage or provide assistance to any employee, consultant or agent of the Company to terminate his or her employment or other relationship with the Company or to leave its employ or other relationship with the Company for any engagement in any capacity or any other person or entity.

(5) Non-Disparagement. Employee acknowledges and agrees that Employee will not disparage AIG or any of its subsidiaries or affiliates or any of their officers, directors or employees to any person or entity not affiliated with AIG; provided, however, that nothing herein prohibits the Employee from giving truthful testimony as required by law.

(6) Employee agrees that AIG's remedies at law for a breach or threatened breach of Section 3, 4 and 5 of this Release would be inadequate. In recognition of this fact, Employee agrees that, in the event of such a breach or threatened breach, in addition to any remedies at law, AIG, without posting any bond, shall be entitled to obtain equitable relief from a court of competent jurisdiction the form of specific performance, temporary restraining order, temporary or permanent injunction or any other equitable remedy which may then be available in the event of a breach or threatened breach of such provision.

(7) [Employee acknowledges and understands that Employee is hereby being advised to consult with an attorney prior to executing this Release. Employee also acknowledges and understands that Employee has twenty-one (21) days to consider the terms of this Release before signing it. However, in no event may Employee sign this Release before Employee's termination date.]

(8) [Upon the signing of this Release by Employee, Employee understands that Employee shall have a period of seven (7) days following Employee's signing of this Release in which Employee may revoke this Release. Employee understands that this Release shall not become effective or enforceable until this seven (7) day revocation period has expired, and that neither the Released Parties nor any other person has any obligation [pursuant to the American International Group, Inc. Annual Short-Term Incentive Plan] until eight (8) days have passed since Employee's signing of this Release without Employee having revoked this Release. If Employee revokes this Release, Employee will be deemed not to have accepted the terms of this Release.]

(9) Any dispute arising under this Release shall be governed by the [law of the State of New York], without reference to the choice of law rules that would cause the application of the law of any other jurisdiction.

DATE	[Employee]

Exhibit 10(8)

EXECUTION COPY

CMA TERMINATION AGREEMENT

This Termination Agreement (this “Agreement”), is made, entered into and effective as of October 31, 2014, by and between American International Group, Inc., a corporation organized under the laws of the State of Delaware (“AIG”), and American General Life Insurance Company, a corporation organized under the laws of the State of Texas (the “Company”). The Company and AIG are collectively referred to herein as the “Parties” and each, as a “Party”.

WITNESSETH:

WHEREAS, the Company is an indirect, wholly owned subsidiary of AIG, and is a party to that certain Amended and Restated Unconditional Capital Maintenance Agreement, entered into and effective as of February 18, 2014, with AIG (the “CMA”), pursuant to which AIG agreed to, among other things, maintain the total adjusted capital of the Company at or above a specified minimum percentage as stated therein; and

WHEREAS, the Parties acknowledge that AIG and its consolidated subsidiaries generally manage capital between AIG and its insurance subsidiaries (including the Company) through internal policies and guidelines approved by AIG’s Board of Directors, and, as such, are mutually agreeing to terminate the CMA in accordance with the terms herein.

NOW, THEREFORE, in consideration of the mutual promises herein contained, the Parties hereto agree as follows:

1. CMA Termination. The CMA is hereby terminated in its entirety effective immediately. Further, the Parties mutually agree that termination of the CMA as provided for herein shall be, and is hereby, deemed as a termination made under paragraph 7 of the CMA.

2. Entire Agreement; Successors. This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior and contemporaneous agreements, understandings, negotiations and discussion, whether oral or written, of the Parties. The agreements herein set forth shall be mutually binding upon and inure to the mutual benefit of the Parties and their respective successors.

3. Governing Law; Severability. This Agreement shall be governed by and construed in accordance with the laws of New York without giving effect to the principles of conflict of laws. If any provision of this Agreement shall be declared null, void or unenforceable in whole or in part by any court, arbitrator or governmental agency, said provision shall survive to the extent it is not so declared and all the other provisions of this Agreement shall remain in full force and effect unless, in each case, such declaration shall serve to deprive either Party of the fundamental benefits of or rights under this Agreement.

4. Headings; Counterparts. The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this

Agreement. This Agreement may be signed by the Parties in one or more counterparts which together shall constitute one and the same agreement among the Parties.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

AMERICAN INTERNATIONAL GROUP, INC.

By: /s/ Charles S. Shamieh____________________
Name: Charles S. Shamieh
Title: Senior Vice President and Chief Corporate Actuary

AMERICAN GENERAL LIFE INSURANCE COMPANY

By: /s/ Mary Jane Fortin______________________
Name: Mary Jane Fortin
Title: Executive Vice President & Chief Financial Officer

Exhibit 10(9)

EXECUTION COPY

CMA TERMINATION AGREEMENT

This Termination Agreement (this "Agreement"), is made, entered into and effective as of October 31, 2014, by and between American International Group, Inc., a corporation organized under the laws of the State of Delaware ("AIG"), and The United States Life Insurance Company in the City of New York, a corporation organized under the laws of the State of New York (the "Company"). The Company and AIG are collectively referred to herein as the "Parties" and each, as a "Party".

WITNESSETH:

WHEREAS, the Company is an indirect, wholly owned subsidiary of AIG, and is a party to that certain Amended and Restated Unconditional Capital Maintenance Agreement, entered into and effective as of February 18, 2014, with AIG (the "CMA"), pursuant to which AIG agreed to, among other things, maintain the total adjusted capital of the Company at or above a specified minimum percentage as stated therein; and

WHEREAS, the Parties acknowledge that AIG and its consolidated subsidiaries generally manage capital between AIG and its insurance subsidiaries (including the Company) through internal policies and guidelines approved by AIG's Board of Directors, and, as such, are mutually agreeing to terminate the CMA in accordance with the terms herein.

NOW, THEREFORE, in consideration of the mutual promises herein contained, the Parties hereto agree as follows:

1. CMA Termination. The CMA is hereby terminated in its entirety effective immediately. Further, the Parties mutually agree that termination of the CMA as provided for herein shall be, and is hereby, deemed as a termination made under paragraph 7 of the CMA.

2. Entire Agreement; Successors. This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior and contemporaneous agreements, understandings, negotiations and discussion, whether oral or written, of the Parties. The agreements herein set forth shall be mutually binding upon and inure to the mutual benefit of the Parties and their respective successors.

3. Governing Law; Severability. This Agreement shall be governed by and construed in accordance with the laws of New York without giving effect to the principles of conflict of laws. If any provision of this Agreement shall be declared null, void or unenforceable in whole or in part by any court, arbitrator or governmental agency, said provision shall survive to the extent it is not so declared and all the other provisions of this Agreement shall remain in full force and effect unless, in each case, such declaration shall serve to deprive either Party of the fundamental benefits of or rights under this Agreement.

4. Headings; Counterparts. The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this

Agreement. This Agreement may be signed by the Parties in one or more counterparts which together shall constitute one and the same agreement among the Parties.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

AMERICAN INTERNATIONAL GROUP, INC.

By: /s/ Charles S. Shamieh
Name: Charles S. Shamieh
Title: Senior Vice President and Chief Corporate Actuary

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

By: /s/ Mary Jane Fortin
Name: Mary Jane Fortin
Title: Executive Vice President & Chief Financial Officer

Exhibit 10(10)

EXECUTION COPY

CMA TERMINATION AGREEMENT

This Termination Agreement (this "Agreement"), is made, entered into and effective as of October 31, 2014, by and between American International Group, Inc., a corporation organized under the laws of the State of Delaware ("AIG"), and The Variable Annuity Life Insurance Company, a corporation organized under the laws of the State of Texas (the "Company"). The Company and AIG are collectively referred to herein as the "Parties" and each, as a "Party".

WITNESSETH:

WHEREAS, the Company is an indirect, wholly owned subsidiary of AIG, and is a party to that certain Amended and Restated Unconditional Capital Maintenance Agreement, entered into and effective as of February 18, 2014, with AIG (the "CMA"), pursuant to which AIG agreed to, among other things, maintain the total adjusted capital of the Company at or above a specified minimum percentage as stated therein; and

WHEREAS, the Parties acknowledge that AIG and its consolidated subsidiaries generally manage capital between AIG and its insurance subsidiaries (including the Company) through internal policies and guidelines approved by AIG's Board of Directors, and, as such, are mutually agreeing to terminate the CMA in accordance with the terms herein.

NOW, THEREFORE, in consideration of the mutual promises herein contained, the Parties hereto agree as follows:

1. CMA Termination. The CMA is hereby terminated in its entirety effective immediately. Further, the Parties mutually agree that termination of the CMA as provided for herein shall be, and is hereby, deemed as a termination made under paragraph 7 of the CMA.

2. Entire Agreement; Successors. This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior and contemporaneous agreements, understandings, negotiations and discussion, whether oral or written, of the Parties. The agreements herein set forth shall be mutually binding upon and inure to the mutual benefit of the Parties and their respective successors.

3. Governing Law; Severability. This Agreement shall be governed by and construed in accordance with the laws of New York without giving effect to the principles of conflict of laws. If any provision of this Agreement shall be declared null, void or unenforceable in whole or in part by any court, arbitrator or governmental agency, said provision shall survive to the extent it is not so declared and all the other provisions of this Agreement shall remain in full force and effect unless, in each case, such declaration shall serve to deprive either Party of the fundamental benefits of or rights under this Agreement.

4. Headings; Counterparts. The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this

Agreement. This Agreement may be signed by the Parties in one or more counterparts which together shall constitute one and the same agreement among the Parties.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

AMERICAN INTERNATIONAL GROUP, INC.

By: /s/ Charles S. Shamieh
Name: Charles S. Shamieh
Title: Senior Vice President and Chief Corporate Actuary

THE VARIABLE ANNUITY LIFE INSURANCE COMPANY

By: /s/ Mary Jane Fortin
Name: Mary Jane Fortin
Title: Executive Vice President & Chief Financial Officer

COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES

Exhibit 12

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions, except ratios)	**2014**	2013	**2014**	2013
Earnings:				
Pre-tax income[a]:	**$ 2,589**	$ 1,045	**$ 8,640**	$ 6,341
Add - Fixed charges	**650**	993	**2,372**	3,229
Adjusted Pre-tax income	**$ 3,239**	$ 2,038	**$ 11,012**	$ 9,570
Fixed charges:				
Interest expense	**$ 386**	$ 767	**$ 1,712**	$ 2,501
Portion of rent expense representing interest	**32**	35	**96**	103
Interest credited to policy and contract holders	**232**	191	**564**	625
Total fixed charges	**$ 650**	$ 993	**$ 2,372**	$ 3,229
Total fixed charges, excluding interest credited to policy and contract holders	**$ 418**	$ 802	**$ 1,808**	$ 2,604
Ratio of earnings to fixed charges	**4.98**	2.05	**4.64**	2.96
Ratio of earnings to fixed charges, excluding interest credited to policy and contract holders[b]	**7.75**	2.54	**6.09**	3.68

(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.

Exhibit 31

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 3, 2014

/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 3, 2014

/S/ DAVID L. HERZOG

David L. Herzog

Executive Vice President and Chief Financial Officer

Exhibit 32

CERTIFICATION

In connection with this Quarterly Report on Form 10-Q of American International Group, Inc. (the “Company”) for the quarter ended September 30, 2014, 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 3, 2014

/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, 2014, 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 3, 2014

/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.