



# Conference Call Presentation

**Third Quarter 2017**

NOVEMBER 3, 2017

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Note: Amounts presented may not foot due to rounding.



# 3Q17 Key Themes

## Consolidated

### **After-tax operating loss of \$1.1B (\$1.22 per share)**

- Core Normalized ROE of 7.2% (8.6% YTD)
- Book Value Per Share of \$80.62

## Commercial

### **Significant catastrophe losses, non-CAT Property losses and reserve strengthening drives results**

- Pre-tax catastrophe losses of \$2.7B largely from Hurricanes Harvey, Irma and Maria
- Lower production driven by continued execution of risk selection strategy and divestitures
- AYLR, as adjusted, increased by 10.4 pts from 3Q16 reflecting elevated Property losses and increased current accident year loss estimates in Liability & Financial Lines
- Unfavorable PYD of \$0.8B largely related to 2016 accident year
- Expense ratio improvement reflects continued strategic actions to reduce operating expenses

## Consumer

### **Solid PTOI despite higher Catastrophe losses**

- Personal Insurance pre-tax catastrophe losses of \$297M; ongoing benefits from strategic repositioning and focus on target markets
- Actuarial assumption updates of \$284M positively benefit operating earnings
- Ongoing growth in Life sales, greater expense control and portfolio optimization
- Continued pressure on Individual Retirement net flows; Assets Under Administration (AUA) at historical highs driven by equity market performance and positive Index Annuity net flows
- Group Retirement digital transformation contributed to strong new group acquisition year-to-date results; AUA at historical highs driven by equity market performance

## Legacy & Capital

### **Balance sheet strength and capital management**

- Continue to maintain strong capital ratios and AIG Parent liquidity
- AIG Parent liquidity of \$6.7B at September 30, 2017
- Share and warrant repurchases of \$278 million
- Sold remaining life settlements portfolio in November 2017 fulfilling \$9B capital return target for Legacy

# Consolidated Operating Financial Highlights

(\$ in millions, except per share amounts)	3Q16	3Q17
<b>Pre-tax operating income (loss):</b>		
<i>Commercial Insurance</i>		
Liability and Financial Lines	\$948	(\$257)
Property and Special Risks	(263)	(2,605)
<b>Total Commercial Insurance</b>	<b>685</b>	<b>(2,862)</b>
<i>Consumer Insurance</i>		
Individual Retirement	920	718
Group Retirement	214	249
Life Insurance	(54)	112
Personal Insurance	148	(71)
<b>Total Consumer Insurance</b>	<b>1,228</b>	<b>1,008</b>
Other Operations	(170)	(288)
<b>Total Core</b>	<b>1,743</b>	<b>(2,142)</b>
Legacy Portfolio	(99)	286
<b>Total pre-tax operating income (loss)</b>	<b>\$1,644</b>	<b>(\$1,856)</b>
<b>After-tax operating income (loss) attributable to AIG</b>	<b>\$1,115</b>	<b>(\$1,111)</b>
<b>After-tax operating income (loss) attributable to AIG per diluted share</b>	<b>\$1.01</b>	<b>(\$1.22)</b>
<b>Normalized Return On Equity:</b>		
<b>Consolidated</b>	<b>8.1%</b>	<b>6.6%</b>
<b>Core</b>	<b>8.1%</b>	<b>7.2%</b>
<b>Legacy Portfolio</b>	<b>8.1%</b>	<b>5.1%</b>
<b>Book Value Per Common Share (BVPS):</b>	<b>Dec. 31, 2016</b>	<b>Sep. 30, 2017</b>
<b>BVPS</b>	<b>\$76.66</b>	<b>\$80.62</b>
<b>BVPS – Ex. AOCI</b>	<b>\$73.41</b>	<b>\$74.01</b>
<b>Adjusted BVPS<sup>1</sup></b>	<b>\$58.57</b>	<b>\$57.44</b>

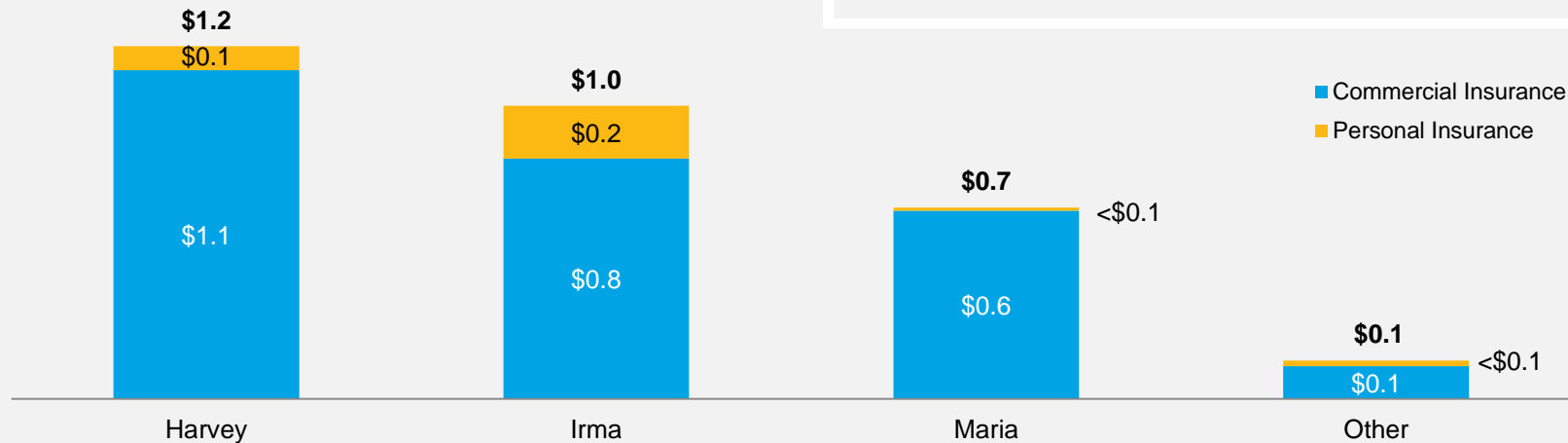
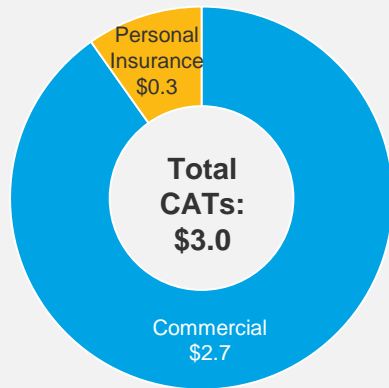


1) Book value per common share, ex. AOCI & DTA.

# Catastrophe Losses

(\$ in billions)

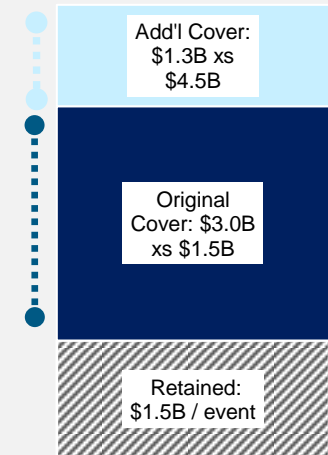
## 3Q17 Catastrophe (CAT) Losses



## Corporate CAT Reinsurance Program

Effective: 9/8/2017 – 12/31/2017  
(Post Irma)

Effective: 1/1/2017 – 12/31/2017<sup>1</sup>



# 3Q17 Reserve Review

## Prior Year Development (Favorable) Unfavorable (\$M)

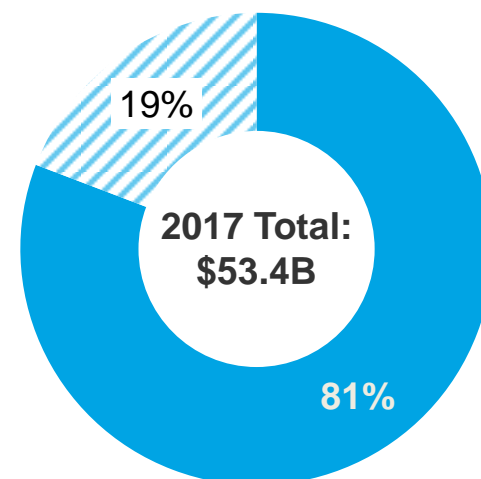
### Commercial Insurance

Liability and Financial Lines	\$818
Property and Special Risks	81
<b>Total Commercial Insurance</b>	<b>899</b>
Legacy Portfolio	(1)
ADC Deferred Gain Amortization	(62)
<b>Total pre-tax operating impact<sup>1</sup></b>	<b>\$836</b>

## Aggregate Reserves Assessed Through Q3'17

■ Completed first 9M'17

▨ To be reviewed in 4Q'17



### Reserve Results:

- \$705 million relates to accident year 2016 due to early unfavorable loss emergence
- Commercial Auto businesses, including certain terminated programs, continue to experience elevated loss emergence
- U.S. Financial Lines action driven by increased private company bankruptcies in 2016
- Increase in number of large claims in European Casualty and Financial Lines

### Loss Estimates Impacted by Reserve Studies

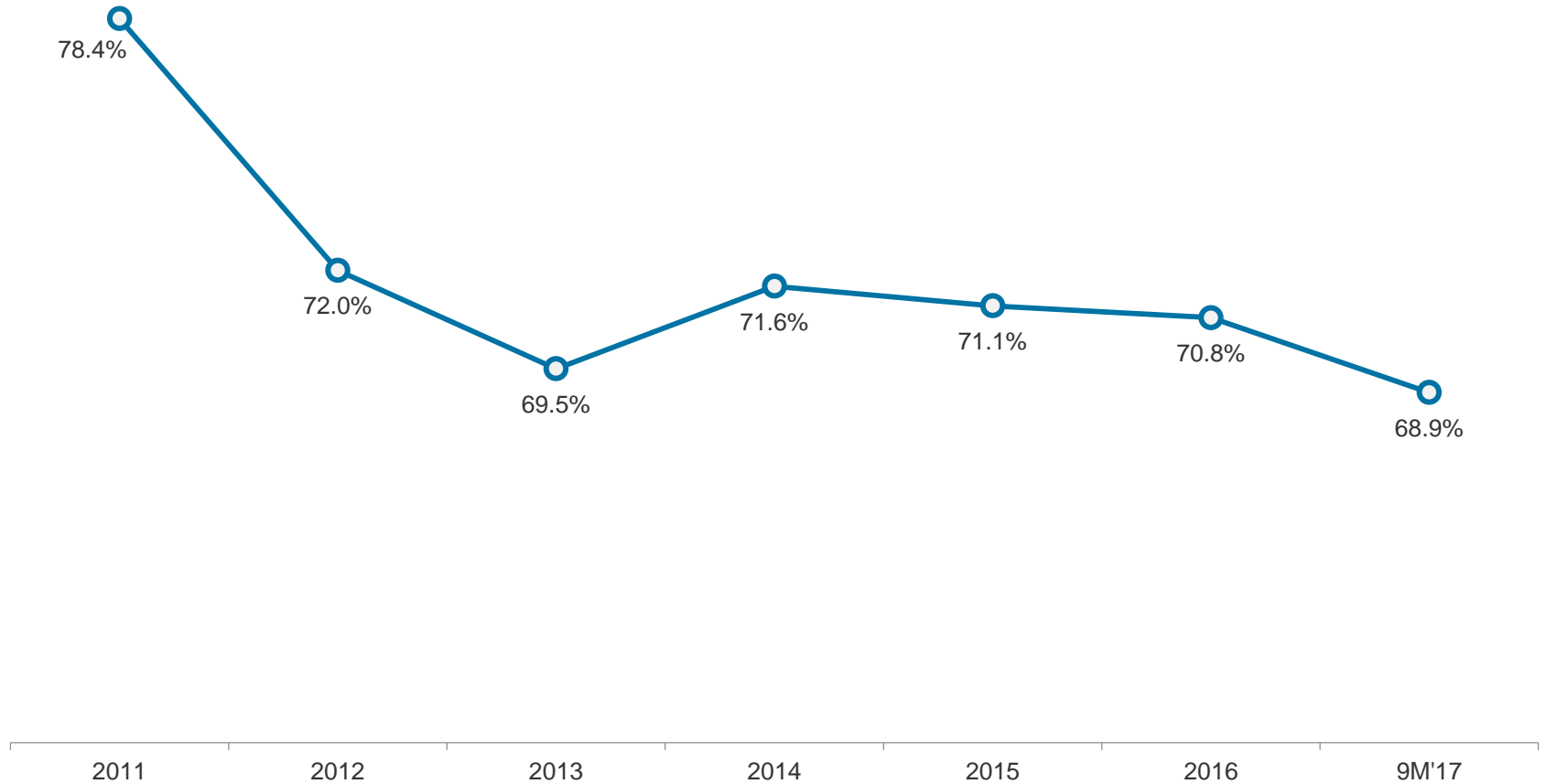
- Strengthened the current accident year loss estimates for 2017 by 4.9 points year to date, of which 3.3 points relates to the first 6 months of 2017



<sup>1</sup>) Consistent with our definition of PTOI, excludes the portion of favorable or unfavorable prior year reserve development for which we have ceded the risk under retroactive reinsurance agreements and related changes in amortization of the deferred gain. Additionally, amount excludes return premium on loss sensitive business.

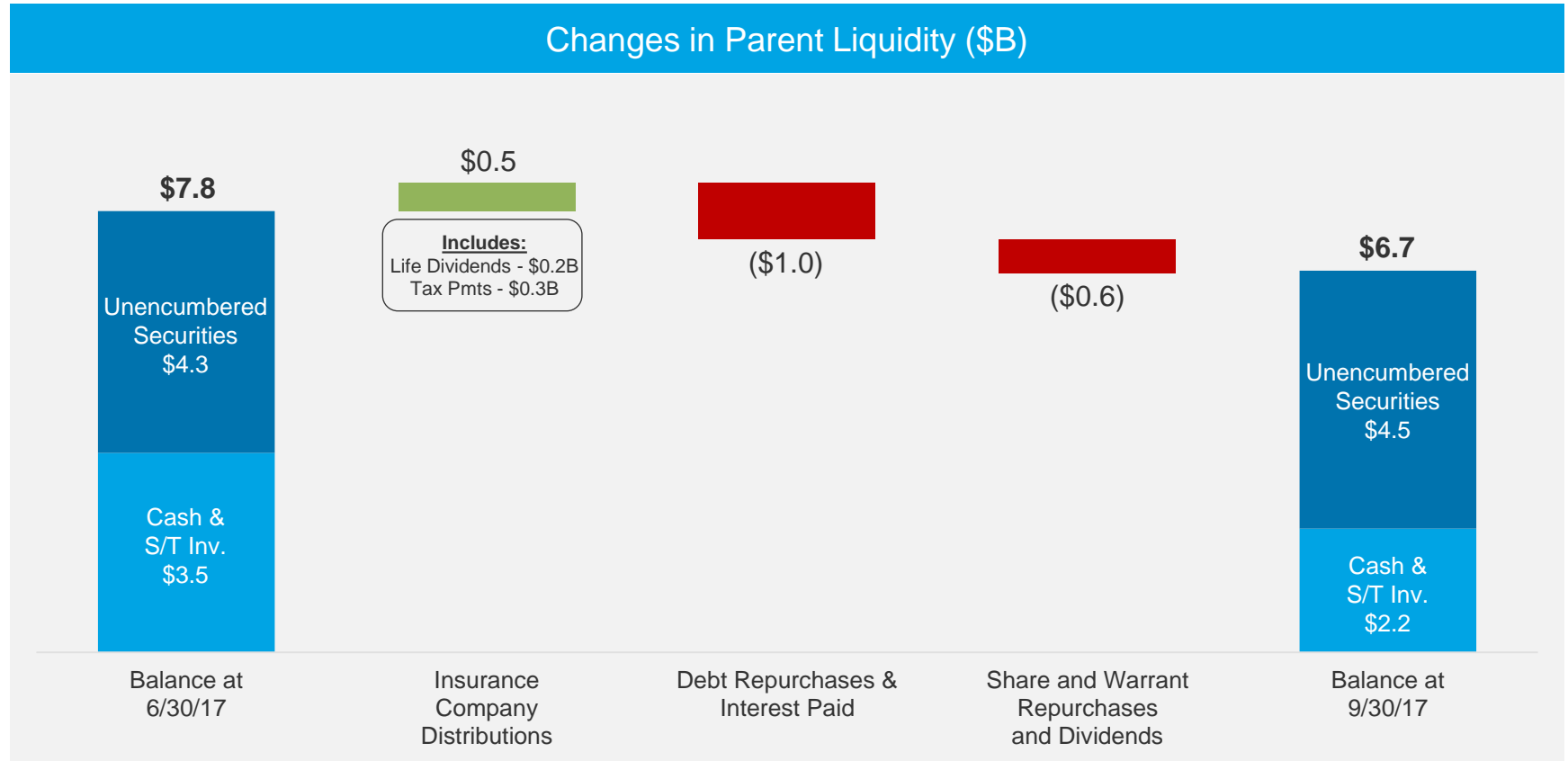
# Commercial Insurance AYLR, As Adjusted, Trend

Ultimate Accident Year Loss Ratio, As Adjusted Trend<sup>1</sup>



1) Amounts presented reflect the impact of prior year development for 2016 and prior years in each accident year.

# Parent Liquidity





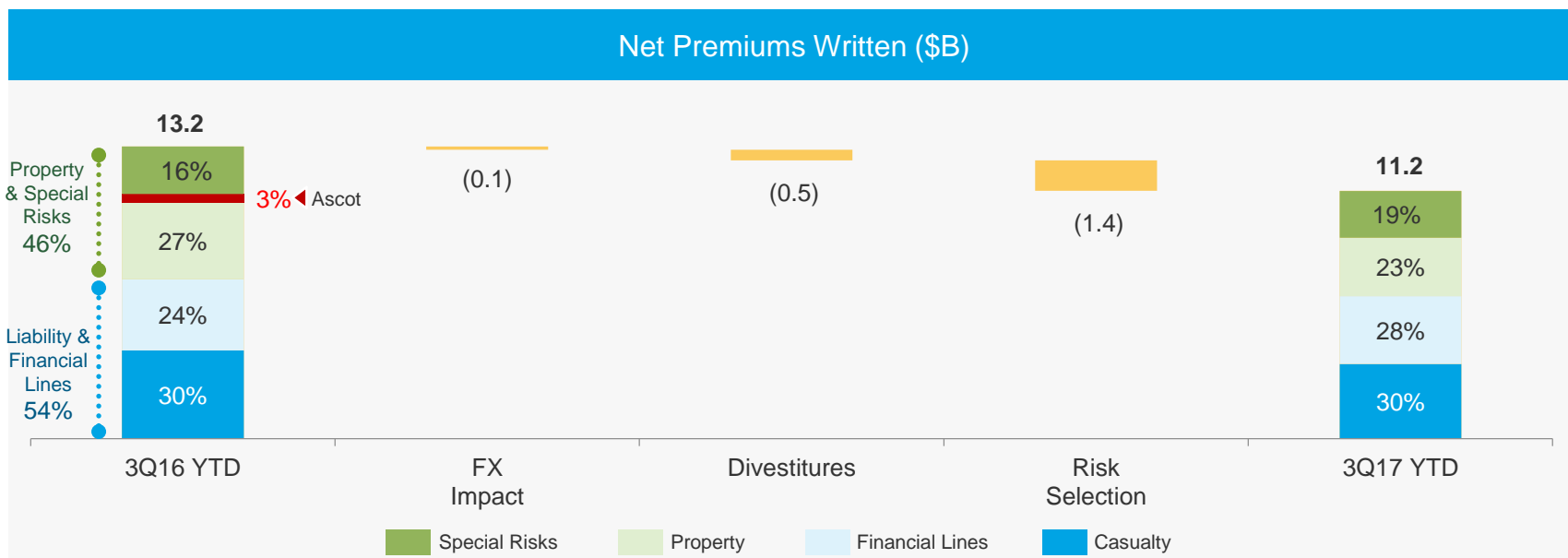
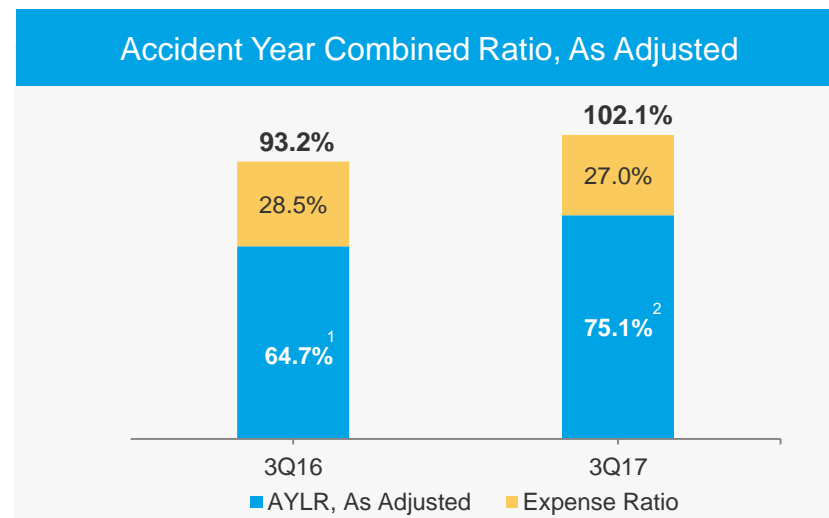
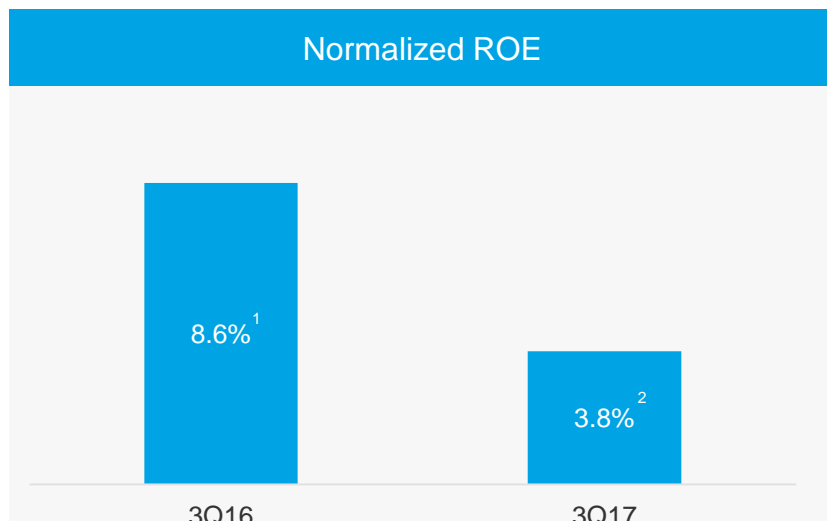


# Commercial Insurance

**Peter Zaffino**

*Executive Vice President &  
Chief Executive Officer of General Insurance*

# Commercial Insurance – Select Metrics



- 1) The change in loss estimates in 2H'16 results in a pro forma decrease of 208 bps on the Normalized ROE in 3Q16 and a pro forma increase of 1.8 pts on the AYLR, as adjusted.
- 2) The change in loss estimates in 3Q'17 that related to 1H'17, results in a pro forma increase of 148 bps on the Normalized ROE in 3Q17 and a pro forma decrease of 3.3 pts on the AYLR, as adjusted.

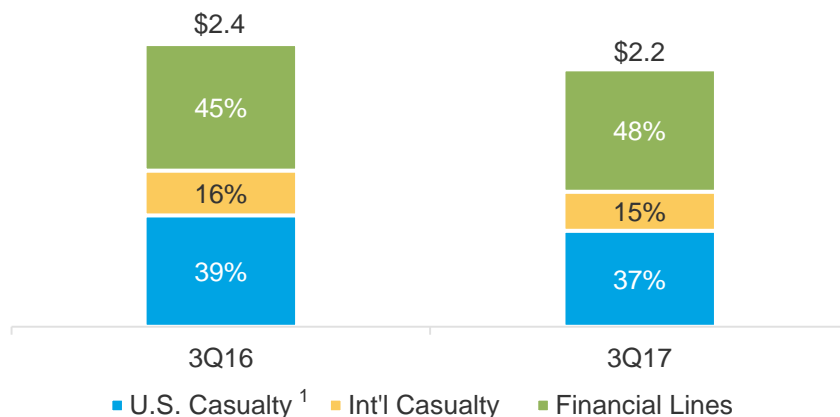
# Commercial Insurance – Liability and Financial Lines

(\$ in millions)	3Q16	3Q17
Net premiums written	\$2,389	\$2,175
Net premiums earned	2,610	2,245
Underwriting income (loss)	179	(860)
Net investment income	769	603
<b>Pre-tax operating income (loss)</b>	<b>\$948</b>	<b>(\$257)</b>
<b>Normalized After-tax operating income</b>	<b>\$645</b>	<b>\$321</b>
<b>Avg. attributed equity</b>	<b>\$19,365</b>	<b>\$14,128</b>
<b>Normalized ROE</b>	<b>13.3%</b>	<b>9.1%</b>

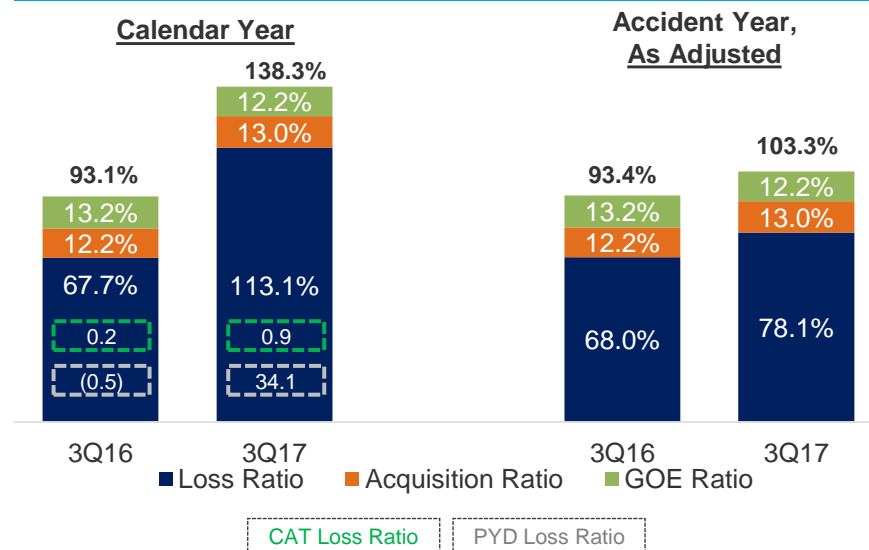
## Key Takeaways

- Normalized ROE lower driven by increase in AYLR, as adjusted, from 3Q17 detailed valuation reviews, including the impact from the first six months of 2017.
- NPW decline driven by continued execution of risk selection strategy within US Casualty.
- Higher AYLR, as adjusted, driven by increase in loss estimates resulting from detailed valuation reviews.
- Decrease in Expense Ratio due to reduced operating expenses partially offset by higher acquisition ratio.
- PYD of \$0.8B driven primarily by Excess Casualty and Financial Lines, partially offset by amortization of ADC deferred gain of ~\$60M.

## Net Premiums Written (\$B)



## Combined Ratio



1) Includes reinsurance assumptions from International Casualty related to non-US casualty exposures.

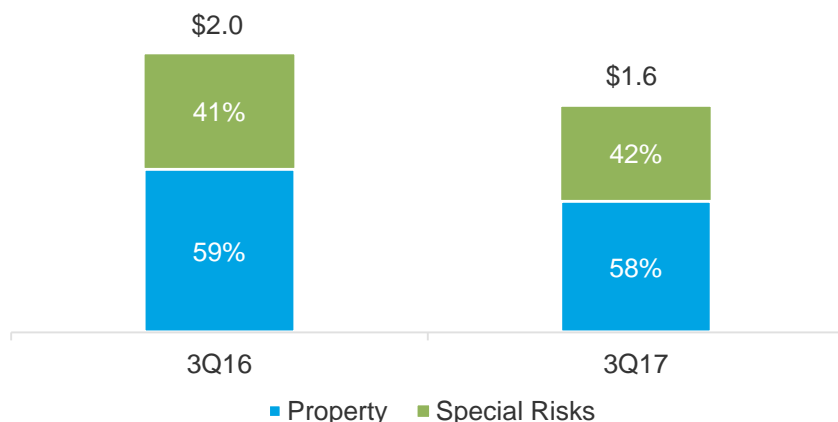
# Commercial Insurance – Property and Special Risks

(\$ in millions)	3Q16	3Q17
Net premiums written	\$1,965	\$1,595
Net premiums earned	1,865	1,570
Underwriting loss	(435)	(2,779)
Net investment income	172	174
<b>Pre-tax operating loss</b>	<b>(\$263)</b>	<b>(\$2,605)</b>
<b>AAL<sup>1</sup></b>	<b>320</b>	<b>291</b>
<b>Normalized After-tax operating loss</b>	<b>(\$40)</b>	<b>(\$111)</b>
<b>Avg. attributed equity</b>	<b>\$8,796</b>	<b>\$8,037</b>
<b>Normalized ROE</b>	<b>(1.8%)</b>	<b>(5.5%)</b>

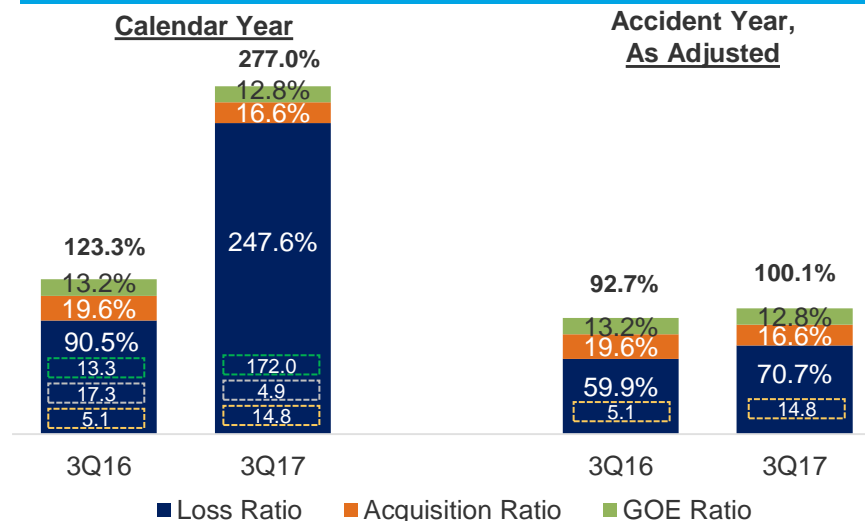
## Key Takeaways

- Normalized ROE results from increased severe losses and higher attritional losses
- NPW decline driven primarily by remediation efforts in commercial property & US Programs and the Ascot divestiture (\$161M)
- Higher AYLR, as adjusted, driven by elevated attritional losses especially in Commercial Property and high severe losses (\$232M)
- CAT losses were primarily driven by Hurricanes Harvey, Irma, and Maria
- GOE ratio benefits from continued strategic actions to reduce operating expenses

## Net Premiums Written (\$B)



## Combined Ratio



1) Represents one quarter of the average annual loss expectation.



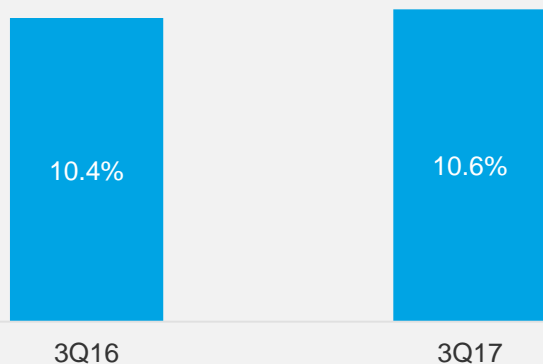
# Consumer Insurance

**Kevin Hogan**

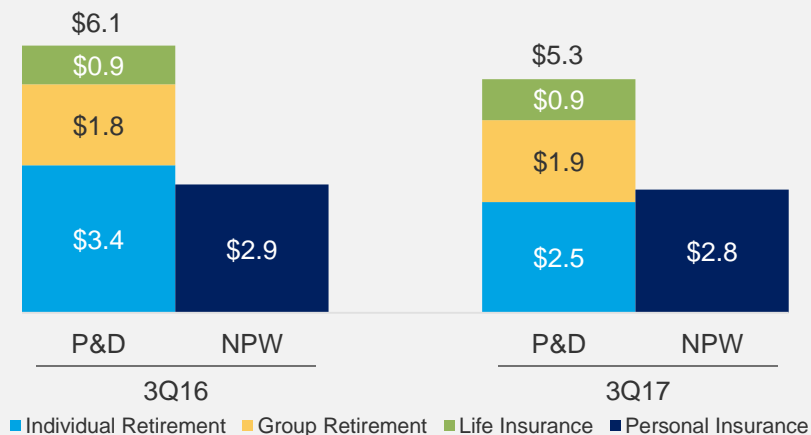
*Chief Executive Officer of Life & Retirement*

# Consumer Insurance – Select Metrics

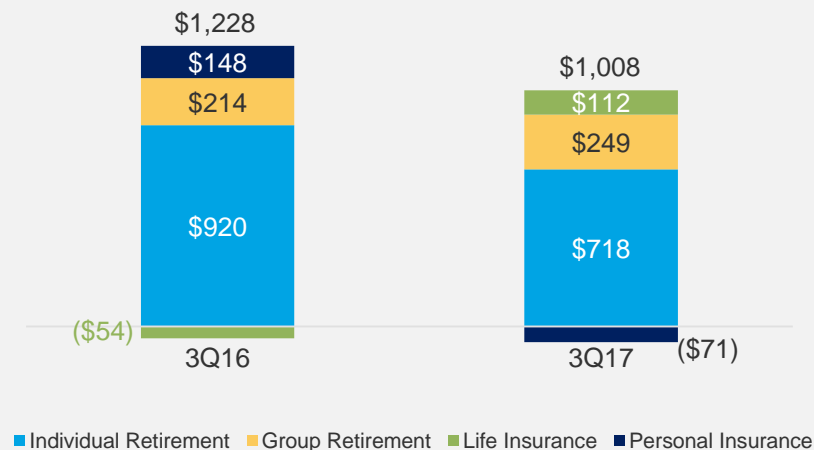
Normalized ROE



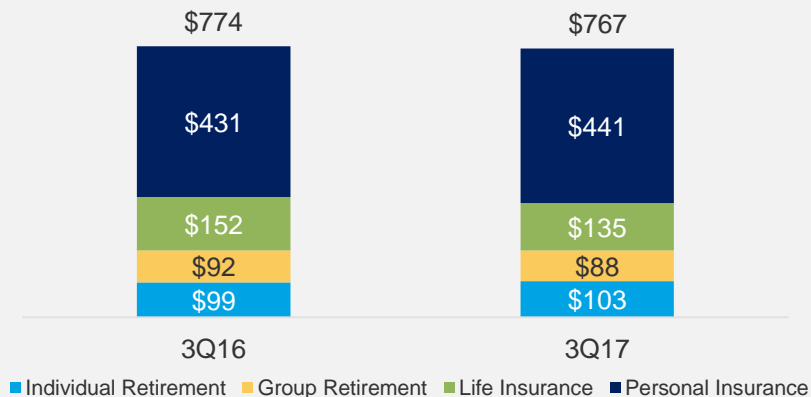
Premiums and Deposits (P&D) and NPW (\$B)



Pre-tax Operating Income (\$M)



General Operating Expenses (\$M)



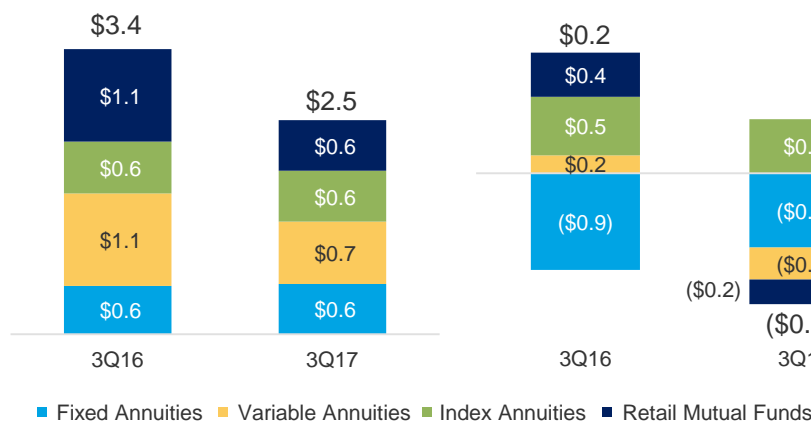
# Consumer Insurance – Individual Retirement

(\$ in millions)	3Q16	3Q17
Premiums and deposits	\$3,363	\$2,526
Premiums	37	22
Policy fees	183	190
Net investment income	1,009	973
Advisory fee and other income	151	158
Total operating revenues	1,380	1,343
Benefits and expenses	460	625
<b>Pre-tax operating income</b>	<b>\$920</b>	<b>\$718</b>
<b>Normalized after-tax operating income</b>	<b>\$346</b>	<b>\$318</b>
<b>Avg. attributed equity</b>	<b>\$11,330</b>	<b>\$11,110</b>
<b>Normalized ROE</b>	<b>12.2%</b>	<b>11.4%</b>
<b>Noteworthy Items:</b>		
<b>Update of actuarial assumptions</b>	<b>\$369</b>	<b>\$242</b>

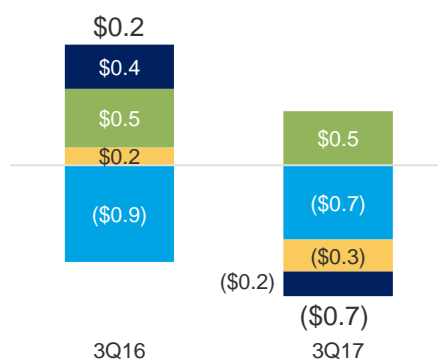
## Key Takeaways

- Assets Under Administration at historical highs driven by equity market performance and positive Index Annuity net flows.
- Net flows impacted by lower premiums and deposits reflecting slowdown of annuity industry sales.
- Enhanced product design and features attracting new sales.
- Continued active spread management with expected compression from the run-off of higher yielding assets and the low yield environment. Commercial mortgage loan (CML) and unexpected accretion income impacted results, benefiting Variable and Index Annuities in 3Q17 and Fixed Annuities in 3Q16.

Premiums and Deposits (\$B)

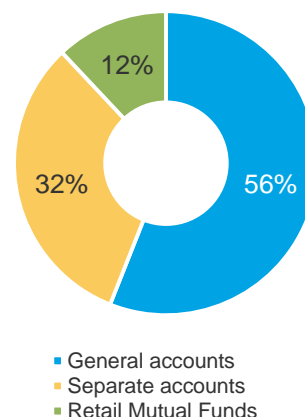


Net Flows (\$B)

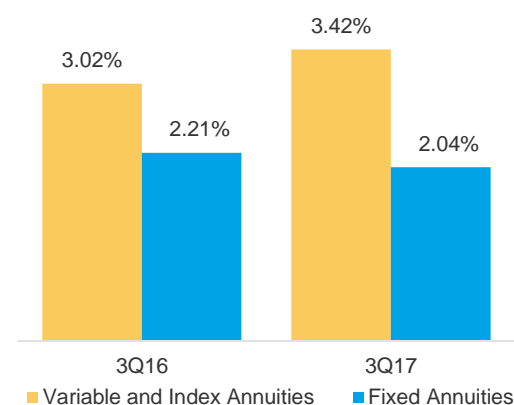


Assets Under Administration

As of September 30, 2017 = \$147.8B



Base Net Investment Spread



# Consumer Insurance – Group Retirement

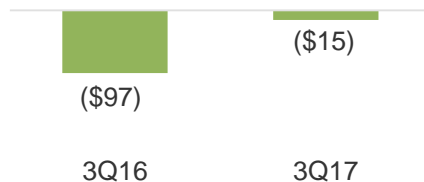
(\$ in millions)	3Q16	3Q17
Premiums and deposits	\$1,821	\$1,860
Premiums	9	8
Policy fees	99	113
Net investment income	554	524
Advisory fee and other income	55	57
Total operating revenues	717	702
Benefits and expenses	503	453
<b>Pre-tax operating income</b>	<b>\$214</b>	<b>\$249</b>
<b>Normalized after-tax operating income</b>	<b>\$178</b>	<b>\$156</b>
<b>Avg. attributed equity</b>	<b>\$6,193</b>	<b>\$6,092</b>
<b>Normalized ROE</b>	<b>11.5%</b>	<b>10.2%</b>
<b>Noteworthy Items:</b>		
Update of actuarial assumptions	(\$47)	\$13

## Key Takeaways

- Digital transformation contributed to strong new group acquisition year-to-date results.
- Assets Under Administration at historical highs driven by equity market performance.
- Net Flows reflect strong sales and improved group retention.
- Actively managing spreads, prior period benefited from CML income, but experiencing compression due to the run-off of higher yielding assets and the low yield environment.
- Normalized operating income decline largely reflects spread compression.

Premiums and Deposits (\$B)

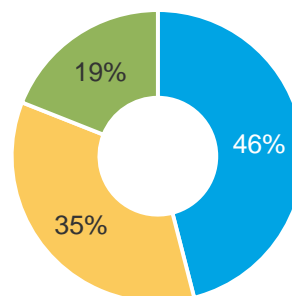
Net Flows (\$M)



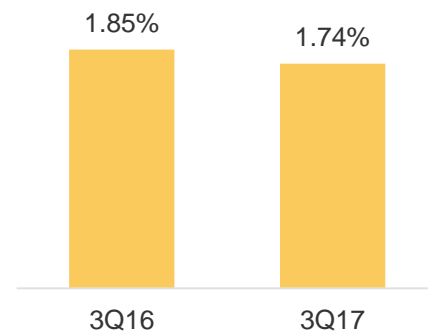
Assets Under Administration

Base Net Investment Spread

As of September 30, 2017 = \$101.3B



- General accounts
- Separate accounts
- Group Retirement mutual funds





# Consumer Insurance – Life Insurance

(\$ in millions)	3Q16	3Q17
Premiums and deposits	\$880	\$935
Premiums	349	384
Policy fees	291	343
Net investment income	267	260
Other income <sup>1</sup>	14	13
Total operating revenues	921	1,000
Benefits and expenses	975	888
<b>Pre-tax operating income (loss)</b>	<b>(\$54)</b>	<b>\$112</b>
<b>Normalized after-tax operating income</b>	<b>\$33</b>	<b>\$49</b>
<b>Avg. attributed equity</b>	<b>\$2,676</b>	<b>\$2,591</b>
<b>Normalized ROE</b>	<b>4.9%</b>	<b>7.6%</b>
<b>Noteworthy Items:</b>		
<b>Update of actuarial assumptions</b>	<b>(\$92)</b>	<b>\$29</b>

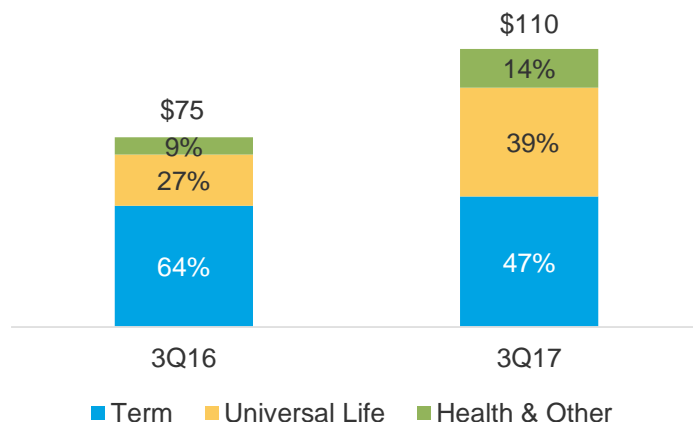
## Key Takeaways

- Continued growth in new business sales for both Term and Universal life insurance.
- Administrative platform consolidation, distribution simplification, and narrowed product focus supporting growth.
- Normalized operating income reflects favorable impact of lower operating expenses.
- Mortality experience consistent with prior year and within pricing expectations.

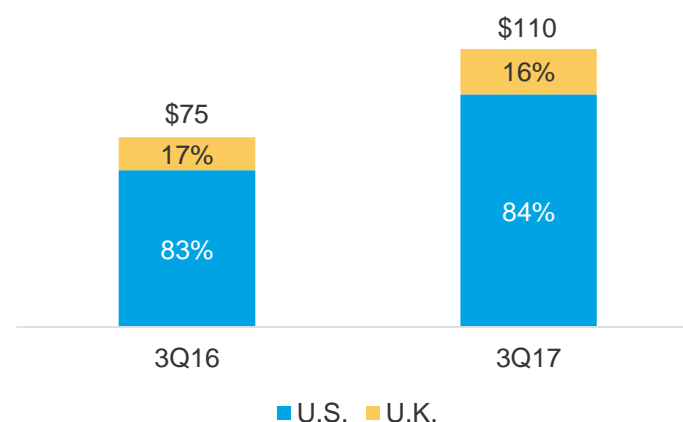
## New Business Sales

(\$ in millions)

### By Product



### By Geography



1) Other income primarily related to commission and profit sharing revenues received by Laya Healthcare from the distribution of insurance products.

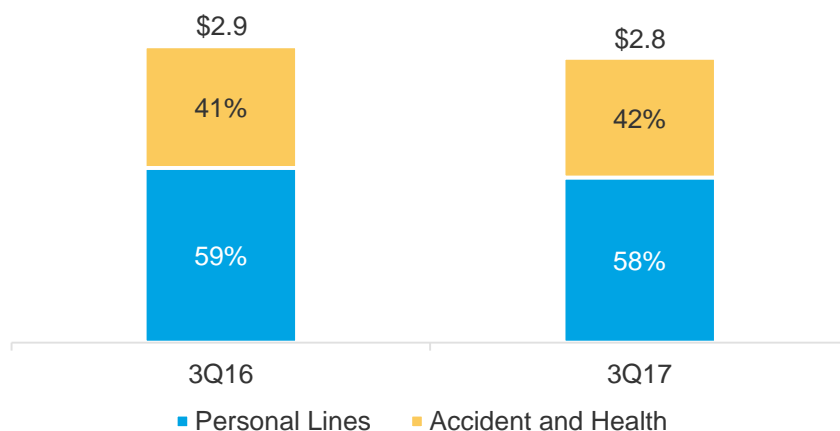
# Consumer Insurance – Personal Insurance

(\$ in millions)	3Q16	3Q17
Net premiums written	\$2,922	\$2,807
Net premiums earned	2,918	2,823
Underwriting income (loss)	75	(157)
Net investment income	73	86
<b>Pre-tax operating income (loss)</b>	<b>\$148</b>	<b>(\$71)</b>
<b>Normalized After-tax operating income</b>	<b>\$41</b>	<b>\$87</b>
<b>Avg. attributed equity</b>	<b>\$2,828</b>	<b>\$3,256</b>
<b>Normalized ROE</b>	<b>5.8%</b>	<b>10.7%</b>

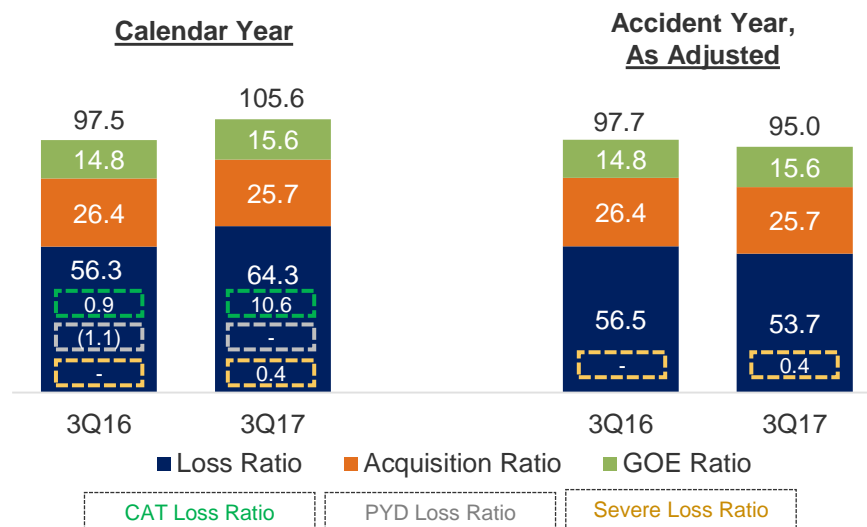
## Key Takeaways

- Normalized operating income improvement demonstrates strategic repositioning and focus on target markets.
- Underwriting loss in 3Q17 reflects catastrophe losses of \$297 million and a lower level of favorable prior year development.
- AY Combined ratio, as adjusted, improvement primarily reflects lower loss experience.

## Net Premiums Written (\$B)



## Combined Ratios





# Q&A and Closing Remarks

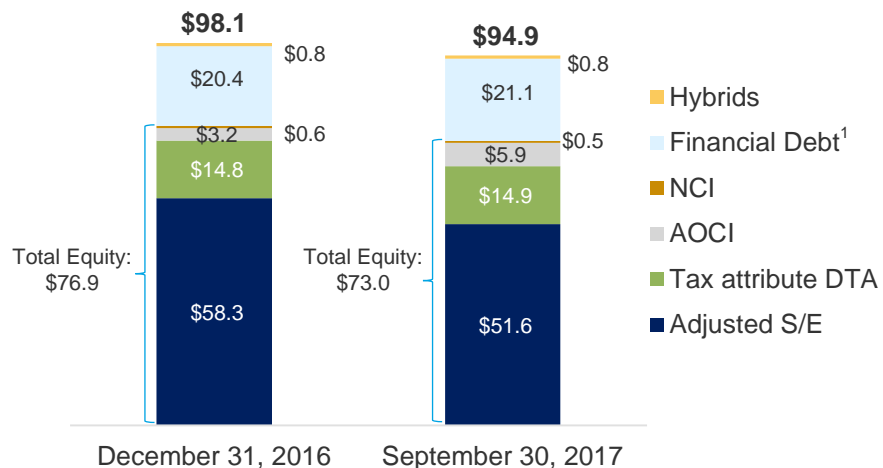


# Appendix



# Strong Capital Position

## Capital Structure (\$ in Billions)



## Capital Return (\$ in Millions)

	9M'17	3Q17
Share repurchases	\$6,275	\$275
Warrant repurchases	3	3
Dividends declared	884	287
<b>Total</b>	<b>\$7,162</b>	<b>\$565</b>

## Risk Based Capital Ratios<sup>2</sup>

Year-end	Domestic Life Insurance Companies	Domestic Property Casualty Insurance Companies
2015	502% (CAL)	403% (ACL)
2016	509% (CAL)	411% (ACL)

Ratios:	Dec. 31, 2016	Sep. 30, 2017
Hybrids / Total capital	0.9%	0.9%
Financial debt / Total capital	20.8%	22.2%
<b>Total Hybrids &amp; Financial debt / Total capital</b>	<b>21.7%</b>	<b>23.1%</b>

## Credit Ratings<sup>3</sup>

	S&P	Moody's	Fitch	A.M. Best
<b>AIG – Senior Debt</b>	BBB+	Baa1	BBB+	NR
<b>AIG Property Casualty – FSR</b>	A+	A2	A	A
<b>AIG Life – FSR</b>	A+	A2	A+	A

1) Includes AIG notes, bonds, loans and mortgages payable, and AIG Life Holdings, Inc. (AIGLH) notes and bonds payable, and junior subordinated debt.

2) The inclusion of RBC measures is intended solely for the information of investors and is not intended for the purpose of ranking any insurance company or for use in connection with any marketing, advertising or promotional activities. ACL is defined as Authorized Control Level and CAL is defined as Company Action Level. RBC ratio for Domestic Life Insurance Companies excludes holding company, AGC Life Insurance Company.

3) As of the date of this presentation, Moody's and A.M. Best have Stable outlooks; S&P and Fitch have Negative outlooks. For property Casualty Insurance Companies FSR and Life Insurance Companies FSR, ratings only reflect those of the core insurance companies.



# **Glossary of Non-GAAP Financial Measures and Non-GAAP Reconciliations**

# Glossary of Non-GAAP Financial Measures

## Glossary of Non-GAAP

Throughout this presentation, we present our financial condition and results of operations in the way we believe will be most meaningful and representative of our business results. Some of the measurements we use are “non-GAAP financial measures” under Securities and Exchange Commission rules and regulations. GAAP is the acronym for “generally accepted accounting principles” in the United States. The non-GAAP financial measures we present may not be comparable to similarly-named measures reported by other companies. The reconciliations of such measures to the most comparable GAAP measures in accordance with Regulation G are included within the relevant tables or in the Third Quarter 2017 Financial Supplement available in the Investor Information section of AIG’s website, [www.aig.com](http://www.aig.com).

**We may use certain non-GAAP operating performance measures as forward-looking financial targets or projections.** These financial targets or projections are provided based on management’s estimates. The most directly comparable GAAP financial targets or projections would be heavily dependent upon results that are beyond management’s control and the outcome of these items could be significantly different than management’s estimates. Therefore, we do not provide quantitative reconciliations for these financial targets or projections as we cannot predict with accuracy future actual events (e.g., catastrophe losses) and impacts from changes in macro-economic market conditions, including the interest rate environment (e.g. estimate for DIB & GCM returns, fair value changes on PICC Investments, net reserve discount change and returns on alternative investments).

- **Book Value per Common Share, Excluding Accumulated Other Comprehensive Income (AOCI) and Book Value per Common Share, Excluding AOCl and Deferred Tax Assets (DTA) (Adjusted Book Value per Common Share)** are used to show the amount of our net worth on a per-share basis. We believe these measures are useful to investors because they eliminate items that can fluctuate significantly from period to period, including changes in fair value of our available for sale securities portfolio, foreign currency translation adjustments and U.S. tax attribute deferred tax assets. These measures also eliminate the asymmetrical impact resulting from changes in fair value of our available for sale securities portfolio wherein there is largely no offsetting impact for certain related insurance liabilities. We exclude deferred tax assets representing U.S. tax attributes related to net operating loss carryforwards and foreign tax credits as they have not yet been utilized. Amounts for interim periods are estimates based on projections of full-year attribute utilization. As net operating loss carryforwards and foreign tax credits are utilized, the portion of the DTA utilized is included in these book value per common share metrics. Book value per common share, excluding AOCl, is derived by dividing Total AIG Shareholders’ equity, excluding AOCl, by total common shares outstanding. Adjusted Book Value per Common Share, is derived by dividing Total AIG shareholders’ equity, excluding AOCl and DTA (**Adjusted Shareholders’ Equity**), by total common shares outstanding.
- **AIG Return on Equity – After-tax Operating Income Excluding AOCl and DTA (Adjusted Return on Equity)** is used to show the rate of return on shareholders’ equity. We believe this measure is useful to investors because it eliminates items that can fluctuate significantly from period to period, including changes in fair value of our available for sale securities portfolio, foreign currency translation adjustments and U.S. tax attribute deferred tax assets. This measure also eliminates the asymmetrical impact resulting from changes in fair value of our available for sale securities portfolio wherein there is largely no offsetting impact for certain related insurance liabilities. We exclude deferred tax assets representing U.S. tax attributes related to net operating loss carryforwards and foreign tax credits as they have not yet been utilized. Amounts for interim periods are estimates based on projections of full-year attribute utilization. As net operating loss carryforwards and foreign tax credits are utilized, the portion of the DTA utilized is included in Adjusted Return on Equity. Adjusted Return on Equity is derived by dividing actual or annualized after-tax operating income attributable to AIG by average Adjusted Shareholders’ Equity.
- **AIG Normalized Return on Equity** further adjusts Adjusted Return on Equity for the effects of certain volatile or market related items. We believe this measure is useful to investors because it presents the trends in our consolidated return on equity without the impact of certain items that can experience volatility in our short-term results. Normalized Return on Equity is derived by excluding the following tax adjusted effects from Adjusted Return on Equity: the difference between actual and expected (i) catastrophe losses, (ii) alternative investment returns, and (iii) Direct Investment book (DIB) and Global Capital Markets (GCM) returns; fair value changes on PICC investments; update of actuarial assumptions; Life insurance incurred but not reported (IBNR) death claim charge; and prior year loss reserve development.
- **Core and Legacy Portfolio Attributed Equity** – is an attribution of total AIG Adjusted Shareholders’ Equity to each of our modules within Core and Legacy Portfolio based on our internal capital model, which incorporates the respective risk profiles. Attributed equity represents our best estimates based on current facts and circumstances and will change over time.
- **Core and Legacy Portfolio Return on Equity – After-tax Operating Income (Adjusted Return on Attributed Equity)** is used to show the rate of return on attributed equity. Return on Attributed Equity is derived by dividing actual or annualized After-tax Operating Income by Average Attributed Equity.
- **Core and Legacy Portfolio Normalized Return on Attributed Equity (Normalized Return on Attributed Equity)** further adjusts Adjusted Return on Attributed Equity for the effects of certain volatile or market-related items. We believe this measure is useful to investors because it presents the trends in our Return on Attributed Equity without the impact of certain items that can experience volatility in our short-term results. Normalized Return on Attributed Equity is derived by excluding the following tax adjusted effects from Return on Attributed Equity: the difference between actual and expected (i) catastrophe losses, (ii) alternative investment returns, and (iii) DIB and GCM returns; fair value changes on PICC investments; update of actuarial assumptions; Life insurance IBNR death claim charge; and prior year loss reserve development.

# Glossary of Non-GAAP Financial Measures

## Glossary of Non-GAAP

- **After-tax Operating Income Attributable to Core and Legacy Portfolio** is derived by subtracting attributed interest expense and income tax expense from pre-tax operating income. Attributed debt and the related interest expense is calculated based on our internal capital model. Tax expense or benefit is calculated based on an internal attribution methodology that considers among other things the taxing jurisdiction in which the operating segments and geographies conduct business, as well as the deductibility of expenses in those jurisdictions.
- **Normalized After-tax Operating Income Attributable to Core and Legacy Portfolio** further adjusts After-tax Operating Income attributable to Core and Legacy Portfolio for the effects of certain volatile or market related items. We believe this measure is useful to investors because it presents the trends in after tax operating income without the impact of certain items that can experience volatility in our short-term results. Normalized After-tax Operating Income attributable to Core and Legacy Portfolio is derived by excluding the following tax adjusted effects from After-tax Operating Income: the difference between actual and expected (i) catastrophe losses, (ii) alternative investment returns, and (iii) DIB and GCM returns; fair value changes on PICC investments; update of actuarial assumptions; Life insurance IBNR death claim charge; and prior year loss reserve development (PYD), net of reinsurance premium adjustments.
- **Normalized after-tax operating income (loss) per share** is derived by dividing normalized after-tax operating income(loss) by diluted weighted average shares outstanding. We believe that the use of this measure is useful to investors because it presents our after-tax operating income on a per share basis without the impact of certain items that can experience volatility in our short-term results.
- **Operating Revenues** exclude Net realized capital gains (losses), income from non-operating litigation settlements (included in Other income for GAAP purposes) and changes in fair value of securities used to hedge guaranteed living benefits (included in Net investment income for GAAP purposes). Operating revenues is a GAAP measure for our operating segments.
- **General Operating Expenses, Operating Basis (Operating GOE)**, is derived by making the following adjustments to general operating and other expenses: include (i) certain loss adjustment expenses, reported as policyholder benefits and losses incurred and (ii) certain investment and other expenses reported as net investment income, and exclude (i) advisory fee expenses, (ii) non-deferrable insurance commissions, (iii) direct marketing and acquisition expenses, net of deferrals, (iv) non-operating litigation reserves and (v) other expense related to an asbestos retroactive reinsurance agreement. We use General operating expenses, operating basis, because we believe it provides a more meaningful indication of our ordinary course of business operating costs, regardless of within which financial statement line item these expenses are reported externally within our segment results. The majority of these expenses are employee-related costs. For example, Other acquisition expenses and losses and loss adjustment expenses primarily represent employee-related costs in the underwriting and claims functions, respectively. Excluded from this measure are non-operating expenses (such as restructuring costs and litigation reserves), direct marketing expenses, insurance company assessments and non-deferrable commissions. We also exclude the impact of foreign exchange and the expenses of AIG Advisor Group and UGC, which have been divested, when measuring period-over-period fluctuations in General operating expenses, Operating basis.

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

- **Pre-tax Operating Income (PTOI)** is derived by excluding the following items from income from continuing operations before income tax. This definition is consistent across our modules (including geography). These items generally fall into one or more of the following broad categories: legacy matters having no relevance to our current businesses or operating performance; adjustments to enhance transparency to the underlying economics of transactions; and measures that we believe to be common to the industry. PTOI is a GAAP measure for our operating segments.
  - changes in fair value of securities used to hedge guaranteed living benefits;
  - changes in benefit reserves and deferred policy acquisition costs (DAC), value of business acquired (VOBA), and sales inducement assets (SIA) related to net realized capital gains and losses;
  - loss (gain) on extinguishment of debt;
  - net realized capital gains and losses;
  - non-qualifying derivative hedging activities, excluding net realized capital gains and losses;
  - income or loss from discontinued operations;
  - net loss reserve discount benefit (charge);
  - pension expense related to a one-time lump sum payment to former employees;
  - income and loss from divested businesses;
  - non-operating litigation reserves and settlements;
  - reserve development related to non-operating run-off insurance business;
  - restructuring and other costs related to initiatives designed to reduce operating expenses, improve efficiency and simplify our organization; and
  - the portion of favorable or unfavorable prior year reserve development for which we have ceded the risk under retroactive reinsurance agreements and related changes in amortization of the deferred gain.



# Glossary of Non-GAAP Financial Measures

## Glossary of Non-GAAP

- **After-tax Operating Income Attributable to AIG (ATOI)** is derived by excluding the tax effected PTOI adjustments described above and the following tax items from net income attributable to AIG:
  - deferred income tax valuation allowance releases and charges; and
  - uncertain tax positions and other tax items related to legacy matters having no relevance to our current businesses or operating performance.
- **Ratios:** We, along with most property and casualty insurance companies, use the loss ratio, the expense ratio and the combined ratio as measures of underwriting performance. These ratios are relative measurements that describe, for every \$100 of net premiums earned, the amount of losses and loss adjustment expenses (which for Commercial Insurance excludes net loss reserve discount), 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. Our ratios are calculated using the relevant segment information calculated under GAAP, and thus may not be comparable to similar ratios calculated for regulatory reporting purposes. 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. Natural catastrophe losses are generally weather or seismic events having a net impact on AIG in excess of \$10 million each. Catastrophes also include certain man-made events, such as terrorism and civil disorders that meet the \$10 million threshold. We believe the as adjusted ratios are meaningful measures of our underwriting results on an ongoing basis as they exclude catastrophes and the impact of reserve discounting which are outside of management's control. We also exclude prior year development to provide transparency related to current accident year results.
- **Accident year loss ratio, as adjusted (Adjusted for Prior Year Development):** further adjusts the Accident Year Loss Ratio, as adjusted, to include the impact of the prior year reserve development into each respective accident year.
 

Underwriting ratios are computed as follows:

  - a) Loss ratio = Loss and loss adjustment expenses incurred ÷ Net premiums earned (NPE)
  - b) Acquisition ratio = Total acquisition expenses ÷ NPE
  - c) General operating expense ratio = General operating expenses ÷ NPE
  - d) Expense ratio = Acquisition ratio + General operating expense ratio
  - e) Combined ratio = Loss ratio + Expense ratio
  - f) Accident year loss ratio, as adjusted (AYLR) = [Loss and loss adjustment expenses incurred – CATs – PYD] ÷ [NPE +/- Reinstatement premiums (RIPs) related to catastrophes +/- RIPs related to prior year catastrophes + (Additional) returned premium related to PYD on loss sensitive business + Adjustment for ceded premiums under reinsurance contracts related to prior accident years]
  - g) Accident year combined ratio = AYLR + Expense ratio
  - h) Catastrophe losses (CATs) and reinstatement premiums = [Loss and loss adjustment expenses incurred – (CATs)] ÷ [NPE +/- RIPs related to catastrophes] – Loss ratio
  - i) Prior year development net of (additional) return premium related to PYD on loss sensitive business = [Loss and loss adjustment expenses incurred – Prior year loss reserve development unfavorable (favorable) (PYD), net of reinsurance] ÷ [NPE +/- RIPs related to prior year catastrophes + (Additional) returned premium related to PYD on loss sensitive business] – Loss ratio
- **Premiums and deposits:** includes direct and assumed amounts received and earned on traditional life insurance policies, group benefit policies and life-contingent payout annuities, as well as deposits received on universal life, investment-type annuity contracts and mutual funds.

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

# Non-GAAP Reconciliations

## Book Value Per Share and Return on Equity

(in millions, except per share data)

### Book Value Per Share

	4Q16	3Q17
Total AIG shareholders' equity (a)	\$ 76,300	\$ 72,468
Less: Accumulated other comprehensive income (AOCI)	3,230	5,939
Total AIG shareholders' equity, excluding AOCI (b)	73,070	66,529
Less: Deferred tax assets (DTA)	14,770	14,897
Total adjusted shareholders' equity (c)	\$ 58,300	\$ 51,632
Total common shares outstanding (d)	995.3	898.9
Book value per common share (a÷d)	\$ 76.66	\$ 80.62
Book value per common share, excluding AOCI (b÷d)	73.41	74.01
Adjusted book value per common share (c÷d)	58.57	57.44

(in millions, except per share data)

### Return On Equity (ROE) Computations

	3Q16	3Q17
Actual or Annualized net income (loss) attributable to AIG (a)	\$ 1,848	\$ (6,956)
Actual or Annualized after-tax operating income (loss) attributable to AIG (b)	\$ 4,460	\$ (4,444)
Average AIG Shareholders' equity (c)	\$ 89,305	\$ 73,100
Less: Average AOCI	8,658	5,451
Less: Average DTA	15,591	14,592
Average adjusted shareholders' equity (d)	65,056	53,057
ROE (a÷c)	2.1%	(9.5%)
After-tax operating income (loss) as reported (e)	\$ 1,115	\$ (1,111)
Adjustments to arrive at Normalized after-tax operating income (loss):		
Catastrophe losses above (below) expectations	(70)	1,726
(Better) worse than expected alternative returns (1)	(45)	(68)
(Better) worse than expected DIB & GCM returns	(68)	(27)
Fair value changes on PICC investments	(31)	(20)
Update of actuarial assumptions	250	(176)
Unfavorable (favorable) prior year loss reserve development	170	549
Normalized after-tax operating income (loss) (f)	\$ 1,321	\$ 873
Adjusted return on equity (b÷d)	6.9%	(8.4%)
Normalized return on equity (f÷d) (2)	8.1%	6.6%
Normalized after-tax operating income(loss) per share:		
Weighted average shares outstanding - diluted	1,102.4	931.2
Normalized after-tax operating income (loss) per share	\$ 1.20	\$ 0.94



(1) The expected rate of return on alternative investments used was 8% for all periods presented.

(2) Normalizing adjustments are tax effected using a 35% tax rate and computed based on average attributed equity for the respective periods.

# Non-GAAP Reconciliations

## Pre-tax and After-tax Operating Income - Consolidated

(in millions)

	3Q16	3Q17
<b>Pre-tax income (loss) from continuing operations</b>	\$ 737	\$ (2,803)
<b>Adjustments to arrive at Pre-tax operating income (loss)</b>		
Changes in fair value of securities used to hedge guaranteed living benefits	(17)	(26)
Changes in benefit reserves and DAC, VOBA and SIA related to net realized capital gains (losses)	67	(84)
Loss (gain) on extinguishment of debt	(14)	1
Net realized capital (gains) losses	765	922
(Income) loss from divested businesses	(128)	13
Non-operating litigation reserves and settlements	(5)	-
Unfavorable (favorable) prior year development and related amortization changes ceded under retroactive reinsurance agreements	(3)	(7)
Net loss reserve discount (benefit) charge	32	48
Pension expense related to a one-time lump sum payment to former employees	-	49
Restructuring and other costs	210	31
<b>Pre-tax operating income (loss)</b>	<b>\$ 1,644</b>	<b>\$ (1,856)</b>
<b>Net income (loss) attributable to AIG</b>	<b>\$ 462</b>	<b>\$ (1,739)</b>
<b>Adjustments to arrive at After-tax operating income (loss)</b>		
<b>(amounts net of tax, at a rate of 35%, except where noted):</b>		
Uncertain tax positions and other tax adjustments (a)	42	11
Deferred income tax valuation allowance (releases) charges (a)	(2)	(2)
Changes in fair value of securities used to hedge guaranteed living benefits	(11)	(17)
Changes in benefit reserves and DAC, VOBA and SIA related to net realized capital gains (losses)	43	(55)
Loss (gain) on extinguishment of debt	(9)	-
Net realized capital (gains) losses (b)	526	607
(Income) loss from discontinued operations (a)	(3)	1
(Income) loss from divested businesses (c)	(83)	6
Non-operating litigation reserves and settlements	(3)	-
Unfavorable (favorable) prior year development and related amortization changes ceded under retroactive reinsurance agreements	(2)	(5)
Net loss reserve discount (benefit) charge	18	28
Pension expense related to a one-time lump sum payment to former employees	-	33
Restructuring and other costs	137	21
<b>After-tax operating income (loss)</b>	<b>\$ 1,115</b>	<b>\$ (1,111)</b>
<b>Weighted average diluted shares outstanding (d)</b>	<b>1,102.4</b>	<b>908.7</b>
<b>Income (loss) per common share attributable to AIG (diluted)</b>	<b>\$ 0.42</b>	<b>\$ (1.91)</b>
After-tax operating income (loss) per common share attributable to AIG (diluted)	\$ 1.01	\$ (1.22)

(a) Includes impact of tax only adjustments.

(b) The tax effect includes the impact of non-U.S. tax rates lower than 35% applied to foreign exchange (gains) or losses attributable to those jurisdictions where foreign earnings are considered to be indefinitely reinvested.

(c) The tax effect included the impact of non-U.S. tax rates lower than 35% applied to (income) or losses on dispositions by foreign affiliates whose tax bases in divested subsidiaries differed from U.S. GAAP carrying values.

(d) For the quarter ended September 30, 2017, because we reported an after-tax operating loss, all common stock equivalents are anti-dilutive and are therefore excluded from the calculation of diluted shares and diluted per share amounts.



# Non-GAAP Reconciliations

## General Operating and Other Expenses

(in millions)

	3Q16	3Q17	Nine Months Ended	
			September 30,	
			2016	2017
<b>General operating and other expenses, GAAP basis</b>	<b>\$ 2,536</b>	<b>\$ 2,149</b>	<b>\$ 8,125</b>	<b>\$ 6,774</b>
Restructuring and other costs	(210)	(31)	(488)	(259)
Other expense related to retroactive reinsurance agreement	(4)	-	8	-
Pension expense related to a one-time lump sum payment to former employees	-	(49)	-	(50)
Non-operating litigation reserves	2	-	(1)	70
<b>Total general operating and other expenses included in pre-tax operating income</b>	<b>2,324</b>	<b>2,069</b>	<b>7,644</b>	<b>6,535</b>
Loss adjustment expenses, reported as policyholder benefits and losses incurred	340	289	1,031	889
Advisory fee expenses	(76)	(84)	(566)	(238)
Non-deferrable insurance commissions and other	(107)	(148)	(350)	(410)
Direct marketing and acquisition expenses, net of deferrals, and other	(52)	(56)	(329)	(226)
Investment expenses reported as net investment income and other	15	32	45	49
<b>Total general operating expenses, operating basis</b>	<b>\$ 2,444</b>	<b>\$ 2,102</b>	<b>\$ 7,475</b>	<b>\$ 6,599</b>
Less: FX Impact	19		19	
Less: GOE of Advisor Group	-		70	
Less: GOE of UGC	61		166	
<b>Total general operating expenses, operating basis, Ex. FX &amp; GOE of AIG Advisor Group and UGC</b>	<b>\$ 2,364</b>	<b>\$ 2,102</b>	<b>\$ 7,220</b>	<b>\$ 6,599</b>

# Non-GAAP Reconciliations

## PTOI, ATOI and Normalized ATOI

### Commercial Insurance - Liability and Financial Lines

(in millions)

	3Q16	3Q17
<b>Pre-tax operating income (loss)</b>	\$ <b>948</b>	\$ <b>(257)</b>
Interest expense on attributed financial debt	55	64
<b>Operating income (loss) before taxes:</b>	893	(321)
Income tax expense (benefit)	214	(115)
<b>After-tax operating income (loss) (a)</b>	\$ <b>679</b>	\$ <b>(206)</b>
<b>Adjustments to arrive at normalized after-tax operating income (loss):</b>		
Catastrophe losses above (below) expectations	1	11
(Better) worse than expected alternative returns*	(17)	(16)
Fair value changes on PICC investments	(8)	-
Unfavorable (favorable) prior year loss reserve development	(10)	532
<b>Normalized after-tax operating income (b)</b>	\$ <b>645</b>	\$ <b>321</b>
<b>Ending attributed equity</b>	<b>18,636</b>	<b>13,880</b>
<b>Average attributed equity (c)</b>	<b>19,365</b>	<b>14,128</b>
<b>Adjusted return on attributed equity (a÷c)</b>	<b>14.0 %</b>	<b>(5.8) %</b>
<b>Normalized return on attributed equity** (b÷c)</b>	<b>13.3 %</b>	<b>9.1 %</b>

### Commercial Insurance - Property and Special Risks

(in millions)

	3Q16	3Q17
<b>Pre-tax operating income (loss)</b>	\$ <b>(263)</b>	\$ <b>(2,605)</b>
Interest expense on attributed financial debt	36	33
<b>Operating income (loss) before taxes:</b>	(299)	(2,638)
Income tax expense (benefit)	(107)	(900)
<b>After-tax operating income (loss) (a)</b>	\$ <b>(192)</b>	\$ <b>(1,738)</b>
<b>Adjustments to arrive at normalized after-tax operating income (loss):</b>		
Catastrophe losses above (below) expectations	(48)	1,584
(Better) worse than expected alternative returns*	(6)	(8)
Fair value changes on PICC investments	(3)	-
Unfavorable (favorable) prior year loss reserve development	209	51
<b>Normalized after-tax operating income (b)</b>	\$ <b>(40)</b>	\$ <b>(111)</b>
<b>Ending attributed equity</b>	<b>8,615</b>	<b>\$ 7,884</b>
<b>Average attributed equity (c)</b>	<b>8,796</b>	<b>8,037</b>
<b>Adjusted return on attributed equity (a÷c)</b>	<b>(8.7) %</b>	<b>(86.5) %</b>
<b>Normalized return on attributed equity** (b÷c)</b>	<b>(1.8) %</b>	<b>(5.5) %</b>

### Total Commercial Insurance

(in millions)

	3Q16	3Q17
<b>Pre-tax operating income (loss)</b>	\$ <b>685</b>	\$ <b>(2,862)</b>
Interest expense on attributed financial debt	91	97
<b>Operating income (loss) before taxes:</b>	594	(2,959)
Income tax expense (benefit)	107	(1,015)
<b>After-tax operating income (loss) (a)</b>	\$ <b>487</b>	\$ <b>(1,944)</b>
<b>Adjustments to arrive at normalized after-tax operating income (loss):</b>		
Catastrophe losses above (below) expectations	(47)	1,595
(Better) worse than expected alternative returns*	(23)	(24)
Fair value changes on PICC investments	(11)	-
Unfavorable (favorable) prior year loss reserve development	199	583
<b>Normalized after-tax operating income (b)</b>	\$ <b>605</b>	\$ <b>210</b>
<b>Ending attributed equity</b>	<b>27,251</b>	<b>21,764</b>
<b>Average attributed equity (c)</b>	<b>28,161</b>	<b>22,165</b>
<b>Adjusted return on attributed equity (a÷c)</b>	<b>6.9 %</b>	<b>(35.1) %</b>
<b>Normalized return on attributed equity** (b÷c)</b>	<b>8.6 %</b>	<b>3.8 %</b>



\* The expected rate of return on alternative investments used was 8% for all periods presented.

\*\* Normalizing adjustments are tax effected including the impact of non-U.S. tax rates (25% for Europe and 30% for Japan) applied to the normalizing adjustments attributable to the respective geography. Normalized return on attributed equity is computed based on normalized after-tax operating income divided by average attributed equity for the respective periods. 29

# Non-GAAP Reconciliations

## PTOI, ATOI and Normalized ATOI

### Consumer Insurance - Individual Retirement

(in millions)

	3Q16	3Q17
<b>Pre-tax operating income</b>	\$ 920	\$ 718
Interest expense on attributed financial debt	7	-
<b>Operating income (loss) before taxes:</b>	913	718
Income tax expense (benefit)	317	231
<b>After-tax operating income (a)</b>	\$ 596	\$ 487
<b>Adjustments to arrive at normalized after-tax operating income (loss):</b>		
(Better) worse than expected alternative returns*	(10)	(11)
Update of actuarial assumptions	(240)	(158)
<b>Normalized after-tax operating income (b)</b>	\$ 346	\$ 318
<b>Ending attributed equity</b>	11,205	11,134
<b>Average attributed equity (c)</b>	11,330	11,110
<b>Adjusted return on attributed equity (a÷c)</b>	21.0 %	17.5 %
<b>Normalized return on attributed equity** (b÷c)</b>	12.2 %	11.4 %

### Consumer Insurance - Group Retirement

(in millions)

	3Q16	3Q17
<b>Pre-tax operating income (loss)</b>	\$ 214	\$ 249
Interest expense on attributed financial debt	4	-
<b>Operating income (loss) before taxes:</b>	210	249
Income tax expense (benefit)	57	79
<b>After-tax operating income (a)</b>	\$ 153	\$ 170
<b>Adjustments to arrive at normalized after-tax operating income (loss):</b>		
(Better) worse than expected alternative returns*	(5)	(6)
Update of actuarial assumptions	30	(8)
<b>Normalized after-tax operating income (b)</b>	\$ 178	\$ 156
<b>Ending attributed equity</b>	6,144	6,105
<b>Average attributed equity (c)</b>	6,193	6,092
<b>Adjusted return on attributed equity (a÷c)</b>	9.9 %	11.2 %
<b>Normalized return on attributed equity** (b÷c)</b>	11.5 %	10.2 %

\* The expected rate of return on alternative investments used was 8% for all periods presented.

\*\* Normalizing adjustments are tax effected including the impact of non-U.S. tax rates (25% for Europe and 30% for Japan) applied to the normalizing adjustments attributable to the respective geography. Normalized return on attributed equity is computed based on normalized after-tax operating income divided by average attributed equity for the respective periods.

# Non-GAAP Reconciliations

## PTOI, ATOI and Normalized ATOI

### Consumer Insurance - Life Insurance

(in millions)

	3Q16	3Q17
<b>Pre-tax operating income (loss)</b>	\$ (54)	\$ 112
Interest expense on attributed financial debt	8	5
<b>Operating income (loss) before taxes:</b>	(62)	107
Income tax expense (benefit)	(37)	36
<b>After-tax operating income (loss) (a)</b>	\$ (25)	\$ 71
<b>Adjustments to arrive at normalized after-tax operating income (loss):</b>		
(Better) worse than expected alternative returns*	(2)	(3)
Update of actuarial assumptions	60	(19)
<b>Normalized after-tax operating income (b)</b>	\$ <u>33</u>	\$ <u>49</u>
<b>Ending attributed equity</b>	<b>2,610</b>	<b>2,600</b>
<b>Average Attributed equity (c)</b>	<b>2,676</b>	<b>2,591</b>
<b>Adjusted return on attributed equity (a÷c)</b>	<b>(3.7) %</b>	<b>11.0 %</b>
<b>Normalized return on attributed equity** (b÷c)</b>	<b>4.9 %</b>	<b>7.6 %</b>

### Consumer Insurance - Personal Insurance

(in millions)

	3Q16	3Q17
<b>Pre-tax operating income (loss)</b>	\$ 148	\$ (71)
Interest expense on attributed financial debt	23	27
<b>Operating income (loss) before taxes:</b>	125	(98)
Income tax expense (benefit)	46	(39)
<b>After-tax operating income (loss) (a)</b>	\$ 79	\$ (59)
<b>Adjustments to arrive at normalized after-tax operating income (loss):</b>		
Catastrophe losses above (below) expectations	(22)	150
(Better) worse than expected alternative returns*	6	(4)
Fair value changes on PICC investments	(1)	-
Unfavorable (favorable) prior year loss reserve development	(21)	-
<b>Normalized after-tax operating income (b)</b>	\$ <u>41</u>	\$ <u>87</u>
<b>Ending attributed equity</b>	<b>2,736</b>	<b>3,211</b>
<b>Average attributed equity (c)</b>	<b>2,828</b>	<b>3,256</b>
<b>Adjusted return on attributed equity (a÷c)</b>	<b>11.2 %</b>	<b>(7.2) %</b>
<b>Normalized return on attributed equity** (b÷c)</b>	<b>5.8 %</b>	<b>10.7 %</b>

\* The expected rate of return on alternative investments used was 8% for all periods presented.

\*\* Normalizing adjustments are tax effected including the impact of non-U.S. tax rates (25% for Europe and 30% for Japan) applied to the normalizing adjustments attributable to the respective geography. Normalized return on attributed equity is computed based on normalized after-tax operating income divided by average attributed equity for the respective periods.



# Non-GAAP Reconciliations

## PTOI, ATOI and Normalized ATOI

### Total Consumer Insurance

(in millions)

	3Q16	3Q17
<b>Pre-tax operating income (loss)</b>	<b>\$ 1,228</b>	<b>\$ 1,008</b>
Interest expense on attributed financial debt	42	32
<b>Operating income (loss) before taxes:</b>	<b>1,186</b>	<b>976</b>
Income tax expense (benefit)	383	307
<b>After-tax operating income (loss) (a)</b>	<b>\$ 803</b>	<b>\$ 669</b>
<b>Adjustments to arrive at normalized after-tax operating income (loss):</b>		
(Better) worse than expected alternative returns*	(11)	(24)
Update of actuarial assumptions	(150)	(185)
Catastrophe losses above (below) expectations	(22)	150
Fair value changes on PICC investments	(1)	-
Unfavorable (favorable) prior year loss reserve development	(21)	-
<b>Normalized after-tax operating income (b)</b>	<b>\$ 598</b>	<b>\$ 610</b>
<b>Ending attributed equity</b>	<b>22,696</b>	<b>23,050</b>
<b>Average attributed equity (c)</b>	<b>23,027</b>	<b>23,049</b>
<b>Adjusted return on attributed equity (a÷c)</b>	<b>13.9 %</b>	<b>11.6 %</b>
<b>Normalized return on attributed equity** (b÷c)</b>	<b>10.4 %</b>	<b>10.6 %</b>

### Other Operations (including consolidations and eliminations)

(in millions)

	3Q16	3Q17
<b>Pre-tax operating income (loss)</b>	<b>\$ (170)</b>	<b>\$ (288)</b>
Interest expense (benefit) on attributed financial debt	(165)	(171)
<b>Operating income (loss) before taxes:</b>	<b>(5)</b>	<b>(117)</b>
Income tax expense (benefit)	109	(141)
<b>After-tax operating income (loss) (a)</b>	<b>\$ (114)</b>	<b>\$ 24</b>
<b>Adjustments to arrive at normalized after-tax operating income (loss):</b>		
Catastrophe losses above (below) expectations	-	(18)
(Better) worse than expected alternative returns*	1	(1)
(Better) worse than expected DIB & GCM returns	1	-
Fair value changes on PICC investments	(19)	(20)
Update of actuarial assumptions	1	-
Unfavorable (favorable) prior year loss reserve development	(12)	(33)
<b>Normalized after-tax operating income (loss) (b)</b>	<b>\$ (142)</b>	<b>\$ (48)</b>
<b>Ending attributed equity</b>	<b>3,007</b>	<b>(3,063)</b>
<b>Average attributed equity (c)</b>	<b>954</b>	<b>(2,053)</b>

\* The expected rate of return on alternative investments used was 8% for all periods presented.

\*\* Normalizing adjustments are tax effected including the impact of non-U.S. tax rates (25% for Europe and 30% for Japan) applied to the normalizing adjustments attributable to the respective geography. Normalized return on attributed equity is computed based on normalized after-tax operating income divided by average attributed equity for the respective periods.





# Non-GAAP Reconciliations

## PTOI, ATOI and Normalized ATOI

### Total Core

(in millions)

	Nine Months Ended			
	September 30,			
	3Q16	3Q17	2016	2017
<b>Pre-tax operating income (loss)</b>	\$ 1,743	\$ (2,142)	\$ 4,603	\$ 1,259
Interest expense (benefit) on attributed financial debt	(32)	(42)	(77)	(128)
<b>Operating income (loss) before taxes:</b>	1,775	(2,100)	4,680	1,387
Income tax expense (benefit)	599	(849)	1,385	268
<b>After-tax operating income (loss) (a)</b>	\$ 1,176	\$ (1,251)	\$ 3,295	\$ 1,119
<b>Adjustments to arrive at normalized after-tax operating income (loss):</b>				
Catastrophe losses above (below) expectations	(69)	1,727	(138)	1,557
(Better) worse than expected alternative returns*	(33)	(49)	369	(226)
(Better) worse than expected DIB & GCM returns	1	-	4	(4)
Fair value changes on PICC investments	(31)	(20)	21	(38)
Update of actuarial assumptions	(149)	(185)	(149)	(185)
Unfavorable (favorable) prior year loss reserve development	166	550	130	664
<b>Normalized after-tax operating income (b)</b>	\$ 1,061	\$ 772	\$ 3,532	\$ 2,887
<b>Ending attributed equity</b>	52,953	41,751	52,953	41,751
<b>Average attributed equity (c)</b>	52,142	43,161	52,237	44,800
<b>Adjusted return on attributed equity (a÷c)</b>	9.0 %	(11.6) %	8.4 %	3.3 %
<b>Normalized return on attributed equity** (b÷c)</b>	8.1 %	7.2 %	9.0 %	8.6 %

### Legacy Portfolio

(in millions)

	3Q16	3Q17
<b>Pre-tax operating income (loss)</b>	\$ (99)	\$ 286
Interest expense on attributed financial debt	32	42
<b>Operating income (loss) before taxes:</b>	(131)	244
Income tax expense (benefit)	(73)	79
<b>After-tax operating income (loss) (a)</b>	\$ (58)	\$ 165
<b>Adjustments to arrive at normalized after-tax operating income (loss):</b>		
Catastrophe losses above (below) expectations	(1)	(1)
(Better) worse than expected alternative returns*	(12)	(19)
(Better) worse than expected DIB & GCM returns	(69)	(27)
Update of actuarial assumptions	399	9
Unfavorable (favorable) prior year loss reserve development	4	(1)
<b>Normalized after-tax operating income (b)</b>	\$ 263	\$ 126
<b>Ending attributed equity</b>	11,086	9,880
<b>Average attributed equity (c)</b>	12,914	9,896
<b>Adjusted return on attributed equity (a÷c)</b>	(1.8) %	6.7 %
<b>Normalized return on attributed equity** (b÷c)</b>	8.1 %	5.1 %



\* The expected rate of return on alternative investments used was 8% for all periods presented.

\*\* Normalizing adjustments are tax effected using a 35% tax rate and computed based on average attributed equity for the respective periods.

# Non-GAAP Reconciliations

## Accident Year Loss Ratio, as adjusted, and Accident Year Combined Ratio, as adjusted

### Commercial Insurance - Liability and Financial Lines

	3Q16	3Q17
Loss ratio	67.7	113.1
Catastrophe losses and reinstatement premiums	(0.2)	(0.9)
Prior year development, net of (additional) return premium on loss sensitive business	0.5	(34.1)
<b>Accident year loss ratio, as adjusted</b>	<b>68.0</b>	<b>78.1</b>
Combined ratio	93.1	138.3
Catastrophe losses and reinstatement premiums	(0.2)	(0.9)
Prior year development, net of (additional) return premium on loss sensitive business	0.5	(34.1)
<b>Accident year combined ratio, as adjusted</b>	<b>93.4</b>	<b>103.3</b>

### Commercial Insurance - Property and Special Risks

	3Q16	3Q17
Loss ratio	90.5	247.6
Catastrophe losses and reinstatement premiums	(13.3)	(172.0)
Prior year development	(17.3)	(4.9)
<b>Accident year loss ratio, as adjusted</b>	<b>59.9</b>	<b>70.7</b>
Combined ratio	123.3	277.0
Catastrophe losses and reinstatement premiums	(13.3)	(172.0)
Prior year development	(17.3)	(4.9)
<b>Accident year combined ratio, as adjusted</b>	<b>92.7</b>	<b>100.1</b>

### Total Commercial Insurance

	3Q16	3Q17
Loss ratio	77.3	168.4
Catastrophe losses and reinstatement premiums	(5.6)	(71.2)
Prior year development, net of (additional) return premium on loss sensitive business	(7.0)	(22.1)
<b>Accident year loss ratio, as adjusted</b>	<b>64.7</b>	<b>75.1</b>
Combined ratio	105.8	195.4
Catastrophe losses and reinstatement premiums	(5.6)	(71.2)
Prior year development, net of (additional) return premium on loss sensitive business	(7.0)	(22.1)
<b>Accident year combined ratio, as adjusted</b>	<b>93.2</b>	<b>102.1</b>

### Consumer Personal Insurance

	3Q16	3Q17
Loss ratio	56.3	64.3
Catastrophe losses and reinstatement premiums	(0.9)	(10.6)
Prior year development	1.1	-
<b>Accident year loss ratio, as adjusted</b>	<b>56.5</b>	<b>53.7</b>
Combined ratio	97.5	105.6
Catastrophe losses and reinstatement premiums	(0.9)	(10.6)
Prior year development	1.1	-
<b>Accident year combined ratio, as adjusted</b>	<b>97.7</b>	<b>95.0</b>

# Non-GAAP Reconciliations

## Accident Year Loss and Combined Ratios, as adjusted (incl. PYD)

### Total Commercial Insurance

<u>Total Commercial Insurance</u>	Full Year						
	2011	2012	2013	2014	2015	2016	9M'17
Loss ratio	84.3	81.0	70.3	69.7	84.5	104.0	105.2
Catastrophe losses and reinstatement premiums	(11.9)	(10.9)	(3.4)	(3.0)	(3.0)	(6.5)	(27.5)
Prior year development net of premium adjustments	1.9	(1.2)	(1.5)	(2.1)	(16.8)	(30.8)	(8.5)
Adjustment for ceded premiums under reinsurance contracts related to prior accident years	-	-	-	-	-	-	(0.3)
<b>Accident year loss ratio, as adjusted</b>	<b>74.3</b>	<b>68.9</b>	<b>65.4</b>	<b>64.6</b>	<b>64.7</b>	<b>66.7</b>	<b>68.9</b>

### Commercial Insurance Accident Year Loss Ratio, as Adjusted (incl. PYD)

	2011	2012	2013	2014	2015	2016	9M'17
Accident year loss ratio, as adjusted	74.3	68.9	65.4	64.6	64.7	66.7	68.9
Effect of 2015 Prior Year Development on 2011 - 2015	2.8	1.2	1.9	2.4			
Accident year loss ratio, as adjusted (incl. 2015 PYD)	77.1	70.1	67.3	67.0	64.7	66.7	68.9
Effect of 2016 Prior Year Development on 2011 - 2015	0.9	2.1	2.4	4.2	6.1		
Accident year loss ratio, as adjusted (incl. 2015 and 2016 PYD)	78.0	72.2	69.7	71.2	70.8	66.7	68.9
Effect of 2017 Prior Year Development on 2011 - 2016	0.4	(0.2)	(0.2)	0.4	0.3	4.1	
<b>Accident year loss ratio, as adjusted (incl. PYD)</b>	<b>78.4</b>	<b>72.0</b>	<b>69.5</b>	<b>71.6</b>	<b>71.1</b>	<b>70.8</b>	<b>68.9</b>

# Non-GAAP Reconciliations

## Premiums

(in millions)

	3Q16	3Q17
<b>Consumer Insurance:</b>		
Premiums and deposits	\$ 6,064	\$ 5,321
Deposits	(5,495)	(4,726)
Other	(174)	(181)
<b>Premiums</b>	<b>\$ 395</b>	<b>\$ 414</b>
<b>Consumer Insurance - Individual Retirement:</b>		
Premiums and deposits	\$ 3,363	\$ 2,526
Deposits	(3,328)	(2,504)
Other	2	-
<b>Premiums</b>	<b>\$ 37</b>	<b>\$ 22</b>
<b>Consumer Insurance - Individual Retirement (Fixed Annuities):</b>		
Premiums and deposits	\$ 570	\$ 592
Deposits	(535)	(573)
Other	3	1
<b>Premiums</b>	<b>\$ 38</b>	<b>\$ 20</b>
<b>Consumer Insurance - Individual Retirement (Variable Annuities):</b>		
Premiums and deposits	\$ 1,092	\$ 736
Deposits	(1,092)	(733)
Other	(2)	(1)
<b>Premiums</b>	<b>\$ (2)</b>	<b>\$ 2</b>
<b>Consumer Insurance - Individual Retirement (Index Annuities):</b>		
Premiums and deposits	\$ 611	\$ 601
Deposits	(611)	(601)
Other	-	-
<b>Premiums</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Consumer Insurance - Individual Retirement (Retail Mutual Funds):</b>		
Premiums and deposits	\$ 1,090	\$ 597
Deposits	(1,090)	(597)
Other	-	-
<b>Premiums</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Consumer Insurance - Group Retirement:</b>		
Premiums and deposits	\$ 1,821	\$ 1,860
Deposits	(1,812)	(1,852)
Other	-	-
<b>Premiums</b>	<b>\$ 9</b>	<b>\$ 8</b>
<b>Consumer Insurance - Life Insurance:</b>		
Premiums and deposits	\$ 880	\$ 935
Deposits	(355)	(371)
Other	(176)	(180)
<b>Premiums</b>	<b>\$ 349</b>	<b>\$ 384</b>