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, 2017 **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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth 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 ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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 30, 2017, there were 898,959,371 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, 2017
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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, 2017		December 31, 2016
Assets:				
Investments:				
Fixed maturity securities:				
Bonds available for sale, at fair value (amortized cost: 2017 - $224,143; 2016 - $232,241)	$	237,771	$	241,537
Other bond securities, at fair value (*See Note 6*)		12,653		13,998
Equity Securities:				
Common and preferred stock available for sale, at fair value (cost: 2017 - $1,274; 2016 - $1,697)		1,707		2,078
Other common and preferred stock, at fair value (*See Note 6*)		538		482
Mortgage and other loans receivable, net of allowance (portion measured at fair value: 2017 - $5; 2016 - $11)		36,089		33,240
Other invested assets (portion measured at fair value: 2017 - $6,503; 2016 - $6,946)		22,590		24,538
Short-term investments (portion measured at fair value: 2017 - $2,603; 2016 - $3,341)		9,775		12,302
Total investments		321,123		328,175
Cash		2,433		1,868
Accrued investment income		2,416		2,495
Premiums and other receivables, net of allowance		11,156		10,465
Reinsurance assets, net of allowance		34,429		21,901
Deferred income taxes		20,954		21,332
Deferred policy acquisition costs		10,938		11,042
Other assets, including restricted cash of $219 in 2017 and $193 in 2016 (portion measured at fair value: 2017 - $900; 2016 - $1,809)		10,324		10,815
Separate account assets, at fair value		89,300		82,972
Assets held for sale		-		7,199
Total assets	$	503,073	$	498,264
Liabilities:				
Liability for unpaid losses and loss adjustment expenses	$	80,087	$	77,077
Unearned premiums		20,135		19,634
Future policy benefits for life and accident and health insurance contracts		44,055		42,204
Policyholder contract deposits (portion measured at fair value: 2017 - $3,988; 2016 - $3,058)		134,514		132,216
Other policyholder funds (portion measured at fair value: 2017 - $0; 2016 - $5)		3,678		3,989
Other liabilities (portion measured at fair value: 2017 - $1,220; 2016 - $2,016)		27,253		26,296
Long-term debt (portion measured at fair value: 2017 - $2,998; 2016 - $3,428)		31,039		30,912
Separate account liabilities		89,300		82,972
Liabilities held for sale		-		6,106
Total liabilities		430,061		421,406
Contingencies, commitments and guarantees (*See Note 11*)				
AIG shareholders' equity:				
Common stock, $2.50 par value; 5,000,000,000 shares authorized; shares issued: 2017 - 1,906,671,492 and 2016 - 1,906,671,492		4,766		4,766
Treasury stock, at cost; 2017 - 1,007,791,405 shares; 2016 - 911,335,651 shares of common stock		(47,602)		(41,471)
Additional paid-in capital		80,976		81,064
Retained earnings		28,389		28,711
Accumulated other comprehensive income		5,939		3,230
Total AIG shareholders' equity		72,468		76,300
Non-redeemable noncontrolling interests		544		558
Total equity		73,012		76,858
Total liabilities and equity	$	503,073	$	498,264

See accompanying Notes to Condensed Consolidated Financial Statements.

American International Group, Inc.
Condensed Consolidated Statements of Income (Loss) (unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in millions, except per share data)	**2017**	2016	**2017**	2016
Revenues:				
Premiums	**$ 8,063**	$ 8,581	**$ 23,459**	$ 26,138
Policy fees	**728**	646	**2,177**	2,029
Net investment income	**3,416**	3,783	**10,715**	10,479
Net realized capital losses:				
Total other-than-temporary impairments on available for sale securities	**(66)**	(58)	**(138)**	(332)
Portion of other-than-temporary impairments on available for sale fixed maturity securities recognized in Other comprehensive income	**(8)**	(14)	**(57)**	(36)
Net other-than-temporary impairments on available for sale securities recognized in net income (loss)	**(74)**	(72)	**(195)**	(368)
Other realized capital losses	**(848)**	(693)	**(911)**	(461)
Total net realized capital losses	**(922)**	(765)	**(1,106)**	(829)
Other income	**466**	609	**1,640**	1,540
Total revenues	**11,751**	12,854	**36,885**	39,357
Benefits, losses and expenses:				
Policyholder benefits and losses incurred	**10,322**	7,489	**22,653**	20,748
Interest credited to policyholder account balances	**867**	887	**2,683**	2,798
Amortization of deferred policy acquisition costs	**912**	1,018	**3,135**	3,625
General operating and other expenses	**2,149**	2,536	**6,774**	8,125
Interest expense	**290**	329	**880**	955
(Gain) loss on extinguishment of debt	**1**	(14)	**(4)**	76
Net (gain) loss on sale of divested businesses	**13**	(128)	**173**	(351)
Total benefits, losses and expenses	**14,554**	12,117	**36,294**	35,976
Income (loss) from continuing operations before income tax expense (benefit)	**(2,803)**	737	**591**	3,381
Income tax expense (benefit)	**(1,091)**	304	**(18)**	1,170
Income (loss) from continuing operations	**(1,712)**	433	**609**	2,211
Income (loss) from discontinued operations, net of income tax expense	**(1)**	3	**7**	(54)
Net income (loss)	**(1,713)**	436	**616**	2,157
Less:				
Net income (loss) from continuing operations attributable to noncontrolling interests	**26**	(26)	**40**	(35)
Net income (loss) attributable to AIG	**$ (1,739)**	$ 462	**$ 576**	$ 2,192
Income (loss) per common share attributable to AIG:				
Basic:				
Income (loss) from continuing operations	**$ (1.91)**	$ 0.43	**$ 0.60**	$ 2.02
Income (loss) from discontinued operations	**$ -**	$ -	**$ 0.01**	$ (0.05)
Net income (loss) attributable to AIG	**$ (1.91)**	$ 0.43	**$ 0.61**	$ 1.97
Diluted:				
Income (loss) from continuing operations	**$ (1.91)**	$ 0.42	**$ 0.59**	$ 1.97
Income (loss) from discontinued operations	**$ -**	$ -	**$ 0.01**	$ (0.05)
Net income (loss) attributable to AIG	**$ (1.91)**	$ 0.42	**$ 0.60**	$ 1.92
Weighted average shares outstanding:				
Basic	**908,667,044**	1,071,295,892	**938,130,832**	1,113,650,878
Diluted	**908,667,044**	1,102,400,770	**961,295,946**	1,142,700,207
Dividends declared per common share	**$ 0.32**	$ 0.32	**$ 0.96**	$ 0.96

See accompanying Notes to Condensed Consolidated Financial Statements.

American International Group, Inc.
Condensed Consolidated Statements of Comprehensive Income (Loss) (unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2017**	2016	**2017**	2016
Net income (loss)	**$ (1,713)**	$ 436	**$ 616**	$ 2,157
Other comprehensive income, net of tax				
Change in unrealized appreciation (depreciation) of fixed maturity securities on which other-than-temporary credit impairments were taken	**97**	217	**330**	(110)
Change in unrealized appreciation of all other investments	**492**	466	**1,840**	6,302
Change in foreign currency translation adjustments	**325**	111	**447**	332
Change in retirement plan liabilities adjustment	**63**	4	**92**	(4)
Other comprehensive income	**977**	798	**2,709**	6,520
Comprehensive income (loss)	**(736)**	1,234	**3,325**	8,677
Comprehensive income (loss) attributable to noncontrolling interests	**26**	(26)	**40**	(35)
Comprehensive income (loss) attributable to AIG	**$ (762)**	$ 1,260	**$ 3,285**	$ 8,712

See accompanying Notes to Condensed Consolidated Financial Statements.

American International Group, Inc.
Condensed Consolidated Statements 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, 2017								
Balance, beginning of year	**$ 4,766**	**$ (41,471)**	**$ 81,064**	**$ 28,711**	**$ 3,230**	**$ 76,300**	**$ 558**	**$ 76,858**
Common stock issued under stock plans	**-**	**140**	**(304)**	**-**	**-**	**(164)**	**-**	**(164)**
Purchase of common stock	**-**	**(6,275)**	**-**	**-**	**-**	**(6,275)**	**-**	**(6,275)**
Net income attributable to AIG or noncontrolling interests	**-**	**-**	**-**	**576**	**-**	**576**	**40**	**616**
Dividends	**-**	**-**	**-**	**(884)**	**-**	**(884)**	**-**	**(884)**
Other comprehensive income	**-**	**-**	**-**	**-**	**2,709**	**2,709**	**-**	**2,709**
Current and deferred income taxes	**-**	**-**	**(4)**	**-**	**-**	**(4)**	**-**	**(4)**
Net increase due to acquisitions and consolidations	**-**	**-**	**-**	**-**	**-**	**-**	**78**	**78**
Contributions from noncontrolling interests	**-**	**-**	**-**	**-**	**-**	**-**	**13**	**13**
Distributions to noncontrolling interests	**-**	**-**	**-**	**-**	**-**	**-**	**(131)**	**(131)**
Other	**-**	**4**	**220**	**(14)**	**-**	**210**	**(14)**	**196**
Balance, end of period	**$ 4,766**	**$ (47,602)**	**$ 80,976**	**$ 28,389**	**$ 5,939**	**$ 72,468**	**$ 544**	**$ 73,012**
Nine Months Ended September 30, 2016								
Balance, beginning of year	$ 4,766	$ (30,098)	$ 81,510	$ 30,943	$ 2,537	$ 89,658	$ 552	$ 90,210
Common stock issued under stock plans	-	86	(173)	-	-	(87)	-	(87)
Purchase of common stock	-	(8,506)	-	-	-	(8,506)	-	(8,506)
Net income (loss) attributable to AIG or noncontrolling interests	-	-	-	2,192	-	2,192	(35)	2,157
Dividends	-	-	-	(1,051)	-	(1,051)	-	(1,051)
Other comprehensive income (loss)	-	-	-	-	6,520	6,520	-	6,520
Current and deferred income taxes	-	-	19	-	-	19	-	19
Net increase due to acquisitions and consolidations	-	-	-	-	-	-	9	9
Contributions from noncontrolling interests	-	-	-	-	-	-	4	4
Distributions to noncontrolling interests	-	-	-	-	-	-	(31)	(31)
Other	-	-	(75)	(7)	-	(82)	3	(79)
Balance, end of period	$ 4,766	$ (38,518)	$ 81,281	$ 32,077	$ 9,057	$ 88,663	$ 502	$ 89,165

See accompanying Notes to Condensed Consolidated Financial Statements.

American International Group, Inc.
Condensed Consolidated Statements of Cash Flows (unaudited)

(in millions)	Nine Months Ended September 30, 2017	2016
Cash flows from operating activities:		
Net income	$ 616	$ 2,157
(Income) loss from discontinued operations	(7)	54
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Noncash revenues, expenses, gains and losses included in income (loss):		
Net gains on sales of securities available for sale and other assets	(404)	(1,125)
Net (gain) loss on sale of divested businesses	173	(351)
(Gains) losses on extinguishment of debt	(4)	76
Unrealized losses in earnings - net	251	1,396
Equity in (income) loss from equity method investments, net of dividends or distributions	(338)	50
Depreciation and other amortization	2,806	2,814
Impairments of assets	669	872
Changes in operating assets and liabilities:		
Insurance reserves	4,448	700
Premiums and other receivables and payables - net	300	347
Reinsurance assets and funds held under reinsurance treaties	(12,705)	(1,234)
Capitalization of deferred policy acquisition costs	(3,593)	(3,598)
Current and deferred income taxes - net	(508)	962
Other, net	(899)	(1,367)
Total adjustments	(9,804)	(458)
Net cash provided by (used in) operating activities	(9,195)	1,753
Cash flows from investing activities:		
Proceeds from (payments for)		
Sales or distributions of:		
Available for sale securities	27,733	22,077
Other securities	2,647	3,367
Other invested assets	4,396	5,255
Divested businesses, net	605	-
Maturities of fixed maturity securities available for sale	22,126	18,210
Principal payments received on and sales of mortgage and other loans receivable	3,932	4,435
Purchases of:		
Available for sale securities	(38,717)	(42,572)
Other securities	(355)	(557)
Other invested assets	(2,359)	(2,472)
Mortgage and other loans receivable	(6,517)	(7,784)
Net change in restricted cash	(23)	(49)
Net change in short-term investments	2,815	(855)
Other, net	(1,509)	1,270
Net cash provided by investing activities	14,774	325
Cash flows from financing activities:		
Proceeds from (payments for)		
Policyholder contract deposits	13,164	13,584
Policyholder contract withdrawals	(11,363)	(9,986)
Issuance of long-term debt	2,405	11,430
Repayments of long-term debt	(2,751)	(7,683)
Purchase of common stock	(6,275)	(8,506)
Dividends paid	(884)	(1,051)
Other, net	578	915
Net cash used in financing activities	(5,126)	(1,297)
Effect of exchange rate changes on cash	(21)	88
Net increase in cash	432	869
Cash at beginning of year	1,868	1,629
Change in cash of businesses held for sale	133	-
Cash at end of period	$ 2,433	$ 2,498

Supplementary Disclosure of Condensed Consolidated Cash Flow Information		
Cash paid during the period for:		
Interest	$ 1,046	$ 1,009
Taxes	$ 490	$ 208
Non-cash investing/financing activities:		
Interest credited to policyholder contract deposits included in financing activities	$ 2,494	$ 2,691

See accompanying Notes to Condensed Consolidated Financial Statements.

1. Basis of Presentation

American International Group, Inc. (AIG) is a leading global insurance organization serving customers in more than 80 countries and jurisdictions. AIG companies serve commercial 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, 2016 (the 2016 Annual Report). The condensed consolidated financial information as of December 31, 2016 included herein has been derived from the audited Consolidated Financial Statements in the 2016 Annual Report.

Certain of our foreign subsidiaries included in the Condensed Consolidated Financial Statements report on different fiscal-period bases. The effect on our 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 considered for adjustment and/or disclosure. 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, 2017 and prior to the issuance of these Condensed Consolidated Financial Statements.

USE OF ESTIMATES

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

- income tax assets and liabilities, including recoverability of our net deferred tax asset and the predictability of future tax operating profitability of the character necessary to realize the net deferred tax asset;
- liability for unpaid losses and loss adjustment expenses (loss reserves);
- 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 policy acquisition costs for investment-oriented products;
- impairment charges, including other-than-temporary impairments on available for sale securities, impairments on other invested assets, including 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 2017

Derivative Contract Novations

In March 2016, the Financial Accounting Standards Board (FASB) issued an accounting standard that clarifies that a change in the counterparty (novation) to a derivative instrument that has been designated as a hedging instrument does not, in and of itself, require de-designation of that hedging relationship provided that all other hedge accounting criteria continue to be met.

We adopted the standard on its required effective date of January 1, 2017. The adoption of this standard did not have a material effect on our consolidated financial condition, results of operations or cash flows.

Contingent Put and Call Options in Debt Instruments

In March 2016, the FASB issued an accounting standard that clarifies the requirements for assessing whether contingent call (put) options that can accelerate the payment of principal on debt instruments are clearly and closely related to their debt hosts. The standard requires an evaluation of embedded call (put) options solely on a four-step decision sequence that requires an entity to consider whether (1) the amount paid upon settlement is adjusted based on changes in an index, (2) the amount paid upon settlement is indexed to an underlying other than interest rates or credit risk, (3) the debt involves a substantial premium or discount and (4) the put or call option is contingently exercisable.

We adopted the standard on its required effective date of January 1, 2017. The adoption of this standard did not have a material effect on our consolidated financial condition, results of operations or cash flows.

Simplifying the Transition to the Equity Method of Accounting

In March 2016, the FASB issued an accounting standard that eliminates the requirement that when an investment qualifies for use of the equity method as a result of an increase in the level of ownership interest or degree of influence, an investor must adjust the investment, results of operations, and retained earnings retroactively on a step-by-step basis as if the equity method had been in effect during all previous periods during which the investment had been held.

We adopted the standard on its required effective date of January 1, 2017. The adoption of this standard did not have a material effect on our consolidated financial condition, results of operations or cash flows.

Interest Held through Related Parties that are under Common Control

In October 2016, the FASB issued an accounting standard that amends the consolidation analysis for a reporting entity that is the single decision maker of a variable interest entity (VIE). The new guidance will require the decision maker's evaluation of its interests held through related parties that are under common control on a proportionate basis (rather than in their entirety) when determining whether it is the primary beneficiary of that VIE. The amendment does not change the characteristics of a primary beneficiary.

We adopted the standard on its required effective date of January 1, 2017. The adoption of this standard did not have a material effect on our consolidated financial condition, results of operations or cash flows.

FUTURE APPLICATION OF ACCOUNTING STANDARDS

Revenue Recognition

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

We have developed an implementation plan to adopt this standard using the modified retrospective approach on its required effective date of January 1, 2018. Our analysis of revenues indicates that substantially all of our revenues are from sources excluded from the scope of the standard. For those revenue sources within the scope of the standard, we do not expect material changes in the timing or measurement of revenues based upon our current interpretation of the guidance. We continue to refine our assessment of the impacts this standard is expected to have on our applicable revenue sources, financial statements and related disclosures. However, as substantially all of our revenue sources are excluded from the scope of the standard, we do not expect the adoption of the standard to have a material effect on our reported consolidated financial condition, results of operations, cash flows or required disclosures.

Recognition and Measurement of Financial Assets and Financial Liabilities

In January 2016, the FASB issued an accounting standard that will require equity investments that do not follow the equity method of accounting or are not subject to consolidation to be measured at fair value with changes in fair value recognized in earnings, while financial liabilities for which fair value option accounting has been elected, changes in fair value due to instrument-specific credit risk will be presented separately in other comprehensive income. The standard allows the election to record equity investments without readily determinable fair values at cost, less impairment, adjusted for subsequent observable price changes with changes in the carrying value of the equity investments recorded in earnings. The standard also updates certain fair value disclosure requirements for financial instruments carried at amortized cost.

We will adopt this standard on its effective date of January 1, 2018. Based on our initial review, substantially all of our assets and liabilities are not within the scope of the standard. We do not expect the adoption of the standard to have a material effect on our reported consolidated financial condition, results of operations, cash flows or required disclosures.

Leases

In February 2016, the FASB issued an accounting standard that will require lessees with lease terms of more than 12 months to recognize a right of use asset and a corresponding lease liability on their balance sheets. For income statement purposes, the FASB retained a dual model, requiring leases to be classified as either operating leases or finance leases.

We plan to adopt the standard on its effective date of January 1, 2019 using a modified retrospective approach upon adoption. We are currently quantifying the expected recognition on our balance sheet for a right to use asset and a lease liability as required by the standard. We do not expect the impact of the standard to have a material effect on our reported consolidated financial condition, results of operations, cash flows or required disclosures.

Financial Instruments - Credit Losses

In June 2016, the FASB issued an accounting standard that will change how entities account for credit losses for most financial assets, trade receivables and reinsurance receivables. The standard will replace the existing incurred loss impairment model with a new “current expected credit loss model” that generally will result in earlier recognition of credit losses. The standard will apply to financial assets subject to credit losses, including loans measured at amortized cost, reinsurance receivables and certain off-balance sheet credit exposures. Additionally, the impairment of available-for-sale debt securities, including purchased credit deteriorated securities, are subject to the new guidance and will be measured in a similar manner, except that losses will be recognized as allowances rather than reductions in the amortized cost of the securities. The standard will also require additional information to be disclosed in the footnotes.

The standard is effective on January 1, 2020, with early adoption permitted on January 1, 2019. We are continuing to develop our implementation plan to adopt the standard and are assessing the impact of the standard on our reported consolidated financial condition, results of operations, cash flows and required disclosures. While we expect an increase in our allowances for credit losses for the financial instruments within scope of the standard, given the objective of the new standard, the amount of any change will be dependent on our portfolios’ composition and quality at the adoption date as well as economic conditions and forecasts at that time.

Classification of Certain Cash Receipts and Cash Payments

In August 2016, the FASB issued an accounting standard that addresses diversity in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments provide clarity on the treatment of eight specifically defined types of cash inflows and outflows. The standard is effective on January 1, 2018 using a retrospective transition method to each period presented or prospectively if adoption of an issue is impracticable.

We continue to refine our analysis of certain cash flow types and intend to adopt this standard on its required effective date of January 1, 2018. The standard addresses presentation in the statement of cash flows only and will have no effect on our reported consolidated financial condition, results of operations or required disclosures.

Intra-Entity Transfers of Assets Other than Inventory

In October 2016, the FASB issued an accounting standard that will require an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs, rather than when the asset is sold to a third party.

We plan to adopt the standard on its effective date of January 1, 2018 using a modified retrospective approach upon adoption. We are assessing the impact of the standard on our reported consolidated financial condition, results of operations, cash flows and required disclosures.

Restricted Cash

In November 2016, the FASB issued an accounting standard that provides guidance on the presentation of restricted cash in the Statement of Cash Flows. Entities will be required to explain the changes during a reporting period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents in the statement of cash flows.

We plan to adopt the standard retrospectively on its effective date of January 1, 2018. The standard addresses presentation of restricted cash in the Statement of Cash Flows only and will have no effect on our reported consolidated financial condition, results of operations or required disclosures.

Clarifying the Definition of a Business

In January 2017, the FASB issued an accounting standard that changes the definition of a business to assist entities with evaluating when a set of transferred assets and activities is a business. The new standard will require an entity to evaluate if substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar assets; if so, the set of transferred assets and activities is not a business. At a minimum, a set must include an input and a substantive process that together significantly contribute to the ability to create output.

The standard is effective on January 1, 2018, with early adoption permitted. We are evaluating the timing of adoption and are assessing the impact of the standard on our reported consolidated financial condition, results of operations and cash flows. Because the standard requires prospective adoption, the impact is dependent on future acquisitions, dispositions and those entities that we consolidate due to obtaining a controlling financial interest.

Simplifying the Test for Goodwill Impairment

In January 2017, the FASB issued an accounting standard that eliminates the requirement to calculate the implied fair value of goodwill, through a hypothetical purchase price allocation, to measure a goodwill impairment charge. Instead, entities will record an impairment charge based on the excess of a reporting unit's carrying amount over its fair value not to exceed the total amount of goodwill allocated to that reporting unit. An entity should also consider income tax effects from tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable.

The standard is effective on January 1, 2020, with early adoption permitted on testing dates after January 1, 2017. We are evaluating the timing of our adoption. The impact of the standard will be dependent on the market conditions of the reporting units at the time of adoption.

Gains and Losses from the Derecognition of Nonfinancial Assets

In February 2017, the FASB issued an accounting standard that clarifies the scope and application of Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets, to the sale or transfer of nonfinancial assets and in substance nonfinancial assets to noncustomers, including partial sales. The standard clarifies that a parent transferring its ownership interest in a consolidated subsidiary is within the scope of the accounting standard if substantially all of the fair value of the assets within that subsidiary are nonfinancial assets. The standard also clarifies that the derecognition of all businesses and nonprofit activities should be accounted for in accordance with the derecognition and deconsolidation guidance. The standard also eliminates the exception in the financial asset guidance for transfers of investments (including equity method investments) in real estate entities. An entity is required to apply the amendments in this update at the same time that it applies the amendments in revenues from contracts with customers.

The standard is effective on January 1, 2018 and may be applied retrospectively to each period presented or through a cumulative effect adjustment to retained earnings at the date of adoption (modified retrospective approach). We are evaluating the timing of adoption and are assessing the impact of the standard on our reported consolidated financial condition, results of operations, cash flows and required disclosures.

Improving the Presentation of Net Periodic Pension and Postretirement Benefit Cost

In March 2017, the FASB issued an accounting standard that requires entities to report the service cost component of net periodic pension and postretirement benefit costs in the same line item as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net periodic benefit costs are required to be separately presented in the income statement. The amendments also allow only the service cost component to be eligible for capitalization when applicable.

We will adopt this standard on its effective date of January 1, 2018 by retrospectively presenting the service cost and other components, and prospectively capitalizing the service cost component. The standard addresses presentation of net periodic benefit costs in the income statement and will have no effect on our reported consolidated financial condition, results of operations, cash flows or required disclosures.

Premium Amortization on Purchased Callable Debt Securities

In March 2017, the FASB issued an accounting standard that shortens the amortization period for certain callable debt securities held at a premium by requiring the premium to be amortized to the earliest call date. The standard does not require an accounting change for securities held at a discount, which continue to be amortized to maturity.

We plan to adopt the standard retrospectively on its effective date, January 1, 2019. We do not expect the standard to have a material impact on our reported consolidated financial condition, results of operations, cash flows or required disclosures.

Modification of Share-Based Payment Awards

In May 2017, the FASB issued an accounting standard that provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting.

We will prospectively adopt this standard on its effective date of January 1, 2018 and do not expect the standard to have a material effect on our reported consolidated financial condition, results of operations, cash flows or required disclosures.

Derivatives and Hedging

In August 2017, the FASB issued an accounting standard that improves and expands hedge accounting for both financial and commodity risks. The provisions of the amendment are intended to better align the accounting with an entity's risk management activities, enhance the transparency on how the economic results are presented in the financial statements and the footnote, and simplify the application of hedge accounting treatment.

The standard is effective on January 1, 2019, with early adoption permitted. We are evaluating the timing of adoption and are assessing the impact of the standard on our reported consolidated financial condition, results of operations, cash flows and required disclosures.

3. Segment Information

We report our results of operations consistent with the manner in which our chief operating decision makers review the business to assess performance and allocate resources.

We report our results of operations as follows:

- Commercial Insurance business is presented as two operating segments:
  - Liability and Financial Lines
  - Property and Special Risks
- Consumer Insurance business is presented as four operating segments:
  - Individual Retirement
  - Group Retirement
  - Life Insurance
  - Personal Insurance
- The Other Operations category consists of:
  - Institutional Markets
  - Income from assets held by AIG Parent and other corporate subsidiaries
  - General operating expenses not attributable to specific reporting segments
  - Interest expense
  - United Guaranty Corporation (United Guaranty) — The sale of this business was completed on December 31, 2016
  - AIG Fuji Life Insurance Company, Ltd. (Fuji Life) — The sale of this business was completed on April 30, 2017
- The Legacy Portfolio segment consists of:
  - Legacy Property and Casualty Run-Off Insurance Lines
  - Legacy Life Insurance Run-Off Lines
  - Legacy Investments

We evaluate segment performance based on operating revenues and pre-tax operating income (loss). Operating revenues and pre-tax operating income (loss) are derived by excluding certain items from total revenues and net income (loss) attributable to AIG, respectively. *See the table below for the items excluded from operating revenues and pre-tax operating income (loss).*

The following table presents AIG's continuing operations by operating segment:

Three Months Ended September 30,	2017		2016	
(in millions)	Total Revenues	Pre-Tax Operating Income (Loss)	Total Revenues	Pre-Tax Operating Income (Loss)
Commercial Insurance				
Liability and Financial Lines	$ 2,848	$ (257)	$ 3,379	$ 948
Property and Special Risks	1,744	(2,605)	2,037	(263)
Total Commercial Insurance	4,592	(2,862)	5,416	685
Consumer Insurance				
Individual Retirement	1,343	718	1,380	920
Group Retirement	702	249	717	214
Life Insurance	1,000	112	921	(54)
Personal Insurance	2,909	(71)	2,991	148
Total Consumer Insurance	5,954	1,008	6,009	1,228
Other Operations	1,218	(287)	1,003	(164)
Legacy Portfolio	1,013	286	1,312	(99)
AIG Consolidation and elimination	(119)	(1)	(144)	(6)
Total AIG Consolidated revenues and pre-tax operating income	12,658	(1,856)	13,596	1,644
Reconciling Items from revenues and pre-tax operating income to revenues and pre-tax income (loss):				
Changes in fair value of securities used to hedge guaranteed living benefits	26	26	17	17
Changes in benefit reserves and DAC, VOBA and SIA related to net realized capital gains	-	84	-	(67)
(Unfavorable) favorable prior year development and related amortization changes ceded under retroactive reinsurance agreements	-	7	-	3
Gain (Loss) on extinguishment of debt	-	(1)	-	14
Net realized capital losses	(922)	(922)	(765)	(765)
Gain (loss) from divested businesses	-	(13)	-	128
Non-operating litigation reserves and settlements	1	-	1	5
Net loss reserve discount (benefit) charge	-	(48)	-	(32)
Pension expense related to a one-time lump sum payment to former employees	-	(49)	-	-
Restructuring and other costs	-	(31)	-	(210)
Other	(12)	-	5	-
Revenues and Pre-tax income (loss)	$ 11,751	$ (2,803)	$ 12,854	$ 737

Nine Months Ended September 30,	2017		2016	
(in millions)	Total Revenues	Pre-Tax Operating Income (Loss)	Total Revenues	Pre-Tax Operating Income (Loss)
Commercial Insurance				
Liability and Financial Lines	$ 8,443	$ 903	$ 10,118	$ 2,332
Property and Special Risks	5,365	(2,200)	6,140	(44)
Total Commercial Insurance	13,808	(1,297)	16,258	2,288

Consumer Insurance				
Individual Retirement	**4,099**	**1,815**	4,382	1,727
Group Retirement	**2,116**	**758**	2,053	670
Life Insurance	**3,043**	**272**	2,862	(27)
Personal Insurance	**8,618**	**471**	8,735	510
Total Consumer Insurance	**17,876**	**3,316**	18,032	2,880
Other Operations	**3,207**	**(835)**	3,015	(565)
Legacy Portfolio	**3,235**	**1,059**	3,003	(94)
AIG Consolidation and elimination	**(237)**	**75**	(406)	-
Total AIG Consolidated revenues and pre-tax operating income	**37,889**	**2,318**	39,902	4,509
Reconciling Items from revenues and pre-tax operating income to revenues and pre-tax income:				
Changes in fair value of securities used to hedge guaranteed living benefits	**117**	**117**	270	270
Changes in benefit reserves and DAC, VOBA and SIA related to net realized capital gains	**-**	**195**	-	(91)
(Unfavorable) favorable prior year development and related amortization changes ceded under retroactive reinsurance agreements	**-**	**(258)**	-	15
Gain (Loss) on extinguishment of debt	**-**	**4**	-	(76)
Net realized capital losses	**(1,106)**	**(1,106)**	(829)	(829)
Gain (loss) from divested businesses	**-**	**(173)**	-	351
Non-operating litigation reserves and settlements	**17**	**86**	42	43
Net loss reserve discount (benefit) charge	**-**	**(283)**	-	(323)
Pension expense related to a one-time lump sum payment to former employees	**-**	**(50)**	-	-
Restructuring and other costs	**-**	**(259)**	-	(488)
Other	**(32)**	**-**	(28)	-
Revenues and Pre-tax income	**$ 36,885**	**$ 591**	$ 39,357	$ 3,381

4. Held-For-Sale Classification

HELD-FOR-SALE CLASSIFICATION

We report a business as held-for-sale when management has approved the sale or received approval to sell the business and is committed to a formal plan, the business is available for immediate sale, the business is being actively marketed, the sale is anticipated to occur during the next 12 months and certain other specified criteria are met. A business classified as held-for-sale is recorded at the lower of its carrying amount or estimated fair value less cost to sell. If the carrying amount of the business exceeds its estimated fair value, a loss is recognized.

Assets and liabilities related to the businesses classified as held-for-sale are separately reported in our Consolidated Balance Sheets beginning in the period in which the business is classified as held-for-sale.

Fuji Life and AIG United Guaranty Insurance (Asia) Limited, both previously classified as held-for-sale, were sold on April 30, 2017 and July 1, 2017, respectively. At September 30, 2017, we had no businesses classified as held-for-sale.

On October 18, 2016, we entered into agreements to sell certain insurance operations to Fairfax Financial Holdings Limited (Fairfax). The agreements include the sale of our subsidiary operations in Argentina, Chile, Colombia, Uruguay, Venezuela and Turkey. Fairfax will also acquire renewal rights for the portfolios of local business written by our operations in Bulgaria, the Czech Republic, Hungary, Poland, Romania and Slovakia, and assume certain of our operating assets and employees. Total cash consideration to us is expected to be approximately $234 million. The transaction is closing on a country-by-country basis as the regulatory approvals are obtained. In the second quarter of 2017, the sale of operations in Turkey as well as the renewal rights in Bulgaria, the Czech Republic, Hungary, Poland and Slovakia were completed, which resulted in total cash proceeds of $48 million. In the third quarter of 2017, the sale of the operations in Colombia, Chile and Argentina were completed, which resulted in cash proceeds of $168 million. Substantially all of the operations and renewal rights that we agreed to sell Fairfax were sold at September 30, 2017.

The following table summarizes the components of assets and liabilities held-for-sale on the Condensed Consolidated Balance Sheets at December 31, 2016*:

(in millions)		December 31, 2016
Assets:		
Fixed maturity securities	$	6,045
Equity securities		149
Mortgage and other loans receivable, net		137
Other invested assets		2
Short-term investments		130
Cash		133
Accrued investment income		21
Premiums and other receivables, net of allowance		351
Reinsurance assets, net of allowance		8
Deferred policy acquisition costs		471
Other assets		273
Assets of businesses held for sale		7,720
Less: Loss Accrual		(521)
Total assets held for sale	$	7,199
Liabilities:		
Liability for unpaid losses and loss adjustment expenses	$	402
Unearned premiums		297
Future policy benefits for life and accident and health insurance contracts		4,579
Other policyholder funds		378
Other liabilities		450
Total liabilities held for sale	$	6,106

* Excludes net intercompany assets of $384 million at December 31, 2016, that are eliminated in consolidation.

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

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

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, 2017 *(in millions)*	Level 1	Level 2	Level 3	Counterparty Netting[(b)]	Cash Collateral	Total
Assets:						
Bonds available for sale:						
U.S. government and government sponsored entities	$ 1	$ 2,383	$ -	$ -	$ -	$ 2,384
Obligations of states, municipalities and political subdivisions	-	16,460	2,371	-	-	18,831
Non-U.S. governments	56	15,526	11	-	-	15,593
Corporate debt	-	132,475	1,210	-	-	133,685
RMBS	-	21,095	16,414	-	-	37,509
CMBS	-	12,853	665	-	-	13,518
CDO/ABS	-	7,837	8,414	-	-	16,251
Total bonds available for sale	57	208,629	29,085	-	-	237,771
Other bond securities:						
U.S. government and government sponsored entities	33	2,796	-	-	-	2,829
Non-U.S. governments	-	55	-	-	-	55
Corporate debt	-	1,844	18	-	-	1,862
RMBS	-	426	1,443	-	-	1,869
CMBS	-	491	65	-	-	556
CDO/ABS	-	648	4,834	-	-	5,482
Total other bond securities	33	6,260	6,360	-	-	12,653
Equity securities available for sale:						
Common stock	1,051	-	5	-	-	1,056
Preferred stock	18	559	-	-	-	577
Mutual funds	74	-	-	-	-	74
Total equity securities available for sale	1,143	559	5	-	-	1,707
Other equity securities	538	-	-	-	-	538
Mortgage and other loans receivable	-	-	5	-	-	5
Other invested assets[(a)]	-	1	259	-	-	260
Derivative assets:						
Interest rate contracts	2	2,252	-	-	-	2,254
Foreign exchange contracts	-	867	-	-	-	867
Equity contracts	191	209	69	-	-	469
Credit contracts	-	-	1	-	-	1
Other contracts	-	2	21	-	-	23
Counterparty netting and cash collateral	-	-	-	(1,390)	(1,324)	(2,714)
Total derivative assets	193	3,330	91	(1,390)	(1,324)	900
Short-term investments	2,247	356	-	-	-	2,603
Separate account assets	84,239	5,061	-	-	-	89,300
Total	$ 88,450	$ 224,196	$ 35,805	$ (1,390)	$ (1,324)	$ 345,737
Liabilities:						
Policyholder contract deposits	$ -	$ 14	$ 3,974	$ -	$ -	$ 3,988
Other policyholder funds	-	-	-	-	-	-
Derivative liabilities:						
Interest rate contracts	-	2,228	26	-	-	2,254
Foreign exchange contracts	-	1,298	3	-	-	1,301
Equity contracts	56	3	-	-	-	59
Credit contracts	-	4	274	-	-	278
Other contracts	-	-	5	-	-	5
Counterparty netting and cash collateral	-	-	-	(1,390)	(1,395)	(2,785)
Total derivative liabilities	56	3,533	308	(1,390)	(1,395)	1,112
Long-term debt	-	2,995	3	-	-	2,998
Other liabilities	75	33	-	-	-	108
Total	$ 131	$ 6,575	$ 4,285	$ (1,390)	$ (1,395)	$ 8,206

December 31, 2016 (in millions)	Level 1	Level 2	Level 3	Counterparty Netting[b]	Cash Collateral	Total
Assets:						
Bonds available for sale:						
U.S. government and government sponsored entities	$ 63	$ 1,929	$ -	$ -	$ -	$ 1,992
Obligations of states, municipalities and political subdivisions	-	22,732	2,040	-	-	24,772
Non-U.S. governments	52	14,466	17	-	-	14,535
Corporate debt	-	131,047	1,133	-	-	132,180
RMBS	-	20,468	16,906	-	-	37,374
CMBS	-	12,231	2,040	-	-	14,271
CDO/ABS	-	8,578	7,835	-	-	16,413
Total bonds available for sale	115	211,451	29,971	-	-	241,537
Other bond securities:						
U.S. government and government sponsored entities	-	2,939	-	-	-	2,939
Non-U.S. governments	-	51	-	-	-	51
Corporate debt	-	1,755	17	-	-	1,772
RMBS	-	420	1,605	-	-	2,025
CMBS	-	448	155	-	-	603
CDO/ABS	-	905	5,703	-	-	6,608
Total other bond securities	-	6,518	7,480	-	-	13,998
Equity securities available for sale:						
Common stock	1,056	9	-	-	-	1,065
Preferred stock	752	-	-	-	-	752
Mutual funds	260	1	-	-	-	261
Total equity securities available for sale	2,068	10	-	-	-	2,078
Other equity securities	482	-	-	-	-	482
Mortgage and other loans receivable	-	-	11	-	-	11
Other invested assets[a]	-	1	204	-	-	205
Derivative assets:						
Interest rate contracts	-	2,328	-	-	-	2,328
Foreign exchange contracts	-	1,320	-	-	-	1,320
Equity contracts	188	59	58	-	-	305
Credit contracts	-	-	2	-	-	2
Other contracts	-	6	16	-	-	22
Counterparty netting and cash collateral	-	-	-	(1,265)	(903)	(2,168)
Total derivative assets	188	3,713	76	(1,265)	(903)	1,809
Short-term investments	2,660	681	-	-	-	3,341
Separate account assets	77,318	5,654	-	-	-	82,972
Total	$ 82,831	$ 228,028	$ 37,742	$ (1,265)	$ (903)	$ 346,433
Liabilities:						
Policyholder contract deposits	$ -	$ 25	$ 3,033	$ -	$ -	$ 3,058
Other policyholder funds	5	-	-	-	-	5
Derivative liabilities:						
Interest rate contracts	-	3,039	38	-	-	3,077
Foreign exchange contracts	-	1,358	11	-	-	1,369
Equity contracts	12	7	-	-	-	19
Credit contracts	-	-	331	-	-	331
Other contracts	-	1	5	-	-	6
Counterparty netting and cash collateral	-	-	-	(1,265)	(1,521)	(2,786)
Total derivative liabilities	12	4,405	385	(1,265)	(1,521)	2,016
Long-term debt	-	3,357	71	-	-	3,428
Total	$ 17	$ 7,787	$ 3,489	$ (1,265)	$ (1,521)	$ 8,507

(a) Excludes investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent), which totaled $6.2 billion and $6.7 billion as of September 30, 2017 and December 31, 2016, respectively.

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

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.

We had no material transfers of preferred stock or securities issued by the U.S. government and government sponsored entities from Level 1 to Level 2 during the three-month period ended September 30, 2017. During the three- and nine-month periods ended September 30, 2017, we transferred $300 million and $352 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 nine-month period ended September 30, 2017, we transferred $113 million of securities issued by the U.S. government and government sponsored entities from Level 1 to Level 2. Additionally, we transferred $126 million of preferred stock from Level 1 to Level 2 during the nine-month period ended September 30, 2017. We had no material transfers from Level 2 to Level 1 during the three- and nine-month periods ended September 30, 2017.

During the three- and nine-month periods ended September 30, 2016, we transferred $635 million and $946 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, 2016, we transferred $18 million and $34 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, 2016.

CHANGES IN LEVEL 3 RECURRING FAIR VALUE MEASUREMENTS

The following tables present changes during the three- and nine-month periods ended September 30, 2017 and 2016 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, 2017 and 2016:

(in millions)	Fair Value Beginning of Period	Net Realized and Unrealized Gains (Losses) Included in Income	Other Comprehensive Income (Loss)	Purchases, Sales, Issues and Settlements, Net	Gross Transfers In	Gross Transfers Out	Reclassified to Assets Held for Sale	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, 2017									
Assets:									
Bonds available for sale:									
Obligations of states, municipalities and political subdivisions	$ 2,285	$ 2	$ 38	$ 52	$ -	$ (6)	$ -	$ 2,371	$ -
Non-U.S. governments	12	(5)	4	-	-	-	-	11	-
Corporate debt	932	5	(2)	(53)	449	(121)	-	1,210	-
RMBS	16,393	253	495	(731)	11	(7)	-	16,414	-
CMBS	735	2	5	(77)	-	-	-	665	-
CDO/ABS	8,605	8	(12)	(166)	-	(21)	-	8,414	-
Total bonds available for sale	28,962	265	528	(975)	460	(155)	-	29,085	-
Other bond securities:									
Corporate debt	28	1	-	-	-	(11)	-	18	-
RMBS	1,510	63	-	(130)	-	-	-	1,443	49
CMBS	66	2	-	42	-	(45)	-	65	3
CDO/ABS	5,234	111	-	(505)	-	(6)	-	4,834	(34)
Total other bond securities	6,838	177	-	(593)	-	(62)	-	6,360	18
Equity securities available for sale:									
Common stock	7	-	-	(2)	-	-	-	5	-
Total equity securities available for sale	7	-	-	(2)	-	-	-	5	-
Other equity securities	-	-	-	-	-	-	-	-	-
Mortgage and other loans receivable	5	-	-	-	-	-	-	5	-
Other invested assets	225	-	(2)	36	-	-	-	259	(3)
Total	$ 36,037	$ 442	$ 526	$ (1,534)	$ 460	$ (217)	$ -	$ 35,714	$ 15

(in millions)	Fair Value Beginning of Period	Net Realized and Unrealized (Gains) Losses Included in Income	Other Comprehensive Income (Loss)	Purchases, Sales, Issues and Settlements, Net	Gross Transfers In	Gross Transfers Out	Reclassified to Liabilities Held for Sale	Fair Value End of Period	Changes in Unrealized Gains (Losses) Included in Income on Instruments Held at End of Period
Liabilities:									
Policyholder contract deposits	$ 3,518	$ 299	$ -	$ 157	$ -	$ -	$ -	$ 3,974	$ 1
Derivative liabilities, net:									
Interest rate contracts	30	(2)	-	(2)	-	-	-	26	1
Foreign exchange contracts	7	-	-	(4)	-	-	-	3	-
Equity contracts	(63)	(11)	-	5	-	-	-	(69)	8
Credit contracts	293	(19)	-	(1)	-	-	-	273	19
Other contracts	(16)	(19)	-	19	-	-	-	(16)	12
Total derivative liabilities, net[(a)]	251	(51)	-	17	-	-	-	217	40
Long-term debt[(b)]	61	2	-	(60)	-	-	-	3	4
Total	$ 3,830	$ 250	$ -	$ 114	$ -	$ -	$ -	$ 4,194	$ 45

(in millions)	Fair Value Beginning of Period	Net Realized and Unrealized Gains (Losses) Included in Income	Other Comprehensive Income (Loss)	Purchases, Sales, Issues and Settlements, Net	Gross Transfers In	Gross Transfers Out	Reclassified to Assets Held for Sale	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, 2017									
Assets:									
Bonds available for sale:									
Obligations of states, municipalities and political subdivisions	$ 2,040	$ 3	$ 123	$ 221	$ 8	$ (24)	$ -	$ 2,371	$ -
Non-U.S. governments	17	(5)	5	(6)	-	-	-	11	-
Corporate debt	1,133	6	(2)	(219)	655	(363)	-	1,210	-
RMBS	16,906	806	992	(2,270)	19	(39)	-	16,414	-
CMBS	2,040	25	12	(699)	-	(713)	-	665	-
CDO/ABS	7,835	(14)	168	478	-	(53)	-	8,414	-
Total bonds available for sale	29,971	821	1,298	(2,495)	682	(1,192)	-	29,085	-
Other bond securities:									
Corporate debt	17	2	-	10	-	(11)	-	18	1
RMBS	1,605	184	-	(313)	-	(33)	-	1,443	116
CMBS	155	4	-	24	-	(118)	-	65	6
CDO/ABS	5,703	459	-	(1,322)	-	(6)	-	4,834	91
Total other bond securities	7,480	649	-	(1,601)	-	(168)	-	6,360	214
Equity securities available for sale:									
Common stock	-	-	-	6	-	(1)	-	5	-
Total equity securities available for sale	-	-	-	6	-	(1)	-	5	-
Other equity securities	-	-	-	-	-	-	-	-	-
Mortgage and other loans receivable	11	-	-	(6)	-	-	-	5	-
Other invested assets	204	3	(5)	58	-	(1)	-	259	1
Total	$ 37,666	$ 1,473	$ 1,293	$ (4,038)	$ 682	$ (1,362)	$ -	$ 35,714	$ 215

(in millions)	Fair Value Beginning of Period	Net Realized and Unrealized (Gains) Losses Included in Income	Other Comprehensive Income (Loss)	Purchases, Sales, Issues and Settlements, Net	Gross Transfers In	Gross Transfers Out	Reclassified to Liabilities Held for Sale	Fair Value End of Period	Changes in Unrealized Gains (Losses) Included in Income on Instruments Held at End of Period
Liabilities:									
Policyholder contract deposits	$ 3,033	$ 594	$ -	$ 347	$ -	$ -	$ -	$ 3,974	$ 3
Derivative liabilities, net:									
Interest rate contracts	38	(3)	-	(9)	-	-	-	26	3
Foreign exchange contracts	11	1	-	(9)	-	-	-	3	(1)
Equity contracts	(58)	(26)	-	15	-	-	-	(69)	22
Credit contracts	329	(55)	-	(1)	-	-	-	273	53
Other contracts	(11)	(58)	-	56	(3)	-	-	(16)	57
Total derivative liabilities, net[(a)]	309	(141)	-	52	(3)	-	-	217	134
Long-term debt[(b)]	71	16	-	(84)	-	-	-	3	-
Total	$ 3,413	$ 469	$ -	$ 315	$ (3)	$ -	$ -	$ 4,194	$ 137

(in millions)	Fair value Beginning of Period	Net Realized and Unrealized Gains (Losses) Included in Income	Other Comprehensive Income (Loss)	Purchases, Sales, Issues and Settlements, Net	Gross Transfers In	Gross Transfers Out	Reclassified to Assets Held for Sale	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, 2016									
Assets:									
Bonds available for sale:									
Obligations of states, municipalities and political subdivisions	$ 2,313	$ 1	$ (5)	$ 58	$ 2	$ (78)	$ -	$ 2,291	$ -
Non-U.S. governments	28	(3)	(9)	3	-	-	-	19	-
Corporate debt	836	(4)	7	(6)	267	(82)	(1)	1,017	-
RMBS	16,779	255	304	(165)	36	-	-	17,209	-
CMBS	2,295	12	(5)	(1)	2	(32)	(6)	2,265	-
CDO/ABS	7,075	7	16	728	-	-	(81)	7,745	-
Total bonds available for sale	29,326	268	308	617	307	(192)	(88)	30,546	-
Other bond securities:									
Corporate debt	18	1	-	-	-	-	-	19	-
RMBS	1,486	30	-	(120)	-	-	-	1,396	12
CMBS	168	6	-	(15)	-	-	-	159	4
CDO/ABS	6,312	175	-	(506)	-	-	-	5,981	-
Total other bond securities	7,984	212	-	(641)	-	-	-	7,555	16
Equity securities available for sale:									
Common stock	-	-	-	-	-	-	-	-	-
Total equity securities available for sale	-	-	-	-	-	-	-	-	-
Other equity securities	14	-	-	(14)	-	-	-	-	-
Mortgage and other loans receivable	11	-	-	-	-	-	-	11	-
Other invested assets	241	(4)	1	18	-	-	-	256	-
Total	$ 37,576	$ 476	$ 309	$ (20)	$ 307	$ (192)	$ (88)	$ 38,368	$ 16

	Fair value Beginning of Period	Net Realized and Unrealized (Gains) Losses Included in Income	Other Comprehensive Income (Loss)	Purchases, Sales, Issues and Settlements, Net	Gross Transfers In	Gross Transfers Out	Reclassified to Liabilities Held for Sale	Fair value End of Period	Changes in Unrealized Gains (Losses) Included in Income on Instruments Held at End of Period
Liabilities:									
Policyholder contract deposits	$ 3,990	$ 65	$ -	$ (33)	$ -	$ -	$ -	$ 4,022	$ 1
Derivative liabilities, net:									
Interest rate contracts	46	(3)	-	9	-	-	-	52	4
Foreign exchange contracts	9	1	-	(1)	-	-	-	9	(1)
Equity contracts	(52)	(5)	-	3	-	-	-	(54)	5
Credit contracts	373	(36)	-	7	-	1	-	345	28
Other contracts	102	(16)	-	4	-	-	-	90	33
Total derivatives liabilities, net[(a)]	478	(59)	-	22	-	1	-	442	69
Long-term debt[(b)]	67	3	-	-	-	-	-	70	-
Other liabilities	-	-	-	-	-	-	-	-	(3)
Total	$ 4,535	$ 9	$ -	$ (11)	$ -	$ 1	$ -	$ 4,534	$ 67

(in millions)	Fair value Beginning of Period	Net Realized and Unrealized Gains (Losses) Included in Income	Other Comprehensive Income (Loss)	Purchases, Sales, Issues and Settlements, Net	Gross Transfers In	Gross Transfers Out	Reclassified to Assets Held for Sale	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, 2016									
Assets:									
Bonds available for sale:									
Obligations of states, municipalities and political subdivisions	$ 2,124	$ 3	$ 189	$ 51	$ 2	$ (78)	$ -	$ 2,291	$ -
Non-U.S. governments	32	(3)	(11)	5	-	(4)	-	19	-
Corporate debt	1,370	(1)	(10)	(42)	581	(880)	(1)	1,017	-
RMBS	16,537	734	(55)	(337)	330	-	-	17,209	-
CMBS	2,585	70	(83)	(169)	2	(134)	(6)	2,265	-
CDO/ABS	6,169	27	59	1,548	23	-	(81)	7,745	-
Total bonds available for sale	28,817	830	89	1,056	938	(1,096)	(88)	30,546	-
Other bond securities:									
Corporate debt	17	3	-	(1)	-	-	-	19	3
RMBS	1,581	7	-	(174)	-	(18)	-	1,396	(48)
CMBS	193	4	-	(38)	-	-	-	159	14
CDO/ABS	7,055	151	-	(1,225)	65	(65)	-	5,981	(378)
Total other bond securities	8,846	165	-	(1,438)	65	(83)	-	7,555	(409)
Equity securities available for sale:									
Common stock	-	-	-	-	-	-	-	-	-
Total equity securities available for sale	-	-	-	-	-	-	-	-	-
Other equity securities	14	-	-	(14)	-	-	-	-	-
Mortgage and other loans receivable	11	-	-	-	-	-	-	11	-
Other invested assets	332	(5)	2	(19)	-	(54)	-	256	(2)
Total	$ 38,020	$ 990	$ 91	$ (415)	$ 1,003	$ (1,233)	$ (88)	$ 38,368	$ (411)

(in millions)	Fair value Beginning of Period	Net Realized and Unrealized (Gains) Losses Included in Income	Other Comprehensive Income (Loss)	Purchases, Sales, Issues and Settlements, Net	Gross Transfers In	Gross Transfers Out	Reclassified to Liabilities Held for Sale	Fair value End of Period	Changes in Unrealized Gains (Losses) Included in Income on Instruments Held at End of Period
Liabilities:									
Policyholder contract deposits	$ 2,289	$ 1,508	$ -	$ 225	$ -	$ -	$ -	$ 4,022	$ 38
Derivative liabilities, net:									
Interest rate contracts	50	4	-	(2)	-	-	-	52	(5)
Foreign exchange contracts	7	3	-	(1)	-	-	-	9	(2)
Equity contracts	(54)	(5)	-	5	-	-	-	(54)	5
Credit contracts	505	(70)	-	(91)	-	1	-	345	56
Other contracts	48	14	-	28	-	-	-	90	3
Total derivatives liabilities, net[(a)]	556	(54)	-	(61)	-	1	-	442	57
Long-term debt[(b)]	183	3	-	(3)	-	(113)	-	70	-
Total	$ 3,028	$ 1,457	$ -	$ 161	$ -	$ (112)	$ -	$ 4,534	$ 95

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

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

Net realized and unrealized gains and losses included in income related to Level 3 assets and liabilities 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, 2017				
Bonds available for sale	**$ 257**	**$ 8**	**$ -**	**$ 265**
Other bond securities	**87**	**(2)**	**92**	**177**
Other invested assets	**2**	**1**	**(3)**	**-**
Nine Months Ended September 30, 2017				
Bonds available for sale	**$ 849**	**$ (28)**	**$ -**	**$ 821**
Other bond securities	**259**	**-**	**390**	**649**
Other invested assets	**5**	**(1)**	**(1)**	**3**
Three Months Ended September 30, 2016				
Bonds available for sale	$ 294	$ (27)	$ 1	$ 268
Other bond securities	37	13	162	212
Other invested assets	5	(3)	(6)	(4)
Nine Months Ended September 30, 2016				
Bonds available for sale	$ 883	$ (56)	$ 3	$ 830
Other bond securities	29	45	91	165
Other invested assets	2	29	(36)	(5)

(in millions)	Net Investment Income	Net Realized Capital Gains (Losses)	Other Income	Total
Three Months Ended September 30, 2017				
Policyholder contract deposits	**$ -**	**$ 299**	**$ -**	**$ 299**
Derivative liabilities, net	**-**	**(5)**	**(46)**	**(51)**
Long-term debt	**-**	**-**	**2**	**2**
Nine Months Ended September 30, 2017				
Policyholder contract deposits	**$ -**	**$ 594**	**$ -**	**$ 594**
Derivative liabilities, net	**-**	**(13)**	**(128)**	**(141)**
Long-term debt	**-**	**-**	**16**	**16**
Three Months Ended September 30, 2016				
Policyholder contract deposits	$ -	$ 65	$ -	$ 65
Derivative liabilities, net	-	(5)	(54)	(59)
Long-term debt	-	-	3	3
Nine Months Ended September 30, 2016				
Policyholder contract deposits	$ -	$ 1,508	$ -	$ 1,508
Derivative liabilities, net	-	(1)	(53)	(54)
Long-term debt	-	-	3	3

The following table presents the gross components of purchases, sales, issues and settlements, net, shown above, for the three- and nine-month periods ended September 30, 2017 and 2016 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, 2017				
Assets:				
Bonds available for sale:				
Obligations of states, municipalities and political subdivisions	$ 56	$ -	$ (4)	$ 52
Non-U.S. governments	7	-	(7)	-
Corporate debt	6	(5)	(54)	(53)
RMBS	194	(16)	(909)	(731)
CMBS	-	(17)	(60)	(77)
CDO/ABS	402	(136)	(432)	(166)
Total bonds available for sale	665	(174)	(1,466)	(975)
Other bond securities:				
Corporate debt	-	-	-	-
RMBS	-	(51)	(79)	(130)
CMBS	42	-	-	42
CDO/ABS	-	(57)	(448)	(505)
Total other bond securities	42	(108)	(527)	(593)
Equity securities available for sale	4	-	(6)	(2)
Other equity securities	-	-	-	-
Other invested assets	46	(9)	(1)	36
Total assets	$ 757	$ (291)	$ (2,000)	$ (1,534)
Liabilities:				
Policyholder contract deposits	$ -	$ 79	$ 78	$ 157
Derivative liabilities, net	-	-	17	17
Long-term debt[(b)]	-	-	(60)	(60)
Total liabilities	$ -	$ 79	$ 35	$ 114
Three Months Ended September 30, 2016				
Assets:				
Bonds available for sale:				
Obligations of states, municipalities and political subdivisions	$ 98	$ -	$ (40)	$ 58
Non-U.S. governments	7	-	(4)	3
Corporate debt	-	-	(6)	(6)
RMBS	754	(23)	(896)	(165)
CMBS	50	(24)	(27)	(1)
CDO/ABS	902	(22)	(152)	728
Total bonds available for sale	1,811	(69)	(1,125)	617
Other bond securities:				
Corporate debt	-	-	-	-
RMBS	12	(74)	(58)	(120)
CMBS	-	(14)	(1)	(15)
CDO/ABS	-	(340)	(166)	(506)
Total other bond securities	12	(428)	(225)	(641)
Equity securities available for sale	-	-	-	-
Other equity securities	-	-	(14)	(14)
Other invested assets	21	-	(3)	18
Total assets	$ 1,844	$ (497)	$ (1,367)	$ (20)
Liabilities:				
Policyholder contract deposits	$ -	$ 95	$ (128)	$ (33)
Derivative liabilities, net	(2)	-	24	22
Long-term debt[(b)]	-	-	-	-
Total liabilities	$ (2)	$ 95	$ (104)	$ (11)

(in millions)	Purchases	Sales	Settlements	Purchases, Sales, Issues and Settlements, Net[a]
Nine Months Ended September 30, 2017				
Assets:				
Bonds available for sale:				
Obligations of states, municipalities and political subdivisions	$ 279	$ (16)	$ (42)	$ 221
Non-U.S. governments	7	(1)	(12)	(6)
Corporate debt	36	(59)	(196)	(219)
RMBS	834	(260)	(2,844)	(2,270)
CMBS	39	(128)	(610)	(699)
CDO/ABS	1,609	(136)	(995)	478
Total bonds available for sale	2,804	(600)	(4,699)	(2,495)
Other bond securities:				
Corporate debt	11	-	(1)	10
RMBS	112	(218)	(207)	(313)
CMBS	42	(11)	(7)	24
CDO/ABS	-	(65)	(1,257)	(1,322)
Total other bond securities	165	(294)	(1,472)	(1,601)
Equity securities available for sale	12	-	(6)	6
Other equity securities	-	-	-	-
Mortgage and other loans receivable	-	(6)	-	(6)
Other invested assets	89	(11)	(20)	58
Total assets	$ 3,070	$ (911)	$ (6,197)	$ (4,038)
Liabilities:				
Policyholder contract deposits	$ -	$ 231	$ 116	$ 347
Derivative liabilities, net	-	-	52	52
Long-term debt[b]	-	-	(84)	(84)
Total liabilities	$ -	$ 231	$ 84	$ 315
Nine Months Ended September 30, 2016				
Assets:				
Bonds available for sale:				
Obligations of states, municipalities and political subdivisions	$ 144	$ (7)	$ (86)	$ 51
Non-U.S. governments	10	-	(5)	5
Corporate debt	29	(25)	(46)	(42)
RMBS	2,297	(81)	(2,553)	(337)
CMBS	156	(82)	(243)	(169)
CDO/ABS	2,053	(33)	(472)	1,548
Total bonds available for sale	4,689	(228)	(3,405)	1,056
Other bond securities:				
Corporate debt	-	-	(1)	(1)
RMBS	101	(100)	(175)	(174)
CMBS	53	(85)	(6)	(38)
CDO/ABS	69	(376)	(918)	(1,225)
Total other bond securities	223	(561)	(1,100)	(1,438)
Equity securities available for sale	-	-	-	-
Other equity securities	14	-	(28)	(14)
Other invested assets	39	(2)	(56)	(19)
Total assets	$ 4,965	$ (791)	$ (4,589)	$ (415)
Liabilities:				
Policyholder contract deposits	$ -	$ 365	$ (140)	$ 225
Derivative liabilities, net	(5)	-	(56)	(61)
Long-term debt[b]	-	-	(3)	(3)
Total liabilities	$ (5)	$ 365	$ (199)	$ 161

(a) There were no issuances during the three- and nine-month periods ended September 30, 2017 and 2016, respectively.

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

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, 2017 and 2016 may include changes in fair value that were attributable to both observable (e.g., changes in market interest rates) and unobservable inputs (e.g., changes in unobservable long-dated volatilities).

Transfers of Level 3 Assets and Liabilities

We record transfers of assets and liabilities into or out of Level 3 classification at their fair values as of the end of each reporting period, consistent with the date of the determination of fair value. The Net realized and unrealized gains (losses) included in income or Other comprehensive income (loss) as shown in the table above excluded $49 million and $57 million of net losses related to assets and liabilities transferred into Level 3 during the three- and nine-month periods ended September 30, 2017, respectively, and included $32 million and $38 million of net losses related to assets and liabilities transferred out of Level 3 during the three- and nine-month periods ended September 30, 2017, respectively.

The Net realized and unrealized gains (losses) included in income (loss) or Other comprehensive income (loss) as shown in the table above excluded $11 million of net losses related to assets and liabilities transferred into Level 3 during the nine-month period ended September 30, 2016, and included $3 million and $54 million of net losses related to assets and liabilities transferred out of Level 3 during the three- and nine-month periods ended September 30, 2016, respectively.

Transfers of Level 3 Assets

During the three- and nine-month periods ended September 30, 2017 and 2016, transfers into Level 3 assets primarily included certain investments in private placement corporate debt, RMBS and CDO/ABS. Transfers of 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 and CDO and certain ABS into Level 3 assets were due to decreases in market transparency and liquidity for individual security types.

During the three- and nine-month periods ended September 30, 2017 and 2016, transfers out of Level 3 assets primarily included private placement and other corporate debt, CMBS, RMBS, CDO/ABS and certain investments in municipal securities. Transfers of certain investments 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 and certain ABS 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.

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, 2017 and 2016.

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 independent 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, 2017	Valuation Technique	Unobservable Input[b]	Range (Weighted Average)
Assets:				
Obligations of states, municipalities and political subdivisions	$ 1,578	Discounted cash flow	Yield	3.71% - 4.49% (4.10%)
Corporate debt	430	Discounted cash flow	Yield	4.18% - 4.52% (4.35%)
RMBS[a]	16,472	Discounted cash flow	Constant prepayment rate	2.54% - 11.06% (6.80%)
			Loss severity	47.05% - 79.54% (62.97%)
			Constant default rate	3.21% - 7.87% (5.54%)
			Yield	2.27% - 4.88% (3.58%)
CDO/ABS[a]	5,086	Discounted cash flow	Yield	3.26% - 4.99% (4.12%)
CMBS	488	Discounted cash flow	Yield	1.86% - 9.12% (5.49%)
Liabilities:				
Embedded derivatives within Policyholder contract deposits:				
Guaranteed minimum withdrawal benefits (GMWB)	2,104	Discounted cash flow	Equity volatility	5.00% - 40.00%
			Base lapse rate	0.35% - 14.00%
			Dynamic lapse multiplier	30.00% - 170.00%
			Mortality multiplier[c]	40.00% - 153.00%
			Utilization	100.00%
			Equity / interest-rate correlation	20.00% - 40.00%
Index Annuities	1,375	Discounted cash flow	Lapse rate	0.50% - 40.00%
			Mortality multiplier[c]	42.00% - 162.00%
Indexed Life	477	Discounted cash flow	Base lapse rate	2.00% to 19.00%
			Mortality rate	0.00% to 40.00%

(in millions)		Fair Value at December 31, 2016	Valuation Technique	Unobservable Input[b]	Range (Weighted Average)
Assets:					
Obligations of states, municipalities and political subdivisions	$	1,248	Discounted cash flow	Yield	4.12% - 4.91% (4.52%)
Corporate debt		498	Discounted cash flow	Yield	3.41% - 6.38% (4.90%)
RMBS[a]		17,412	Discounted cash flow	Constant prepayment rate	3.95% - 6.54% (5.25%)
				Loss severity	47.51% - 80.98% (64.24%)
				Constant default rate	3.28% - 8.64% (5.96%)
				Yield	3.28% - 5.87% (4.57%)
CDO/ABS[a]		4,368	Discounted cash flow	Yield	3.67% - 5.85% (4.76%)
CMBS		1,511	Discounted cash flow	Yield	0.48% - 10.21% (5.34%)
Liabilities:					
Embedded derivatives within Policyholder contract deposits:					
GMWB		1,777	Discounted cash flow	Equity volatility	13.00% - 50.00%
				Base lapse rate	0.50% - 20.00%
				Dynamic lapse multiplier	30.00% - 170.00%
				Mortality multiplier[c]	42.00% - 161.00%
				Utilization	100.00%
				Equity / interest-rate correlation	20.00% - 40.00%
Index Annuities		859	Discounted cash flow	Lapse rate	1.00% - 66.00%
				Mortality multiplier[c]	101.00% - 103.00%
Indexed Life		381	Discounted cash flow	Base lapse rate	2.00% - 19.00%
				Mortality rate	0.00% - 40.00%

(a) Information received from third-party valuation service providers. The ranges of the unobservable inputs for 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) Mortality inputs are shown as multipliers of the 2012 Individual Annuity Mortality Basic table.

The ranges of reported inputs for Obligations of states, municipalities and political subdivisions, Corporate debt, RMBS, CDO/ABS, and CMBS valued using a discounted cash flow technique consist of one standard deviation in either direction from the value-weighted average. The preceding table does not give effect to our risk management practices that might offset risks inherent in these Level 3 assets and liabilities.

Sensitivity to Changes in Unobservable Inputs

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

Obligations of States, Municipalities and Political Subdivisions

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

Corporate Debt

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

RMBS and CDO/ABS

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

Embedded derivatives within Policyholder contract deposits

Embedded derivatives reported within Policyholder contract deposits include GMWB within variable annuity products and interest crediting rates based on market indices within index annuities, indexed life and guaranteed investment contracts (GICs). For any given contract, assumptions for unobservable inputs vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative. The following unobservable inputs are used for valuing embedded derivatives measured at fair value:

- Long-term equity volatilities represent equity volatility beyond the period for which observable equity volatilities are available. Increases in assumed volatility will generally increase the fair value of both the projected cash flows from rider fees as well as the projected cash flows related to benefit payments. Therefore, the net change in the fair value of the liability may be either a decrease or an increase, depending on the relative changes in projected rider fees and projected benefit payments.
- Equity / interest rate correlation estimates the relationship between changes in equity returns and interest rates in the economic scenario generator used to value our GMWB embedded derivatives. In general, a higher positive correlation assumes that equity markets and interest rates move in a more correlated fashion, which generally increases the fair value of the liability.
- Base lapse rate assumptions are determined by company experience and are adjusted at the contract level using a dynamic lapse function, which reduces the base lapse rate when the contract is in-the-money (when the contract holder’s guaranteed value, as estimated by the company, is worth more than their underlying account value). Lapse rates are also generally assumed to be lower in periods when a surrender charge applies. Increases in assumed lapse rates will generally decrease the fair value of the liability, as fewer policyholders would persist to collect guaranteed withdrawal amounts, but in certain scenarios, increases in assumed lapse rates may increase the fair value of the liability.
- Mortality rate assumptions, which vary by age and gender, are based on company experience and include a mortality improvement assumption. Increases in assumed mortality rates will decrease the fair value of the liability, while lower mortality rate assumptions will generally increase the fair value of the liability, because guaranteed payments will be made for a longer period of time.

- Utilization assumptions estimate the timing when policyholders with a GMWB will elect to utilize their benefit and begin taking withdrawals. The assumptions may vary by the type of guarantee, tax-qualified status, the contract's withdrawal history and the age of the policyholder. Utilization assumptions are based on company experience, which includes partial withdrawal behavior. Increases in assumed utilization rates will generally increase the fair value of the liability.

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, hedge funds and other alternative investments that calculate net asset value per share (or its equivalent). For these investments, which are measured at fair value on a recurring basis, we use the net asset value per share to measure fair value.

		September 30, 2017		December 31, 2016	
(in millions)	Investment Category Includes	Fair Value Using NAV Per Share (or its equivalent)	Unfunded Commitments	Fair Value Using NAV 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	$ 1,310	$ 761	$ 1,424	$ 750
Real Estate / Infrastructure	Investments in real estate properties and infrastructure positions, including power plants and other energy generating facilities	226	185	258	208
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	127	44	137	31
Distressed	Securities of companies that are in default, under bankruptcy protection, or troubled	119	43	123	44
Other	Includes multi-strategy, mezzanine and other strategies	400	237	312	215
Total private equity funds		2,182	1,270	2,254	1,248
Hedge funds:					
Event-driven	Securities of companies undergoing material structural changes, including mergers, acquisitions and other reorganizations	1,228	-	1,453	9
Long-short	Securities that the manager believes are undervalued, with corresponding short positions to hedge market risk	1,317	-	1,429	-
Macro	Investments that take long and short positions in financial instruments based on a top-down view of certain economic and capital market conditions	1,016	-	992	-
Distressed	Securities of companies that are in default, under bankruptcy protection or troubled	278	7	416	8
Other	Includes investments held in funds that are less liquid, as well as other strategies which allow for broader allocation between public and private investments	222	4	197	14
Total hedge funds		4,061	11	4,487	31
Total		$ 6,243	$ 1,281	$ 6,741	$ 1,279

Private equity fund investments included above are not redeemable, because distributions from the funds will be received when underlying investments of the funds are liquidated. Private equity funds are generally expected to have 10-year lives at their inception, but these lives may be extended at the fund manager's discretion, typically in one or two-year increments. At September 30, 2017, assuming average original expected lives of 10 years for the funds, 62 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, 17 percent between four and six years and 21 percent between seven and 10 years.

The hedge fund investments included above, which are carried at fair value, are generally redeemable monthly (21 percent), quarterly (45 percent), semi-annually (11 percent) and annually (23 percent), with redemption notices ranging from one day to 180 days. At September 30, 2017, investments representing approximately 49 percent of the total fair value of these hedge fund investments had partial contractual redemption restrictions. These partial redemption restrictions are generally related to one or more investments held in the hedge funds that the fund manager deemed to be illiquid. 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. The majority of these restrictions are generally expected to be lifted by the end of 2018.

FAIR VALUE OPTION

The following table presents the gains or 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)	**2017**	2016	**2017**	2016
Assets:				
Bond and equity securities	**$ 289**	$ 331	**$ 1,088**	$ 629
Alternative Investments[(a)]	**129**	154	**406**	(60)
Other, including Short-term investments	**1**	-	**1**	-
Liabilities:				
Long-term debt[(b)]	**(18)**	8	**(66)**	(239)
Other liabilities	**(1)**	-	**(2)**	-
Total gain	**$ 400**	$ 493	**$ 1,427**	$ 330

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

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

We recognized gains of $2 million during both three- and nine-month periods ended September 30, 2017 and gains of $6 million and $14 million during the three- and nine-month periods ended September 30, 2016, 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, 2017			December 31, 2016		
(in millions)	Fair Value	Outstanding Principal Amount	Difference	Fair Value	Outstanding Principal Amount	Difference
Assets:						
Mortgage and other loans receivable	**$ 5**	**$ 5**	**$ -**	$ 11	$ 8	$ 3
Liabilities:						
Long-term debt*	**$ 2,998**	**$ 2,353**	**$ 645**	$ 3,428	$ 2,628	$ 800

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

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				Impairment Charges			
	Non-Recurring Basis				Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	Level 1	Level 2	Level 3	Total	2017	2016	2017	2016
September 30, 2017								
Other investments	$ -	$ -	$ 62	$ 62	$ 26	$ 27	$ 76	$ 58
Investments in life settlements	-	-	1,759	1,759	273	80	360	329
Other assets*	-	-	-	-	-	2	35	11
Total	$ -	$ -	$ 1,821	$ 1,821	$ 299	$ 109	$ 471	$ 398
December 31, 2016								
Other investments	$ -	$ -	$ 364	$ 364				
Investments in life settlements	-	-	736	736				
Other assets	-	-	2	2				
Total	$ -	$ -	$ 1,102	$ 1,102				

* Impairments include $35 million related to other assets that were sold during the three-month period ended June 30, 2017.

FAIR VALUE INFORMATION ABOUT FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

The following table presents the carrying amounts and estimated fair values 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, 2017					
Assets:					
Mortgage and other loans receivable	$ -	$ 155	$ 36,750	$ 36,905	$ 36,084
Other invested assets	-	665	6	671	661
Short-term investments	-	7,172	-	7,172	7,172
Cash	2,433	-	-	2,433	2,433
Liabilities:					
Policyholder contract deposits associated with investment-type contracts	-	353	123,656	124,009	114,070
Other liabilities	-	4,896	-	4,896	4,896
Long-term debt	-	23,687	3,486	27,173	28,041
December 31, 2016					
Assets:					
Mortgage and other loans receivable	$ -	$ 161	$ 33,575	$ 33,736	$ 33,229
Other invested assets	-	955	2,053	3,008	3,474
Short-term investments	-	8,961	-	8,961	8,961
Cash	1,868	-	-	1,868	1,868
Liabilities:					
Policyholder contract deposits associated with investment-type contracts	-	382	121,742	122,124	112,705
Other liabilities	-	4,196	-	4,196	4,196
Long-term debt	-	23,117	3,333	26,450	27,484

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, 2017					
Bonds available for sale:					
U.S. government and government sponsored entities	**$ 2,252**	**$ 152**	**$ (20)**	**$ 2,384**	**$ -**
Obligations of states, municipalities and political subdivisions	**17,637**	**1,235**	**(41)**	**18,831**	**-**
Non-U.S. governments	**14,885**	**808**	**(100)**	**15,593**	**-**
Corporate debt	**126,014**	**8,519**	**(848)**	**133,685**	**10**
Mortgage-backed, asset-backed and collateralized:					
RMBS	**34,270**	**3,421**	**(182)**	**37,509**	**1,737**
CMBS	**13,154**	**456**	**(92)**	**13,518**	**52**
CDO/ABS	**15,931**	**374**	**(54)**	**16,251**	**29**
Total mortgage-backed, asset-backed and collateralized	**63,355**	**4,251**	**(328)**	**67,278**	**1,818**
Total bonds available for sale[(b)]	**224,143**	**14,965**	**(1,337)**	**237,771**	**1,828**
Equity securities available for sale:					
Common stock	**708**	**357**	**(9)**	**1,056**	**-**
Preferred stock	**504**	**73**	**-**	**577**	**-**
Mutual funds	**62**	**12**	**-**	**74**	**-**
Total equity securities available for sale	**1,274**	**442**	**(9)**	**1,707**	**-**
Total	**$ 225,417**	**$ 15,407**	**$ (1,346)**	**$ 239,478**	**$ 1,828**
December 31, 2016					
Bonds available for sale:					
U.S. government and government sponsored entities	$ 1,870	$ 148	$ (26)	$ 1,992	$ -
Obligations of states, municipalities and political subdivisions	24,025	1,001	(254)	24,772	-
Non-U.S. governments	14,018	773	(256)	14,535	-
Corporate debt	126,648	7,271	(1,739)	132,180	(31)
Mortgage-backed, asset-backed and collateralized:					
RMBS	35,311	2,541	(478)	37,374	1,212
CMBS	14,054	409	(192)	14,271	45
CDO/ABS	16,315	278	(180)	16,413	39
Total mortgage-backed, asset-backed and collateralized	65,680	3,228	(850)	68,058	1,296
Total bonds available for sale[(b)]	232,241	12,421	(3,125)	241,537	1,265
Equity securities available for sale:					
Common stock	708	369	(12)	1,065	-
Preferred stock	748	4	-	752	-
Mutual funds	241	23	(3)	261	-
Total equity securities available for sale	1,697	396	(15)	2,078	-
Total	$ 233,938	$ 12,817	$ (3,140)	$ 243,615	$ 1,265

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

(b) At September 30, 2017 and December 31, 2016, bonds available for sale held by us that were below investment grade or not rated totaled $31.2 billion and $33.6 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, 2017						
Bonds available for sale:						
U.S. government and government sponsored entities	**$ 766**	**$ 10**	**$ 237**	**$ 10**	**$ 1,003**	**$ 20**
Obligations of states, municipalities and political subdivisions	**871**	**9**	**638**	**32**	**1,509**	**41**
Non-U.S. governments	**2,354**	**17**	**793**	**83**	**3,147**	**100**
Corporate debt	**13,155**	**272**	**7,984**	**576**	**21,139**	**848**
RMBS	**5,861**	**99**	**2,287**	**83**	**8,148**	**182**
CMBS	**2,663**	**37**	**1,173**	**55**	**3,836**	**92**
CDO/ABS	**1,864**	**24**	**755**	**30**	**2,619**	**54**
Total bonds available for sale	**27,534**	**468**	**13,867**	**869**	**41,401**	**1,337**
Equity securities available for sale:						
Common stock	**149**	**9**	**1**	**-**	**150**	**9**
Mutual funds	**6**	**-**	**-**	**-**	**6**	**-**
Total equity securities available for sale	**155**	**9**	**1**	**-**	**156**	**9**
Total	**$ 27,689**	**$ 477**	**$ 13,868**	**$ 869**	**$ 41,557**	**$ 1,346**
December 31, 2016						
Bonds available for sale:						
U.S. government and government sponsored entities	$ 720	$ 26	$ -	$ -	$ 720	$ 26
Obligations of states, municipalities and political subdivisions	5,814	221	231	33	6,045	254
Non-U.S. governments	3,865	162	489	94	4,354	256
Corporate debt	28,184	1,013	6,080	726	34,264	1,739
RMBS	8,794	252	4,045	226	12,839	478
CMBS	4,469	152	479	40	4,948	192
CDO/ABS	5,362	102	1,961	78	7,323	180
Total bonds available for sale	57,208	1,928	13,285	1,197	70,493	3,125
Equity securities available for sale:						
Common stock	125	12	-	-	125	12
Mutual funds	64	3	-	-	64	3
Total equity securities available for sale	189	15	-	-	189	15
Total	$ 57,397	$ 1,943	$ 13,285	$ 1,197	$ 70,682	$ 3,140

At September 30, 2017, we held 6,115 and 75 individual fixed maturity and equity securities, respectively, that were in an unrealized loss position, of which 1,721 and three individual fixed maturity and equity securities, respectively, were in a continuous unrealized loss position for 12 months or more. We did not recognize the unrealized losses in earnings on these fixed maturity securities at September 30, 2017 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:

	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
September 30, 2017				
Due in one year or less	**$ 8,929**	**$ 9,129**	**$ 1,400**	**$ 1,386**
Due after one year through five years	**47,237**	**49,651**	**5,260**	**5,134**
Due after five years through ten years	**41,576**	**43,101**	**8,841**	**8,474**
Due after ten years	**63,046**	**68,612**	**12,306**	**11,804**
Mortgage-backed, asset-backed and collateralized	**63,355**	**67,278**	**14,931**	**14,603**
Total	**$ 224,143**	**$ 237,771**	**$ 42,738**	**$ 41,401**
December 31, 2016				
Due in one year or less	$ 7,796	$ 7,994	$ 604	$ 581
Due after one year through five years	49,200	51,958	6,002	5,841
Due after five years through ten years	43,308	44,226	16,045	15,332
Due after ten years	66,257	69,301	25,007	23,629
Mortgage-backed, asset-backed and collateralized	65,680	68,058	25,960	25,110
Total	$ 232,241	$ 241,537	$ 73,618	$ 70,493

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,			
	2017		2016		**2017**		2016	
(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	**$ 93**	**$ 39**	$ 189	$ 54	**$ 637**	**$ 263**	$ 593	$ 696
Equity securities	**6**	**2**	54	1	**106**	**20**	1,066	15
Total	**$ 99**	**$ 41**	$ 243	$ 55	**$ 743**	**$ 283**	$ 1,659	$ 711

For the three- and nine-month periods ended September 30, 2017, the aggregate fair value of available for sale securities sold was $4.4 billion and $27.8 billion, respectively, which resulted in net realized capital gains of $58 million and $460 million, respectively.

For the three- and nine-month periods ended September 30, 2016, the aggregate fair value of available for sale securities sold was $7.9 billion and $22.3 billion, respectively, which resulted in net realized capital gains of $188 million and $948 million, respectively.

OTHER SECURITIES MEASURED AT FAIR VALUE

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

	September 30, 2017		December 31, 2016	
(in millions)	Fair Value	Percent of Total	Fair Value	Percent of Total
Fixed maturity securities:				
U.S. government and government sponsored entities	$ 2,829	22 %	$ 2,939	20 %
Obligations of states, municipalities and political subdivisions	-	-	-	-
Non-U.S. governments	55	-	51	-
Corporate debt	1,862	14	1,772	12
Mortgage-backed, asset-backed and collateralized:				
RMBS	1,869	14	2,025	14
CMBS	556	4	603	4
CDO/ABS and other collateralized*	5,482	42	6,608	47
Total mortgage-backed, asset-backed and collateralized	7,907	60	9,236	65
Total fixed maturity securities	12,653	96	13,998	97
Equity securities	538	4	482	3
Total	$ 13,191	100 %	$ 14,480	100 %

* Includes $270 million and $421 million of U.S. government agency-backed ABS at September 30, 2017 and December 31, 2016, respectively.

OTHER INVESTED ASSETS

The following table summarizes the carrying amounts of other invested assets:

(in millions)	September 30, 2017	December 31, 2016
Alternative investments[(a) (b)]	$ 12,042	$ 13,379
Investment real estate[(c)]	7,465	6,900
Aircraft asset investments[(d)]	218	321
Investments in life settlements	1,759	2,516
All other investments	1,106	1,422
Total	$ 22,590	$ 24,538

(a) At September 30, 2017, includes hedge funds of $6.3 billion, private equity funds of $5.2 billion, and affordable housing partnerships of $558 million. At December 31, 2016, includes hedge funds of $7.2 billion, private equity funds of $5.5 billion, and affordable housing partnerships of $625 million.

(b) Approximately 45 percent and 32 percent of our hedge fund portfolio is available for redemption in 2017 and 2018, respectively, an additional 17 percent will be available between 2019 and 2024.

(c) Net of accumulated depreciation of $510 million and $451 million in September 30, 2017 and December 31, 2016, respectively.

(d) Consists of investments in aircraft equipment held in a consolidated trust.

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)	**2017**	2016	**2017**	2016
Fixed maturity securities, including short-term investments	**$ 2,697**	$ 2,935	**$ 8,326**	$ 8,863
Equity securities	**5**	25	**22**	(19)
Interest on mortgage and other loans	**414**	379	**1,206**	1,144
Alternative investments*	**355**	365	**1,174**	309
Real estate	**51**	37	**131**	125
Other investments	**30**	157	**246**	395
Total investment income	**3,552**	3,898	**11,105**	10,817
Investment expenses	**136**	115	**390**	338
Net investment income	**$ 3,416**	$ 3,783	**$ 10,715**	$ 10,479

* Includes income from hedge funds, private equity funds and affordable housing partnerships. Hedge funds for which we elected the fair value option are recorded as of the balance sheet date. Other hedge funds are generally reported on a one-month lag, while private equity funds are generally reported on a one-quarter lag.

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)	**2017**	2016	**2017**	2016
Sales of fixed maturity securities	**$ 54**	$ 135	**$ 374**	$ (103)
Sales of equity securities	**4**	53	**86**	1,051
Other-than-temporary impairments:				
Severity	**-**	(10)	**(2)**	(15)
Change in intent	**(1)**	(2)	**(9)**	(35)
Foreign currency declines	**(1)**	(7)	**(11)**	(14)
Issuer-specific credit events	**(85)**	(77)	**(197)**	(303)
Adverse projected cash flows	**(1)**	(6)	**(4)**	(47)
Provision for loan losses	**(38)**	8	**(56)**	8
Foreign exchange transactions	**66**	(639)	**299**	(1,197)
Variable annuity embedded derivatives, net of related hedges	**(430)**	(309)	**(1,023)**	(482)
All other derivatives and hedge accounting	**(136)**	83	**(217)**	353
Impairments on investments in life settlements	**(273)**	(80)	**(360)**	(329)
Other*	**(81)**	86	**14**	284
Net realized capital losses	**$ (922)**	$ (765)	**$ (1,106)**	$ (829)

* Includes $107 million of realized gains due to a purchase price adjustment on the sale of Class B shares of Prudential Financial, Inc. for the nine months ended September 30, 2016.

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)	**2017**	2016	**2017**	2016
Increase (decrease) in unrealized appreciation (depreciation) of investments:				
Fixed maturity securities	**$ 1,059**	$ 1,595	**$ 4,332**	$ 11,957
Equity securities	**9**	(19)	**52**	(1,159)
Other investments	**10**	(29)	**(127)**	(243)
Total Increase (decrease) in unrealized appreciation (depreciation) of investments*	**$ 1,078**	$ 1,547	**$ 4,257**	$ 10,555

* Excludes net unrealized losses 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 2016 Annual Report.

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)	**2017**	2016	**2017**	2016
Balance, beginning of period	**$ 762**	$ 1,298	**$ 1,098**	$ 1,747
Increases due to:				
Credit impairments on new securities subject to impairment losses	**58**	23	**116**	146
Additional credit impairments on previously impaired securities	**12**	37	**49**	166
Reductions due to:				
Credit impaired securities fully disposed of for which there was no prior intent or requirement to sell	**(44)**	(39)	**(99)**	(282)
Accretion on securities previously impaired due to credit*	**(147)**	(187)	**(523)**	(645)
Impairments on securities reclassified to Assets held for sale	**-**	(2)	**-**	(2)
Balance, end of period	**$ 641**	$ 1,130	**$ 641**	$ 1,130

* 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 whether it is probable at acquisition that we will not collect all contractually required payments for these PCI securities, including both principal and interest. 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 an effective 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.

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)	**$ 36,228**
Cash flows expected to be collected*	**29,649**
Recorded investment in acquired securities	**19,944**

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

(in millions)	**September 30, 2017**	December 31, 2016
Outstanding principal balance	**$ 14,977**	$ 16,728
Amortized cost	**10,636**	11,987
Fair value	**12,470**	12,922

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2017**	2016	**2017**	2016
Balance, beginning of period	**$ 7,465**	$ 7,043	**$ 7,498**	$ 6,846
Newly purchased PCI securities	**16**	177	**117**	628
Disposals	**-**	-	**(18)**	-
Accretion	**(193)**	(214)	**(609)**	(637)
Effect of changes in interest rate indices	**(74)**	(196)	**(188)**	(435)
Net reclassification from (to) non-accretable difference, including effects of prepayments	**172**	158	**586**	566
Balance, end of period	**$ 7,386**	$ 6,968	**$ 7,386**	$ 6,968

PLEDGED INVESTMENTS

Secured Financing and Similar Arrangements

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

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

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

(in millions)	**September 30, 2017**	December 31, 2016
Fixed maturity securities available for sale	**$ 2,988**	$ 2,389
Other bond securities, at fair value	**$ 1,869**	$ 1,799

At September 30, 2017 and December 31, 2016, amounts borrowed under repurchase and securities lending agreements totaled $4.9 billion and $4.2 billion, respectively.

The following table presents the fair value of securities pledged under our repurchase agreements by collateral type and by remaining contractual maturity:

	Remaining Contractual Maturity of the Agreements					
(in millions)	Overnight and Continuous	up to 30 days	31 - 90 days	91 - 364 days	365 days or greater	Total
September 30, 2017						
Bonds available for sale:						
Non-U.S. governments	**$ -**	**$ 40**	**$ -**	**$ -**	**$ -**	**$ 40**
Corporate debt	**-**	**17**	**44**	**11**	**-**	**72**
Other bond securities:						
U.S. government and government sponsored entities	**33**	**-**	**-**	**-**	**-**	**33**
Non-U.S. governments	**-**	**-**	**-**	**55**	**-**	**55**
Corporate debt	**-**	**422**	**1,089**	**270**	**-**	**1,781**
Total	**$ 33**	**$ 479**	**$ 1,133**	**$ 336**	**$ -**	**$ 1,981**
December 31, 2016						
Other bond securities:						
Non-U.S. governments	$ -	$ -	$ -	$ 51	$ -	$ 51
Corporate debt	-	163	860	725	-	1,748
Total	$ -	$ 163	$ 860	$ 776	$ -	$ 1,799

The following table presents the fair value of securities pledged under our securities lending agreements by collateral type and by remaining contractual maturity:

	Remaining Contractual Maturity of the Agreements					
(in millions)	Overnight and Continuous	up to 30 days	31 - 90 days	91 - 364 days	365 days or greater	Total
September 30, 2017						
Bonds available for sale:						
Obligations of states, municipalities and political subdivisions	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Non-U.S. governments	**-**	**68**	**-**	**-**	**-**	**68**
Corporate debt	**-**	**704**	**1,608**	**496**	**-**	**2,808**
CMBS	**-**	**-**	**-**	**-**	**-**	**-**
Total	**$ -**	**$ 772**	**$ 1,608**	**$ 496**	**$ -**	**$ 2,876**
December 31, 2016						
Bonds available for sale:						
Obligations of states, municipalities and political subdivisions	$ -	$ 21	$ -	$ -	$ -	$ 21
Non-U.S. governments	-	-	50	-	-	50
Corporate debt	-	791	1,466	-	-	2,257
CMBS	-	-	61	-	-	61
Total	$ -	$ 812	$ 1,577	$ -	$ -	$ 2,389

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

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

(in millions)	September 30, 2017	December 31, 2016
Securities collateral pledged to us	$ 2,054	$ 1,434
Amount sold or repledged by us	$ 80	$ 11

Insurance – Statutory and Other Deposits

The total carrying value 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, was $4.9 billion at both September 30, 2017 and December 31, 2016.

Other Pledges and Restrictions

Certain of our subsidiaries are members of Federal Home Loan Banks (FHLBs) and such membership requires the members to own stock in these FHLBs. We owned an aggregate of $103 million and $114 million of stock in FHLBs at September 30, 2017 and December 31, 2016, respectively. In addition, our subsidiaries have pledged securities available for sale and residential loans associated with advances from FHLB, with a fair value of $2.9 billion and $223 million, respectively, at September 30, 2017 and $3.4 billion and $17 million, respectively, at December 31, 2016, 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 was approximately $2.1 billion and $2.2 billion at September 30, 2017 and December 31, 2016, 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.

Investments held in escrow accounts or otherwise subject to restriction as to their use were $411 million and $523 million, comprised of bonds available for sale and short term investments at September 30, 2017 and December 31, 2016, respectively.

7. Lending Activities

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

(in millions)	September 30, 2017	December 31, 2016
Commercial mortgages*	$ 27,930	$ 25,042
Residential mortgages	4,991	3,828
Life insurance policy loans	2,301	2,367
Commercial loans, other loans and notes receivable	1,212	2,300
Total mortgage and other loans receivable	36,434	33,537
Allowance for credit losses	(345)	(297)
Mortgage and other loans receivable, net	$ 36,089	$ 33,240

* Commercial mortgages primarily represent loans for offices, apartments and retail properties, with exposures in New York and California representing the largest geographic concentrations (aggregating approximately 22 percent and 12 percent, respectively, at September 30, 2017, and 24 percent and 12 percent, respectively, at December 31, 2016).

CREDIT QUALITY OF COMMERCIAL MORTGAGES

The following table presents debt service coverage ratios and loan-to-value ratios for commercial mortgages:

	Debt Service Coverage Ratios[a]			
(in millions)	>1.20X	1.00X - 1.20X	<1.00X	Total
September 30, 2017				
Loan-to-Value Ratios[b]				
Less than 65%	$ 17,040	$ 1,960	$ 355	$ 19,355
65% to 75%	5,466	418	205	6,089
76% to 80%	672	54	53	779
Greater than 80%	1,189	437	81	1,707
Total commercial mortgages	$ 24,367	$ 2,869	$ 694	$ 27,930
December 31, 2016				
Loan-to-Value Ratios[b]				
Less than 65%	$ 13,998	$ 1,694	$ 232	$ 15,924
65% to 75%	5,946	575	62	6,583
76% to 80%	1,246	174	47	1,467
Greater than 80%	471	392	205	1,068
Total commercial mortgages	$ 21,661	$ 2,835	$ 546	$ 25,042

(a) The debt service coverage ratio compares a property's net operating income to its debt service payments, including principal and interest. Our weighted average debt service coverage ratio was 1.8X and 1.9X at September 30, 2017 and December 31, 2016, respectively.

(b) The loan-to-value ratio compares the current unpaid principal balance of the loan to the estimated fair value of the underlying property collateralizing the loan. Our weighted average loan-to-value ratio was 58 percent at both September 30, 2017, and December 31, 2016.

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

(dollars in millions)	Number of Loans	Class: Apartments	Offices	Retail	Industrial	Hotel	Others	Total[(c)]	Percent of Total $
September 30, 2017									
Credit Quality Performance Indicator:									
In good standing	**770**	**$ 7,274**	**$ 8,642**	**$ 5,367**	**$ 2,147**	**$ 2,391**	**$ 2,002**	**$ 27,823**	**100 %**
Restructured[(a)]	**3**	**-**	**15**	**4**	**-**	**16**	**-**	**35**	**-**
90 days or less delinquent	**1**	**-**	**14**	**-**	**-**	**-**	**-**	**14**	**-**
>90 days delinquent or in process of foreclosure	**2**	**-**	**40**	**18**	**-**	**-**	**-**	**58**	**-**
Total[(b)]	**776**	**$ 7,274**	**$ 8,711**	**$ 5,389**	**$ 2,147**	**$ 2,407**	**$ 2,002**	**$ 27,930**	**100 %**
Allowance for credit losses:									
Specific		**$ -**	**$ 3**	**$ 31**	**$ -**	**$ 1**	**$ -**	**$ 35**	**- %**
General		**61**	**93**	**36**	**8**	**14**	**17**	**229**	**1**
Total allowance for credit losses		**$ 61**	**$ 96**	**$ 67**	**$ 8**	**$ 15**	**$ 17**	**$ 264**	**1 %**
December 31, 2016									
Credit Quality Performance Indicator:									
In good standing	784	$ 6,005	$ 7,830	$ 5,179	$ 1,898	$ 2,373	$ 1,589	$ 24,874	99 %
Restructured[(a)]	4	-	134	18	-	16	-	168	1
90 days or less delinquent	-	-	-	-	-	-	-	-	-
>90 days delinquent or in process of foreclosure	-	-	-	-	-	-	-	-	-
Total[(b)]	788	$ 6,005	$ 7,964	$ 5,197	$ 1,898	$ 2,389	$ 1,589	$ 25,042	100 %
Allowance for credit losses:									
Specific		$ -	$ 3	$ 1	$ 6	$ 1	$ -	$ 11	- %
General		35	72	41	7	13	15	183	1
Total allowance for credit losses		$ 35	$ 75	$ 42	$ 13	$ 14	$ 15	$ 194	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 2016 Annual Report.*

(b) Does not reflect allowance for credit losses.

(c) 99.7 percent of the commercial mortgages held at such respective dates were current as to payments of principal and interest. There were no significant amounts of nonperforming commercial mortgages (defined as those loans where payment of contractual principal or interest is more than 90 days past due) during any of the periods presented.

ALLOWANCE FOR CREDIT LOSSES

For a discussion of our accounting policy for evaluating Mortgage and other loans receivable for impairment see Note 7 to the Consolidated Financial Statements in the 2016 Annual Report

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)*	**2017** Commercial Mortgages	Other Loans	Total	2016 Commercial Mortgages	Other Loans	Total
Allowance, beginning of year	**$ 194**	**$ 103**	**$ 297**	$ 171	$ 137	$ 308
Loans charged off	**(5)**	**(2)**	**(7)**	(13)	(2)	(15)
Recoveries of loans previously charged off	**-**	**-**	**-**	11	-	11
Net charge-offs	**(5)**	**(2)**	**(7)**	(2)	(2)	(4)
Provision for loan losses	**75**	**(20)**	**55**	20	(25)	(5)
Other	**-**	**-**	**-**	-	-	-
Allowance, end of period	**$ 264 ***	**$ 81**	**$ 345**	$ 189 *	$ 110	$ 299

* Of the total allowance, $35 million and $11 million relate to individually assessed credit losses on $342 million and $292 million of commercial mortgages at September 30, 2017 and 2016, respectively.

During the nine-month period ended September 30, 2017, loans with a carrying value of $25 million were modified in troubled debt restructurings. Loans that had been modified in troubled debt restructurings during the nine-month period ended September 30, 2016 have been fully paid off.

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, related contractual relationships and terms, nature of the VIE's operations and purpose, nature of the VIE's interests issued and our involvement with the entity. When assessing the need to consolidate a VIE, we evaluate the design of the VIE as well as the related risks the entity was designed to expose the variable interest holders to.

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

BALANCE SHEET CLASSIFICATION AND EXPOSURE TO LOSS

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

(in millions)	Real Estate and Investment Entities[d]	Securitization Vehicles[e]	Structured Investment Vehicle	Affordable Housing Partnerships	Other	Total
September 30, 2017						
Assets:						
Bonds available for sale	**$ -**	**$ 10,144**	**$ -**	**$ -**	**$ -**	**$ 10,144**
Other bond securities	**-**	**4,427**	**-**	**-**	**4**	**4,431**
Mortgage and other loans receivable	**-**	**1,641**	**-**	**-**	**-**	**1,641**
Other invested assets	**1,047**	**218**	**-**	**3,050**	**25**	**4,340**
Other [a]	**358**	**1,196**	**4**	**463**	**83**	**2,104**
Total assets[b]	**$ 1,405**	**$ 17,626**	**$ 4**	**$ 3,513**	**$ 112**	**$ 22,660**
Liabilities:						
Long-term debt	**$ 465**	**$ 1,099**	**$ 3**	**$ 1,861**	**$ 5**	**$ 3,433**
Other [c]	**112**	**137**	**-**	**209**	**27**	**485**
Total liabilities	**$ 577**	**$ 1,236**	**$ 3**	**$ 2,070**	**$ 32**	**$ 3,918**
December 31, 2016						
Assets:						
Bonds available for sale	$ -	$ 10,233	$ -	$ -	$ -	$ 10,233
Other bond securities	-	4,858	266	-	5	5,129
Mortgage and other loans receivable	1	1,442	-	-	104	1,547
Other invested assets	1,052	321	-	2,821	28	4,222
Other [a]	365	1,104	50	384	92	1,995
Total assets[b]	$ 1,418	$ 17,958	$ 316	$ 3,205	$ 229	$ 23,126
Liabilities:						
Long-term debt	$ 444	$ 771	$ 56	$ 1,696	$ 6	$ 2,973
Other[c]	224	203	1	211	38	677
Total liabilities	$ 668	$ 974	$ 57	$ 1,907	$ 44	$ 3,650

(a) Comprised primarily of Short-term investments and Other assets at September 30, 2017 and December 31, 2016.

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

(c) Comprised primarily of Other liabilities at September 30, 2017 and December 31, 2016.

(d) At September 30, 2017 and December 31, 2016, off-balance sheet exposure primarily consisting of commitments to real estate and investment entities was $98.6 million and $106 million, respectively.

(e) At September 30, 2017 and December 31, 2016, $17.0 billion and $17.3 billion, respectively, of the total assets of consolidated securitization vehicles were owed to AIG Parent or its subsidiaries.

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[b]	Off-Balance Sheet	Total
September 30, 2017				
Real estate and investment entities[a]	**$ 378,378**	**$ 9,876**	**$ 2,019**	**$ 11,895**
Affordable housing partnerships	**4,549**	**736**	**-**	**736**
Other	**2,882**	**277**	**1,189** [c]	**1,466**
Total	**$ 385,809**	**$ 10,889**	**$ 3,208**	**$ 14,097**
December 31, 2016				
Real estate and investment entities[a]	$ 409,087	$ 11,015	$ 2,115	$ 13,130
Affordable housing partnerships	4,709	785	-	785
Other	2,869	314	1,045 [c]	1,359
Total	$ 416,665	$ 12,114	$ 3,160	$ 15,274

(a) Comprised primarily of hedge funds and private equity funds.

(b) At September 30, 2017 and December 31, 2016, $10.5 billion and $11.7 billion, respectively, of our total unconsolidated VIE assets were recorded as Other invested assets.

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

For additional information on VIEs see Note 10 to the Consolidated Financial Statements in the 2016 Annual Report.

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.

For a discussion of our accounting policies and procedures regarding derivatives and hedge accounting see Note 11 to the Consolidated Financial Statements in the 2016 Annual Report.

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

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

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

	September 30, 2017				December 31, 2016			
	Gross Derivative Assets		Gross Derivative Liabilities		Gross Derivative Assets		Gross Derivative Liabilities	
(in millions)	Notional Amount	Fair Value	Notional Amount	Fair Value	Notional Amount	Fair Value	Notional Amount	Fair Value
Derivatives designated as hedging instruments:[(a)]								
Interest rate contracts	$ 290	$ 1	$ 615	$ 9	$ 175	$ -	$ 782	$ 11
Foreign exchange contracts	2,634	198	4,546	289	3,527	385	2,602	184
Equity contracts	-	-	143	3	-	-	113	7
Derivatives not designated as hedging instruments:[(a)]								
Interest rate contracts	49,801	2,253	33,303	2,245	51,030	2,328	44,211	3,066
Foreign exchange contracts	6,143	669	10,763	1,012	9,468	935	7,674	1,185
Equity contracts	14,340	469	8,224	56	14,060	305	8,633	12
Credit contracts[(b)]	3	1	975	278	4	2	861	331
Other contracts[(c)]	38,031	23	61	5	37,633	22	62	6
Total derivatives, gross	$ 111,242	$ 3,614	$ 58,630	$ 3,897	$ 115,897	$ 3,977	$ 64,938	$ 4,802
Counterparty netting[(d)]		(1,390)		(1,390)		(1,265)		(1,265)
Cash collateral[(e)]		(1,324)		(1,395)		(903)		(1,521)
Total derivatives on condensed consolidated balance sheets[(f)]		$ 900		$ 1,112		$ 1,809		$ 2,016

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

(b) As of September 30, 2017 and December 31, 2016, included CDSs on super senior multi-sector CDOs with a net notional amount of $716 million and $801 million (fair value liability of $263 million and $308 million), respectively. The expected weighted average maturity as of September 30, 2017 is six years. Because of long-term maturities of the CDSs in the portfolio, we are unable to make reasonable estimates of the periods during which any payments would be made. However, the net notional amount represents the maximum exposure to loss on the portfolio. As of September 30, 2017 and December 31, 2016, there were no super senior corporate debt/CLOs remaining.

(c) Consists primarily of stable value wraps and contracts with multiple underlying exposures.

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

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

(f) Freestanding derivatives only, excludes Embedded derivatives. Derivative instrument assets and liabilities are recorded in Other Assets and Liabilities, respectively. Fair value of assets related to bifurcated Embedded derivatives was zero at both September 30, 2017 and December 31, 2016. Fair value of liabilities related to bifurcated Embedded derivatives was $4.0 billion and $3.1 billion, respectively, at September 30, 2017 and December 31, 2016. A bifurcated Embedded derivative is generally presented with the host contract in the Condensed Consolidated Balance Sheets. Embedded derivatives are primarily related to guarantee features in variable annuity products, which include equity and interest rate components.

COLLATERAL

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

Collateral posted by us to third parties for derivative transactions was $3.1 billion and $4.5 billion at September 30, 2017 and December 31, 2016, 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 $1.3 billion and $1.5 billion at September 30, 2017 and December 31, 2016, respectively. In the case of collateral provided to us under derivative transactions that are not subject to clearing, we generally can repledge or resell 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 with third parties as fair value hedges of available for sale investment securities held by our insurance subsidiaries. The fair value hedges include foreign currency forwards and cross currency swaps designated as hedges of the change in fair value of foreign currency denominated available for sale securities attributable to changes in foreign exchange rates. We also designated certain interest rate swaps entered into with third parties as fair value hedges of fixed rate GICs attributable to changes in benchmark interest rates.

We use foreign currency denominated debt and cross-currency swaps as hedging instruments in net investment hedge relationships to mitigate the foreign exchange risk associated with our non-U.S. dollar functional currency foreign subsidiaries. For net investment hedge relationships where issued debt is used as a hedging instrument, we assess the hedge effectiveness and measure the amount of ineffectiveness based on changes in spot rates. For net investment hedge relationships that use derivatives as hedging instruments, we assess hedge effectiveness and measure hedge ineffectiveness using changes in forward rates. For the three- and nine-month periods ended September 30, 2017, we recognized losses of $39 million and $87 million, respectively, and for the three- and nine-month periods ended September 30, 2016, we recognized a gain of $1 million and a loss of $8 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:

	Gains/(Losses) Recognized in Earnings for:		Including Gains/(Losses) Attributable to:		
(in millions)	Hedging Derivatives[(a)]	Hedged Items	Hedge Ineffectiveness	Excluded Components	Other[(b)]
Three Months Ended September 30, 2017					
Interest rate contracts:					
Realized capital gains/(losses)	**$ (1)**	**$ 1**	**$ -**	**$ -**	**$ -**
Other income	**-**	**-**	**-**	**-**	**-**
Foreign exchange contracts:					
Realized capital gains/(losses)	**(157)**	**142**	**-**	**(15)**	**-**
Other income	**-**	**-**	**-**	**-**	**-**
Equity contracts:					
Realized capital gains/(losses)	**(3)**	**2**	**-**	**(1)**	**-**
Three Months Ended September 30, 2016					
Interest rate contracts:					
Realized capital gains/(losses)	$ (1)	$ 1	$ -	$ -	$ -
Other income	-	3	-	-	3
Foreign exchange contracts:					
Realized capital gains/(losses)	(10)	(34)	-	(44)	-
Other income	-	3	-	-	3
Equity contracts:					
Realized capital gains/(losses)	8	(9)	-	(1)	-
Nine Months Ended September 30, 2017					
Interest rate contracts:					
Realized capital gains/(losses)	**$ 1**	**$ (1)**	**$ -**	**$ -**	**$ -**
Other income	**-**	**-**	**-**	**-**	**-**
Foreign exchange contracts:					
Realized capital gains/(losses)	**(318)**	**332**	**-**	**14**	**-**
Other income	**-**	**4**	**-**	**-**	**4**
Equity contracts:					
Realized capital gains/(losses)	**(29)**	**26**	**-**	**(3)**	**-**
Nine Months Ended September 30, 2016					
Interest rate contracts:					
Realized capital gains/(losses)	$ -	$ (6)	$ -	$ -	$ (6)
Other income	-	10	-	-	10
Foreign exchange contracts:					
Realized capital gains/(losses)	413	(443)	-	(30)	-
Other income	-	15	-	-	15
Equity contracts:					
Realized capital gains/(losses)	28	(28)	-	-	-

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

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

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)	**2017**	2016	**2017**	2016
By Derivative Type:				
Interest rate contracts	**$ (18)**	$ 91	**$ 81**	$ 1,464
Foreign exchange contracts	**(98)**	49	**(220)**	203
Equity contracts	**(233)**	(317)	**(723)**	(589)
Commodity contracts	**-**	-	**-**	-
Credit contracts	**19**	36	**55**	70
Other contracts	**19**	22	**55**	58
Embedded derivatives	**(213)**	30	**(326)**	(1,255)
Total	**$ (524)**	$ (89)	**$ (1,078)**	$ (49)
By Classification:				
Policy fees	**$ 20**	$ 20	**$ 59**	$ 60
Net investment income	**(3)**	2	**(10)**	14
Net realized capital losses	**(550)**	(181)	**(1,250)**	(93)
Other income (losses)	**8**	69	**121**	(43)
Policyholder benefits and claims incurred	**1**	1	**2**	13
Total	**$ (524)**	$ (89)	**$ (1,078)**	$ (49)

CREDIT RISK-RELATED CONTINGENT FEATURES

The aggregate fair value of our derivative instruments that contained credit risk-related contingent features and that were in a net liability position at September 30, 2017 and December 31, 2016, was approximately $2.0 billion and $3.0 billion, respectively. The aggregate fair value of assets posted as collateral under these contracts at September 30, 2017 and December 31, 2016, was approximately $2.8 billion and $4.0 billion, respectively.

We estimate that at September 30, 2017, based on our outstanding financial derivative transactions, a downgrade of our long-term senior debt ratings to BBB or BBB– by Standard & Poor's Financial Services LLC, a subsidiary of S&P Global Inc., and/or a downgrade to Baa2 or Baa3 by Moody's Investors' Service, Inc. would permit counterparties to make additional collateral calls and permit certain counterparties to elect early termination of contracts, resulting in corresponding collateral postings and termination payments in the total amount of up to approximately $95 million.

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, 2017. Factors considered in estimating the termination payments upon downgrade include current market conditions and the terms of the respective CSA provisions. Our estimates are also based on the assumption that counterparties will terminate based on their net exposure to us. The actual termination payments could 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 reported as Other bond securities in the Condensed Consolidated Balance Sheets. The fair values of these hybrid securities were $4.2 billion and $4.8 billion at September 30, 2017 and December 31, 2016, respectively. These securities have par amounts of $9.3 billion and $10.1 billion at September 30, 2017 and December 31, 2016, respectively, and have remaining stated maturity dates that extend to 2052.

10. Insurance Liabilities

LIABILITY FOR UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES (LOSS RESERVES)

Loss reserves represent the accumulation of estimates of unpaid claims, including estimates for claims incurred but not reported (IBNR) and loss adjustment expenses (LAE), less applicable discount. We regularly review and update the methods used to determine loss reserve estimates. Any adjustments resulting from this review are reflected currently in pre-tax income. Because these estimates are subject to the outcome of future events, changes in estimates are common given that loss trends vary and time is often required for changes in trends to be recognized and confirmed. Reserve changes that increase previous estimates of ultimate cost are referred to as unfavorable or adverse development or reserve strengthening. Reserve changes that decrease previous estimates of ultimate cost are referred to as favorable development.

Our gross loss reserves before reinsurance and discount are net of contractual deductible recoverable amounts due from policyholders of approximately $12.4 billion and $12.8 billion at September 30, 2017 and December 31, 2016, respectively. These recoverable amounts are related to certain policies with high deductibles (in excess of high dollar amounts retained by the insured through self-insured retentions, deductibles, retrospective programs, or captive arrangements, each referred to generically as “deductibles”), primarily for U.S. commercial casualty business. With respect to the deductible portion of the claim, we manage and pay the entire claim on behalf of the insured and are reimbursed by the insured for the deductible portion of the claim. Thus, these recoverable amounts represent a credit exposure to us. At September 30, 2017 and December 31, 2016, we held collateral of approximately $9.5 billion and $9.7 billion, respectively, for these deductible recoverable amounts, consisting primarily of letters of credit and funded trust agreements.

The following table presents the roll forward of activity in Loss Reserves:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2017**	2016	**2017**	2016
Liability for unpaid loss and loss adjustment expenses, beginning of period	**$ 76,422**	$ 74,143	**$ 77,077**	$ 74,942
Reinsurance recoverable	**(27,660)**	(14,520)	**(15,532)**	(14,339)
Net Liability for unpaid loss and loss adjustment expenses, beginning of period	**48,762**	59,623	**61,545**	60,603
Foreign exchange effect	**330**	(147)	**688**	53
Dispositions[(a)]	**-**	-	**-**	-
Retroactive reinsurance adjustment (net of discount)[(b)]	**22**	-	**(11,438)**	-
Total	**49,114**	59,476	**50,795**	60,656
Losses and loss adjustment expenses incurred:				
Current year	**7,511**	4,960	**16,021**	14,896
Prior years, excluding discount and amortization of deferred gain	**901**	274	**1,354**	214
Prior years, discount charge (benefit)	**48**	32	**283**	323
Prior years, amortization of deferred gain on retroactive reinsurance[(c)]	**(75)**	-	**(195)**	-
Total losses and loss adjustment expenses incurred	**8,385**	5,266	**17,463**	15,433
Losses and loss adjustment expenses paid:				
Current year	**(1,634)**	(1,948)	**(3,342)**	(3,945)
Prior years	**(3,395)**	(3,779)	**(12,438)**	(13,129)
Total losses and loss adjustment expenses paid	**(5,029)**	(5,727)	**(15,780)**	(17,074)
Reclassified to liabilities held for sale[(d)]	**8**	(1,060)	**-**	(1,060)
Liability for unpaid loss and loss adjustment expenses, end of period:				
Net liability for unpaid losses and loss adjustment expenses	**52,478**	57,955	**52,478**	57,955
Reinsurance recoverable	**27,609**	14,501	**27,609**	14,501
Total	**$ 80,087**	$ 72,456	**$ 80,087**	$ 72,456

(a) Includes amounts related to dispositions through the date of disposition. Includes sale of United Guaranty and Ascot Underwriting Holdings Limited, Ascot Corporate Name Limited and Ascot Employees Corporate Member Limited (Ascot).

(b) Includes discount on retroactive reinsurance in the amount of $53 million and $1.5 billion for the three- and nine-month periods ended September 30, 2017, respectively.

(c) Includes $6 million and $11 million for the 2011 retroactive reinsurance agreement with NICO covering U.S. asbestos exposures for the three- and nine-month periods ended September 30, 2017, respectively.

(d) Represents change in loss reserves included in our pending sale of certain of our insurance operations to Fairfax for the three- and nine-month periods ended September 30, 2017. Upon consummation of the sale, we may retain a portion of these reserves through reinsurance arrangements.

On January 20, 2017, we entered into an adverse development reinsurance agreement with National Indemnity Company (NICO), a subsidiary of Berkshire Hathaway Inc. (Berkshire), under which we transferred to NICO 80 percent of the reserve risk on substantially all of our U.S. Commercial long-tail exposures for accident years 2015 and prior. Under this agreement, we ceded to NICO 80 percent of the paid losses on subject business paid on or after January 1, 2016 in excess of $25 billion of net paid losses, up to an aggregate limit of $25 billion. At NICO's 80 percent share, NICO's limit of liability under the contract is $20 billion. We account for this transaction as retroactive reinsurance. We paid total consideration, including interest, of $10.2 billion. The consideration was placed into a collateral trust account as security for NICO's claim payment obligations, and Berkshire has provided a parental guarantee to secure the obligations of NICO under the agreement.

On June 14, 2017, a catastrophic fire occurred at Grenfell Tower, a 24-story residential housing block in London, UK, resulting in damage to the property and loss of lives. As of September 30, 2017, our net exposure to loss on this event was not estimable as the forensic investigation was incomplete and the list of potential insureds (and any potential liability) was unclear. There may also be other policyholders involved as the matter evolves.

Discounting of Loss Reserves

At September 30, 2017, the loss reserves reflect a net loss reserve discount of $1.8 billion, including tabular and non-tabular calculations based upon the following assumptions:

- Certain asbestos claims are discounted when allowed by the regulator and when payments are fixed and determinable, based on the investment yields of the companies and the payout pattern for the claims. At December 31, 2016, the discount for asbestos reserves was fully amortized.
- The tabular workers' compensation discount is calculated based on a 3.5 percent interest rate and the mortality rate used in the 2007 U.S. Life Table.
- The non-tabular workers' compensation discount is calculated separately for companies domiciled in New York and Pennsylvania, and follows the statutory regulations (prescribed or permitted) for each state. For New York companies, the discount is based on a 5 percent interest rate and the companies' own payout patterns. In 2012, for Pennsylvania companies, the statute has specified discount factors for accident years 2001 and prior, which are based on a 6 percent interest rate and an industry payout pattern. For accident years 2002 and subsequent, the discount is based on the payout patterns and investment yields of the companies.

In 2013, our Pennsylvania regulator approved use of a consistent discount rate (U.S. Treasury rate plus a liquidity premium) to all of our workers' compensation reserves in our Pennsylvania-domiciled companies, as well as our use of updated payout patterns specific to our primary and excess workers compensation portfolios.

In the fourth quarter of 2016, our Pennsylvania and Delaware regulators approved an updated discount rate that we applied to our workers' compensation loss reserves for the legal entities domiciled in those states.

The discount consists of $491 million of tabular discount and $1.3 billion of non-tabular discount for workers' compensation. During the nine-month periods ended September 30, 2017 and 2016, the charge from changes in discount of $283 million and $321 million, respectively, were recorded as part of the policyholder benefits and losses incurred in the Condensed Consolidated Statement of Income. For the nine-month period ended September 30, 2017, the discount on workers' compensation reserves decreased by $1.5 billion due to the impact of the adverse development reinsurance agreement with NICO.

During the nine-month period ended September 30, 2017, the forward yield curve component of the discount rates decreased reflecting a decline in the U.S. Treasury rates which resulted in a $138 million decrease in the loss reserve discount.

During the nine-month period ended September 30, 2016, the forward yield curve component of the discount rates decreased reflecting a decline in U.S. Treasury rates which resulted in a $295 million decrease in the loss reserve discount.

The following table presents the components of the loss reserve discount discussed above:

	September 30, 2017			December 31, 2016		
(in millions)	U.S. Liability and Financial Lines	Legacy Portfolio - Property and Casualty run-off Insurance Lines	Total	U.S. Liability and Financial Lines	Legacy Portfolio - Property and Casualty run-off Insurance Lines	Total
U.S. workers' compensation	$ 2,376	$ 911	$ 3,287	$ 2,583	$ 987	$ 3,570
Retroactive reinsurance	(1,494)	-	(1,494)	-	-	-
Total reserve discount*	$ 882	$ 911	$ 1,793	$ 2,583	$ 987	$ 3,570

* Excludes $167 million and $181 million of discount related to certain long tail liabilities in the United Kingdom at September 30, 2017 and December 31, 2016, respectively.

The following tables present increase (decrease) in the net loss reserve discount:

Three Months Ended September 30,	2017			2016		
(in millions)	U.S. Liability and Financial Lines	Legacy Portfolio - Property and Casualty run-off Insurance Lines	Total	U.S. Liability and Financial Lines	Legacy Portfolio - Property and Casualty run-off Insurance Lines	Total
Current accident year	$ 33	$ -	$ 33	$ 37	$ -	$ 37
Accretion and other adjustments to prior year discount	(100)	25	(75)	(43)	(12)	(55)
Effect of interest rate changes	(7)	1	(6)	(11)	(3)	(14)
Net reserve discount benefit (charge)	(74)	26	(48)	(17)	(15)	(32)
Change in discount on loss reserves ceded under retroactive reinsurance[(a)]	53	-	53	-	-	-
Net change in total reserve discount[(b)]	$ (21)	$ 26	$ 5	$ (17)	$ (15)	$ (32)
Comprised of:						
U.S. Workers' compensation	$ (21)	$ 26	$ 5	$ (17)	$ (15)	$ (32)
Asbestos	$ -	$ -	$ -	$ -	$ -	$ -

Nine Months Ended September 30,	2017			2016		
(in millions)	U.S. Liability and Financial Lines	Legacy Portfolio - Property and Casualty run-off Insurance Lines	Total	U.S. Liability and Financial Lines	Legacy Portfolio - Property and Casualty run-off Insurance Lines	Total
Current accident year	$ 94	$ -	$ 94	$ 118	$ -	$ 118
Accretion and other adjustments to prior year discount	(205)	(34)	(239)	(104)	(42)	(146)
Effect of interest rate changes	(96)	(42)	(138)	(196)	(99)	(295)
Net reserve discount benefit (charge)	(207)	(76)	(283)	(182)	(141)	(323)
Change in discount on loss reserves ceded under retroactive reinsurance	(1,494)	-	(1,494)	-	-	-
Net change in total reserve discount[(c)]	$ (1,701)	$ (76)	$ (1,777)	$ (182)	$ (141)	$ (323)
Comprised of:						
U.S. Workers' compensation	$ (1,701)	$ (76)	$ (1,777)	$ (182)	$ (139)	$ (321)
Asbestos	$ -	$ -	$ -	$ -	$ (2)	$ (2)

(a) Included in the deferred gain from retroactive reinsurance reported in other liabilities.

(b) Excludes $(18) million and $4 million of discount related to certain long tail liabilities in the United Kingdom for the three-month period ended September 30, 2017 and 2016, respectively.

(c) Excludes $20 million and $(16) million of discount related to certain long tail liabilities in the United Kingdom for the nine-month period ended September 30, 2017 and 2016, respectively.

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

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

In 2014, lead plaintiff, AIG and AIG's outside auditor accepted mediators' proposals to settle the Consolidated 2008 Securities Litigation against all defendants. On October 22, 2014, AIG paid the settlement amount of $960 million. On March 20, 2015, the Court issued an Order and Final Judgment approving the class settlement and dismissing the action with prejudice, and the AIG settlement became final on June 29, 2015.

Individual Securities Litigations. Between November 18, 2011 and February 9, 2015, eleven separate, though similar, securities actions (Individual Securities Litigations) were filed in or transferred to the SDNY, asserting claims substantially similar to those in the Consolidated 2008 Securities Litigation against AIG and certain directors and officers of AIG and AIGFP. Two of the actions were voluntarily dismissed. On September 10, 2015, the SDNY granted AIG's motion to dismiss some of the claims in the Individual Securities Litigations in whole or in part. AIG has settled eight of the nine remaining actions. The remaining Individual Securities Litigation pending in the SDNY was brought by a series of institutional investor funds. After the court's decision granting AIG's motion to dismiss plaintiff's claims in part, the claims in the remaining action are limited to a claim under Section 10(b) of the Exchange Act for allegedly materially false and misleading statements in AIG's public disclosures from February 8, 2008 to September 16, 2008 relating to, among other things, the Subprime Exposure Issues. On January 17, 2017, AIG filed a motion for summary judgment to dismiss the vast majority of the institutional investor funds' remaining claims.

On March 27, 2015, an additional securities action was filed in state court in Orange County, California asserting a claim against AIG pursuant to Section 11 of the Securities Act (the California Action) that is substantially similar to those in the Consolidated 2008

Securities Litigation and the Individual Securities Litigations. The trial court overruled AIG’s demurrer to dismiss all of the claims asserted in the California Action, which AIG appealed to the California Court of Appeals for the Fourth Appellate District. In light of a Supreme Court decision addressing the timeliness of claims like those asserted in the California Action, plaintiffs filed a voluntary request for dismissal on June 30, 2017, which has the same effect as a judgment of dismissal. On July 18, 2017, the California Court of Appeals for the Fourth Appellate District dismissed AIG’s appeal as moot.

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

Starr International Litigation

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

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

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

On March 11, 2013, the Court of Federal Claims in the SICO Treasury Action granted SICO’s motion for class certification of two classes with respect to SICO’s non-derivative claims: (1) persons and entities who held shares of AIG Common Stock on or before September 16, 2008 and who owned those shares on September 22, 2008 (the Credit Agreement Shareholder Class); and (2) persons and entities who owned shares of AIG Common Stock on June 30, 2009 and were eligible to vote those shares at AIG’s June 30, 2009 annual meeting of shareholders (the Reverse Stock Split Shareholder Class). SICO has provided notice of class certification to potential members of the classes, who, pursuant to a court order issued on April 25, 2013, had to return opt-in consent forms by September 16, 2013 to participate in either class. 286,908 holders of AIG Common Stock during the two class periods have opted into the classes.

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

On June 17, 2015, the Court of Federal Claims entered judgment stating that “the Credit Agreement Shareholder Class shall prevail on liability due to the Government's illegal exaction, but shall recover zero damages, and that the Reverse Stock Split Shareholder Class shall not prevail on liability or damages.” SICO filed a notice of appeal of the July 2, 2012 dismissal of SICO’s unconstitutional conditions claim, the June 26, 2013 dismissal of SICO’s derivative claims, the Court’s June 15, 2015 opinion and order, and the Court’s June 17, 2015 judgment to the United States Court of Appeals for the Federal Circuit. The United States filed a notice of cross appeal of the Court’s July 2, 2012 opinion and order denying in part its motion to dismiss, the Court’s June 26, 2013 opinion and order denying its motion to dismiss SICO’s direct claims, the Court’s June 15, 2015 opinion and order, and the Court’s June 17, 2015 judgment to the United States Court of Appeals for the Federal Circuit. On May 9, 2017, the Court of Appeals for the Federal Circuit: (i) vacated the Court of Federal Claims judgment on the Credit Agreement Shareholder Class and remanded with instructions for dismissal of that class, and (ii) affirmed the finding of no liability with respect to the Reverse Stock Split Class.

On October 6, 2017, SICO filed a petition for writ of certiorari with the United States Supreme Court.

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

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

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 $3.1 billion at September 30, 2017.

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, 2017 was $139 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.

AIG Parent files a consolidated federal income tax return with certain subsidiaries and acts as an agent for the consolidated tax group when making payments to the Internal Revenue Service (IRS). AIG Parent and its subsidiaries have adopted, pursuant to a written agreement, a method of allocating consolidated federal income taxes. Under an Amended and Restated Tax Payment Allocation Agreement dated June 6, 2011 between AIG Parent and one of its Bermuda-domiciled insurance subsidiaries, AIG Life of Bermuda, Ltd. (AIGB), AIG Parent has agreed to indemnify AIGB for any tax liability (including interest and penalties) resulting from adjustments made by the IRS or other appropriate authorities to taxable income, special deductions or credits in connection with investments made by AIGB in certain affiliated entities.

Asset Dispositions

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

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

Other

- *For additional discussion on commitments and guarantees associated with VIEs see Note 8 to the Condensed Consolidated Financial Statements.*
- *For additional disclosures about derivatives see Note 9 to the Condensed Consolidated Financial Statements.*
- *For additional disclosures about guarantees of outstanding debt see Note 16 to the Condensed Consolidated Financial Statements*.

12. Equity

SHARES OUTSTANDING

The following table presents a rollforward of outstanding shares:

Nine Months Ended September 30, 2017	Common Stock Issued	Treasury Stock	Common Stock Outstanding
Shares, beginning of year	**1,906,671,492**	**(911,335,651)**	**995,335,841**
Shares issued	**-**	**3,221,892**	**3,221,892**
Shares repurchased	**-**	**(99,677,646)**	**(99,677,646)**
Shares, end of period	**1,906,671,492**	**(1,007,791,405)**	**898,880,087**

Dividends

Dividends are payable on AIG Common Stock only when, as and if declared by our Board of Directors in its discretion, from funds legally available for this purpose. In considering whether to pay a dividend or purchase shares of AIG Common Stock, our Board of Directors considers a number of factors, including, but not limited to: the capital resources available to support our insurance operations and business strategies, AIG's funding capacity and capital resources in comparison to internal benchmarks, expectations for capital generation, rating agency expectations for capital, regulatory standards for capital and capital distributions, and such other factors as our Board of Directors may deem relevant.

The following table presents record date, payment date and dividends paid per share on AIG Common Stock:

Record Date	Payment Date		Dividends Paid Per Share
September 15, 2017	September 29, 2017	$	0.32
June 14, 2017	June 28, 2017		0.32
March 15, 2017	March 29, 2017		0.32
September 15, 2016	September 29, 2016		0.32
June 13, 2016	June 27, 2016		0.32
March 14, 2016	March 28, 2016		0.32

For a discussion of restrictions on payments of dividends to AIG Parent by its subsidiaries see Note 19 to the Consolidated Financial Statements in the 2016 Annual Report.

Repurchase of AIG Common Stock

The following table presents repurchases of AIG Common Stock and warrants to purchase shares of AIG Common Stock:

Nine Months Ended September 30, *(in millions)*		**2017**		2016
Aggregate repurchases of common stock	**$**	**6,275**	$	8,506
Total number of common shares repurchased		**100**		153
Aggregate repurchases of warrants	**$**	**3**	$	263
Total number of warrants repurchased*		**-**		15

* For the nine-month period ended September 30, 2017, we repurchased 185,000 warrants to purchase shares of AIG Common Stock.

Our Board of Directors has authorized the repurchase of shares of AIG Common Stock through a series of actions. On May 3, 2017, our Board of Directors authorized an additional increase of $2.5 billion to its previous share repurchase authorization. As of September 30, 2017, approximately $2.2 billion remained under our share repurchase authorization. Shares may be repurchased from time to time in the open market, private purchases, through forward, derivative, accelerated repurchase or automatic repurchase transactions or otherwise (including through the purchase of warrants). Certain of our share repurchases have been and may from time to time be effected through Exchange Act Rule 10b5-1 repurchase plans.

The timing of any future repurchases will depend on market conditions, our business and strategic plans, 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 Securities on Which Other-Than-Temporary Credit Impairments Were Taken	Unrealized Appreciation (Depreciation) of All Other Investments	Foreign Currency Translation Adjustments	Retirement Plan Liabilities Adjustment	Total
Balance, December 31, 2016, net of tax	**$ 426**	**$ 6,405**	**$ (2,629)**	**$ (972)**	**$ 3,230**
Change in unrealized appreciation of investments	**564**	**3,693**	**-**	**-**	**4,257**
Change in deferred policy acquisition costs adjustment and other*	**(56)**	**(1,269)**	**-**	**-**	**(1,325)**
Change in future policy benefits	**-**	**(425)**	**-**	**-**	**(425)**
Change in foreign currency translation adjustments	**-**	**-**	**474**	**-**	**474**
Change in net actuarial loss	**-**	**-**	**-**	**134**	**134**
Change in prior service cost	**-**	**-**	**-**	**6**	**6**
Change in deferred tax liability	**(178)**	**(159)**	**(27)**	**(48)**	**(412)**
Total other comprehensive income	**330**	**1,840**	**447**	**92**	**2,709**
Noncontrolling interests	**-**	**-**	**-**	**-**	**-**
Balance, September 30, 2017, net of tax	**$ 756**	**$ 8,245**	**$ (2,182)**	**$ (880)**	**$ 5,939**
Balance, December 31, 2015, net of tax	$ 696	$ 5,566	$ (2,879)	$ (846)	$ 2,537
Change in unrealized appreciation (depreciation) of investments	(318)	10,873	-	-	10,555
Change in deferred policy acquisition costs adjustment and other	(40)	(887)	-	-	(927)
Change in future policy benefits	-	(2,099)	-	-	(2,099)
Change in foreign currency translation adjustments	-	-	179	-	179
Change in net actuarial loss	-	-	-	13	13
Change in prior service credit	-	-	-	(20)	(20)
Change in deferred tax asset (liability)	248	(1,585)	153	3	(1,181)
Total other comprehensive income (loss)	(110)	6,302	332	(4)	6,520
Noncontrolling interests	-	-	-	-	-
Balance, September 30, 2016, net of tax	$ 586	$ 11,868	$ (2,547)	$ (850)	$ 9,057

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

The following table presents the other comprehensive income reclassification adjustments for the three- and nine-month periods ended September 30, 2017 and 2016, respectively:

(in millions)	Unrealized Appreciation (Depreciation) of Fixed Maturity Securities on Which Other-Than-Temporary Credit Impairments Were Taken	Unrealized Appreciation (Depreciation) of All Other Investments	Foreign Currency Translation Adjustment	Retirement Plan Liabilities Adjustment	Total
Three Months Ended September 30, 2017					
Unrealized change arising during period	**$ 160**	**$ 831**	**$ 328**	**$ 38**	**$ 1,357**
Less: Reclassification adjustments included in net income	**10**	**133**	**-**	**(58)**	**85**
Total other comprehensive income, before income tax expense	**150**	**698**	**328**	**96**	**1,272**
Less: Income tax expense	**53**	**206**	**3**	**33**	**295**
Total other comprehensive income, net of income tax expense	**$ 97**	**$ 492**	**$ 325**	**$ 63**	**$ 977**
Three Months Ended September 30, 2016					
Unrealized change arising during period	$ 147	$ 816	$ 21	$ (8)	$ 976
Less: Reclassification adjustments included in net income	6	163	-	(3)	166
Total other comprehensive income, before income tax expense (benefit)	141	653	21	(5)	810
Less: Income tax expense (benefit)	(76)	187	(90)	(9)	12
Total other comprehensive income, net of income tax expense (benefit)	$ 217	$ 466	$ 111	$ 4	$ 798
Nine Months Ended September 30, 2017					
Unrealized change arising during period	**$ 553**	**$ 2,610**	**$ 474**	**$ 62**	**$ 3,699**
Less: Reclassification adjustments included in net income	**45**	**611**	**-**	**(78)**	**578**
Total other comprehensive income, before income tax expense	**508**	**1,999**	**474**	**140**	**3,121**
Less: Income tax expense	**178**	**159**	**27**	**48**	**412**
Total other comprehensive income, net of income tax expense	**$ 330**	**$ 1,840**	**$ 447**	**$ 92**	**$ 2,709**
Nine Months Ended September 30, 2016					
Unrealized change arising during period	$ (252)	$ 8,733	$ 179	$ (18)	$ 8,642
Less: Reclassification adjustments included in net income	106	846	-	(11)	941
Total other comprehensive income (loss), before income tax expense (benefit)	(358)	7,887	179	(7)	7,701
Less: Income tax expense (benefit)	(248)	1,585	(153)	(3)	1,181
Total other comprehensive income (loss), net of income tax expense (benefit)	$ (110)	$ 6,302	$ 332	$ (4)	$ 6,520

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,		Affected Line Item in the Condensed Consolidated Statements of Income
(in millions)	**2017**	2016	
Unrealized appreciation (depreciation) of fixed maturity securities on which other-than-temporary credit impairments were taken			
Investments	**$ 10**	$ 6	Other realized capital gains
Total	**10**	6	
Unrealized appreciation (depreciation) of all other investments			
Investments	**48**	182	Other realized capital gains
Deferred acquisition costs adjustment	**85**	(19)	Amortization of deferred policy acquisition costs
Future policy benefits	**-**	-	Policyholder benefits and losses incurred
Total	**133**	163	
Change in retirement plan liabilities adjustment			
Prior - service credit	**-**	4	*
Actuarial losses	**(58)**	(7)	*
Total	**(58)**	(3)	
Total reclassifications for the period	**$ 85**	$ 166	

	Amount Reclassified from Accumulated Other Comprehensive Income		
	Nine Months Ended September 30,		Affected Line Item in the Condensed Consolidated Statements of Income
(in millions)	**2017**	2016	
Unrealized appreciation (depreciation) of fixed maturity securities on which other-than-temporary credit impairments were taken			
Investments	**$ 45**	$ 106	Other realized capital gains
Total	**45**	106	
Unrealized appreciation (depreciation) of all other investments			
Investments	**415**	843	Other realized capital gains
Deferred acquisition costs adjustment	**196**	3	Amortization of deferred policy acquisition costs
Future policy benefits	**-**	-	Policyholder benefits and losses incurred
Total	**611**	846	
Change in retirement plan liabilities adjustment			
Prior - service credit	**1**	13	*
Actuarial losses	**(79)**	(24)	*
Total	**(78)**	(11)	-
Total reclassifications for the period	**$ 578**	$ 941	-

* 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.*

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)	**2017**	2016	**2017**	2016
Numerator for EPS:				
Income (loss) from continuing operations	**$ (1,712)**	$ 433	**$ 609**	$ 2,211
Less: Net income (loss) from continuing operations attributable to noncontrolling interests	**26**	(26)	**40**	(35)
Income (loss) attributable to AIG common shareholders from continuing operations	**(1,738)**	459	**569**	2,246
Income (loss) from discontinued operations, net of income tax expense	**(1)**	3	**7**	(54)
Net income (loss) attributable to AIG common shareholders	**$ (1,739)**	$ 462	**$ 576**	$ 2,192
Denominator for EPS:				
Weighted average shares outstanding - basic	**908,667,044**	1,071,295,892	**938,130,832**	1,113,650,878
Dilutive shares	**-**	31,104,878	**23,165,114**	29,049,329
Weighted average shares outstanding - diluted[(a) (b)]	**908,667,044**	1,102,400,770	**961,295,946**	1,142,700,207
Income per common share attributable to AIG:				
Basic:				
Income (loss) from continuing operations	**$ (1.91)**	$ 0.43	**$ 0.60**	$ 2.02
Income (loss) from discontinued operations	**$ -**	$ -	**$ 0.01**	$ (0.05)
Income (loss) attributable to AIG	**$ (1.91)**	$ 0.43	**$ 0.61**	$ 1.97
Diluted:				
Income (loss) from continuing operations	**$ (1.91)**	$ 0.42	**$ 0.59**	$ 1.97
Income (loss) from discontinued operations	**$ -**	$ -	**$ 0.01**	$ (0.05)
Income (loss) attributable to AIG	**$ (1.91)**	$ 0.42	**$ 0.60**	$ 1.92

(a) Shares in the diluted EPS calculation represent basic shares for the three-month period ended September 30, 2017 due to the net loss in that period. The shares excluded from the calculation were 22,459,868 shares.

(b) Dilutive shares include our share-based employee compensation plans and a weighted average portion of the warrants issued to AIG shareholders as part of AIG's recapitalization in January 2011. The number of shares excluded from diluted shares outstanding was 2.4 million and 2.0 million for the three- and nine-month periods ended September 30, 2017, respectively, and 0.1 million and 0.2 million for the three- and nine-month periods ended September 30, 2016, respectively, because the effect of including those shares in the calculation would have been anti-dilutive.

14. Employee Benefits

We sponsor various defined benefit pension plans, post-retirement medical and life insurance plans for eligible employees and retirees in the U.S. and certain non-U.S. countries.

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, 2017						
Components of net periodic benefit cost:						
Service cost	**$ (5)**	**$ 7**	**$ 2**	**$ -**	**$ 1**	**$ 1**
Interest cost	**41**	**4**	**45**	**2**	**1**	**3**
Expected return on assets	**(66)**	**(6)**	**(72)**	**-**	**-**	**-**
Amortization of prior service credit	**-**	**-**	**-**	**-**	**-**	**-**
Amortization of net (gain) loss	**6**	**3**	**9**	**-**	**-**	**-**
Curtailment gain	**-**	**(5)**	**(5)**	**-**	**-**	**-**
Settlement (Credit)/Charges	**50**	**-**	**50**	**-**	**-**	**-**
Net periodic benefit cost (credit)	**$ 26**	**$ 3**	**$ 29**	**$ 2**	**$ 2**	**$ 4**
Three Months Ended September 30, 2016						
Components of net periodic benefit cost:						
Service cost	$ 6	$ 8	$ 14	$ 1	$ -	$ 1
Interest cost	45	5	50	2	-	2
Expected return on assets	(72)	(7)	(79)	-	-	-
Amortization of prior service credit	-	-	-	(2)	-	(2)
Amortization of net loss	7	2	9	(1)	1	-
Curtailment gain	-	(2)	(2)	-	-	-
Settlement (Credit)/Charges	-	-	-	-	-	-
Net periodic benefit cost (credit)	$ (14)	$ 6	$ (8)	$ -	$ 1	$ 1
Nine Months Ended September 30, 2017						
Components of net periodic benefit cost:						
Service cost	**$ 8**	**$ 23**	**$ 31**	**$ 1**	**$ 2**	**$ 3**
Interest cost	**126**	**12**	**138**	**5**	**3**	**8**
Expected return on assets	**(194)**	**(18)**	**(212)**	**-**	**-**	**-**
Amortization of prior service credit	**-**	**-**	**-**	**(1)**	**-**	**(1)**
Amortization of net (gain) loss	**20**	**9**	**29**	**-**	**-**	**-**
Curtailment gain	**-**	**(5)**	**(5)**	**-**	**-**	**-**
Settlement (Credit)/Charges	**50**	**-**	**50**	**-**	**-**	**-**
Net periodic benefit cost (credit)	**$ 10**	**$ 21**	**$ 31**	**$ 5**	**$ 5**	**$ 10**
Nine Months Ended September 30, 2016						
Components of net periodic benefit cost:						
Service cost	$ 15	$ 23	$ 38	$ 2	$ 2	$ 4
Interest cost	136	15	151	5	2	7
Expected return on assets	(219)	(20)	(239)	-	-	-
Amortization of prior service credit	-	-	-	(7)	-	(7)
Amortization of net loss	19	6	25	(1)	1	-
Curtailment gain	-	(5)	(5)	-	-	-
Settlement (Credit)/Charges	-	-	-	-	-	-
Net periodic benefit cost (credit)	$ (49)	$ 19	$ (30)	$ (1)	$ 5	$ 4

For the nine-month period ended September 30, 2017, we contributed $310 million to the U.S. AIG Retirement Plan.

The lump sum benefit payments through September 30, 2017 exceeded the annual service cost and interest cost components of the pension expense resulting in a settlement loss as of September 30, 2017.

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. As of September 30, 2017, the annual effective tax rate includes the tax effects of significant catastrophe losses recognized in the third quarter of 2017.

INTERIM TAX EXPENSE (BENEFIT)

For the three-month period ended September 30, 2017, the effective tax rate on loss from continuing operations was 38.9 percent. The effective tax rate on loss from continuing operations differs from the statutory tax rate of 35 percent primarily due to tax benefits associated with tax exempt income and reclassifications from accumulated other comprehensive income to income from continuing operations related to the disposal of available for sale securities, partially offset by tax charges related to losses in our European operations taxed at a statutory tax rate lower than 35 percent.

For the nine-month period ended September 30, 2017, the effective tax rate on income from continuing operations was not meaningful, due to a tax benefit on pre-tax income. The tax benefit was primarily due to tax exempt income, reclassifications from accumulated other comprehensive income to income from continuing operations related to the disposal of available for sale securities and excess tax deductions related to share based compensation payments recorded through the income statement in accordance with ASU 2016-09, partially offset by tax charges related to increases in uncertain tax positions associated with the impact of settlement discussions with the IRS related to certain open tax issues and losses in our European operations taxed at a statutory tax rate lower than 35 percent.

For the three-month period ended September 30, 2016, the effective tax rate on income from continuing operations was 41.2 percent. The effective tax rate on income from continuing operations differs from the statutory tax rate of 35 percent primarily due to foreign exchange losses incurred by our foreign subsidiaries related to the weakening of the British pound following the Brexit vote taxed at a statutory tax rate lower than 35 percent, partially offset by tax benefits associated with tax exempt interest income and reclassifications from accumulated other comprehensive income to income from continuing operations related to the disposal of available for sale securities.

For the nine-month period ended September 30, 2016, the effective tax rate on income from continuing operations was 34.6 percent. The effective tax rate 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, the impact of an agreement reached with the IRS related to certain tax issues under audit and reclassifications from accumulated other comprehensive income to income from continuing operations related to the disposal of available for sale securities, partially offset by a tax charge and related interest associated with increases in uncertain tax positions related to cross border financing transactions and foreign exchange losses incurred by our foreign subsidiaries related to the weakening of the British pound following the Brexit vote taxed at a statutory tax rate lower than 35 percent.

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

In performing our assessment of the recoverability of the deferred tax asset under this framework, we consider tax laws governing the utilization of the net operating loss, capital loss and foreign tax credit carryforwards in each applicable jurisdiction. Under U.S. tax law, a company generally must use its net operating loss carryforwards before it can use its foreign tax credit carryforwards, even though the carryforward period for the foreign tax credit is shorter than for the net operating loss. Our U.S. federal consolidated income tax group includes both life companies and non-life companies. While the U.S. taxable income of our non-life companies can be offset by the net operating loss carryforwards, only a portion (no more than 35 percent) of the U.S. taxable income of our life companies can be offset by those net operating loss carryforwards. The remaining tax liability of our life companies can be offset by the foreign tax credit carryforwards. Accordingly, we utilize both the net operating loss and foreign tax credit carryforwards concurrently which enables us to realize our tax attributes prior to expiration. As of September 30, 2017, based on all available evidence, it is more likely than not that the U.S. net operating loss and foreign tax credit carryforwards will be utilized prior to expiration and, thus, no valuation allowance has been established.

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

For the three- and nine-month periods ended September 30, 2017, recent changes in market conditions, including interest rate fluctuations, impacted the unrealized tax gains and losses in the U.S. Life Insurance Companies' available for sale securities portfolio, resulting in a deferred tax liability related to net unrealized tax capital gains. As of June 30, 2017, based on all available evidence, we concluded that the valuation allowance should be released. As a result, for the six-month period ended June 30, 2017, we released $468 million of valuation allowance associated with the unrealized tax losses in the U.S. Life Insurance Companies' available for sale securities portfolio, all of which was allocated to other comprehensive income. As of September 30, 2017, we continue to be in an overall unrealized tax gain position with respect to the U.S. Life Insurance Companies' available for sale securities portfolio and thus concluded no valuation allowance is necessary in the U.S. Life Insurance Companies' available for sale securities portfolio.

For the three- and nine-month periods ended September 30, 2017, recent changes in market conditions, including interest rate fluctuations, impacted the unrealized tax gains and losses in the U.S. Non-Life Companies' available for sale securities portfolio, resulting in a deferred tax liability related to net unrealized tax capital gains. As of June 30, 2017, based on all available evidence, we concluded that the valuation allowance should be released. As a result, for the six-month period ended June 30, 2017, we released $260 million of valuation allowance associated with the unrealized tax losses in the U.S. Non-Life Companies' available for sale securities portfolio, all of which was allocated to other comprehensive income. As of September 30, 2017, we continue to be in an overall unrealized tax gain position with respect to the U.S. Non-Life Companies' available for sale securities portfolio and thus concluded no valuation allowance is necessary in the U.S. Non-Life Companies' available for sale securities portfolio.

For the three- and nine-month periods ended September 30, 2017, we recognized net increases of $24 million and $1 million, respectively, in our deferred tax asset valuation allowance associated with certain foreign jurisdictions, primarily attributable to current year activity.

For both the three- and nine-month periods ended September 30, 2017, we recognized a $26 million decrease in our deferred tax asset valuation allowance associated with certain state jurisdictions, primarily as a result of the beneficial impact of tax law changes enacted in the third quarter of 2017.

TAX EXAMINATIONS AND LITIGATION

On August 1, 2012, we filed a motion for partial summary judgment related to the disallowance of foreign tax credits associated with cross border financing transactions in the Southern District of New York. The Southern District of New York denied our summary judgment motion and upon AIG's appeal, the U.S. Court of Appeals for the Second Circuit (the Second Circuit) affirmed the denial. AIG's petition for certiorari to the U.S. Supreme Court from the decision of the Second Circuit was denied on March 7, 2016. As a result, the case has been remanded back to the Southern District of New York for a jury trial.

We will vigorously defend our position and continue to believe that we have adequate reserves for any liability that could result from these government actions. We continue to monitor legal and other developments in this area, including recent decisions affecting other taxpayers, and evaluate their effect, if any, on our position.

ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES

At September 30, 2017 and December 31, 2016, our unrecognized tax benefits, excluding interest and penalties were $4.6 billion and $4.5 billion, respectively. The nine-month period ended September 30, 2017 reflects increases in unrecognized tax benefits associated with the impact of settlement discussions with the IRS related to certain open tax issues. At both September 30, 2017 and December 31, 2016, our unrecognized tax benefits related to tax positions that, if recognized, would not affect the effective tax rate because they relate to such factors as the timing, rather than the permissibility, of the deduction were $0.1 billion. Accordingly, at September 30, 2017 and December 31, 2016, the amounts of unrecognized tax benefits that, if recognized, would favorably affect the effective tax rate were $4.5 billion and $4.4 billion, respectively.

Interest and penalties related to unrecognized tax benefits are recognized in income tax expense. At September 30, 2017 and December 31, 2016, we had accrued liabilities of $1.3 billion and $1.2 billion, respectively, for the payment of interest (net of the federal benefit) and penalties. For the nine-month periods ended September 30, 2017 and 2016, we accrued expense (benefit) of $102 million and $(16) million, respectively, for the payment of interest and penalties.

We regularly evaluate adjustments proposed by taxing authorities. At September 30, 2017, such proposed adjustments would not have resulted in a material change to our consolidated financial condition, although it is possible that the effect could be material to our consolidated results of operations for an individual reporting period. Although it is reasonably possible that a change in the balance of unrecognized tax benefits may occur within the next 12 months, based on the information currently available, we do not expect any change to be material to our consolidated financial condition.

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, 2017					
Assets:					
Short-term investments	$ 2,675	$ -	$ 10,659	$ (3,559)	$ 9,775
Other investments[(a)]	5,796	-	305,552	-	311,348
Total investments	8,471	-	316,211	(3,559)	321,123
Cash	3	2	2,428	-	2,433
Loans to subsidiaries[(b)]	35,014	-	574	(35,588)	-
Investment in consolidated subsidiaries[(b)]	43,014	31,323	-	(74,337)	-
Other assets, including deferred income taxes	21,483	251	160,018	(2,235)	179,517
Assets held for sale	-	-	-	-	-
Total assets	$ 107,985	$ 31,576	$ 479,231	$ (115,719)	$ 503,073
Liabilities:					
Insurance liabilities	$ -	$ -	$ 282,469	$ -	$ 282,469
Long-term debt	21,480	642	8,917	-	31,039
Other liabilities, including intercompany balances[(a)]	13,463	184	108,873	(5,967)	116,553
Loans from subsidiaries[(b)]	574	-	35,014	(35,588)	-
Liabilities held for sale	-	-	-	-	-
Total liabilities	35,517	826	435,273	(41,555)	430,061
Total AIG shareholders' equity	72,468	30,750	43,414	(74,164)	72,468
Non-redeemable noncontrolling interests	-	-	544	-	544
Total equity	72,468	30,750	43,958	(74,164)	73,012
Total liabilities and equity	$ 107,985	$ 31,576	$ 479,231	$ (115,719)	$ 503,073
December 31, 2016					
Assets:					
Short-term investments	$ 4,424	$ -	$ 13,218	$ (5,340)	$ 12,302
Other investments[(a)]	7,154	-	308,719	-	315,873
Total investments	11,578	-	321,937	(5,340)	328,175
Cash	2	34	1,832	-	1,868
Loans to subsidiaries[(b)]	34,692	-	576	(35,268)	-
Investment in consolidated subsidiaries[(b)]	42,582	27,309	-	(69,891)	-
Other assets, including deferred income taxes	24,099	239	140,743	(4,059)	161,022
Assets held for sale	-	-	7,199	-	7,199
Total assets	$ 112,953	$ 27,582	$ 472,287	$ (114,558)	$ 498,264
Liabilities:					
Insurance liabilities	$ -	$ -	$ 275,120	$ -	$ 275,120
Long-term debt	21,405	642	8,865	-	30,912
Other liabilities, including intercompany balances[(a)]	14,671	194	103,975	(9,572)	109,268
Loans from subsidiaries[(b)]	577	-	34,691	(35,268)	-
Liabilities held for sale	-	-	6,106	-	6,106
Total liabilities	36,653	836	428,757	(44,840)	421,406
Total AIG shareholders' equity	76,300	26,746	42,972	(69,718)	76,300
Non-redeemable noncontrolling interests	-	-	558	-	558
Total equity	76,300	26,746	43,530	(69,718)	76,858
Total liabilities and equity	$ 112,953	$ 27,582	$ 472,287	$ (114,558)	$ 498,264

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

(b) Eliminated in consolidation.

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, 2017					
Revenues:					
Equity in earnings of consolidated subsidiaries*	**$ (2,098)**	**$ 1,138**	**$ -**	**$ 960**	**$ -**
Other income	**225**	**-**	**11,455**	**71**	**11,751**
Total revenues	**(1,873)**	**1,138**	**11,455**	**1,031**	**11,751**
Expenses:					
Interest expense	**236**	**12**	**44**	**(2)**	**290**
(Gain) loss on extinguishment of debt	**2**	**-**	**(1)**	**-**	**1**
Other expenses	**177**	**1**	**14,154**	**(69)**	**14,263**
Total expenses	**415**	**13**	**14,197**	**(71)**	**14,554**
Income (loss) from continuing operations before income tax benefit	**(2,288)**	**1,125**	**(2,742)**	**1,102**	**(2,803)**
Income tax benefit	**(549)**	**(4)**	**(538)**	**-**	**(1,091)**
Income (loss) from continuing operations	**(1,739)**	**1,129**	**(2,204)**	**1,102**	**(1,712)**
Loss from discontinued operations, net of income taxes	**-**	**-**	**(1)**	**-**	**(1)**
Net income (loss)	**(1,739)**	**1,129**	**(2,205)**	**1,102**	**(1,713)**
Less:					
Net income from continuing operations attributable to noncontrolling interests	**-**	**-**	**26**	**-**	**26**
Net income (loss) attributable to AIG	**$ (1,739)**	**$ 1,129**	**$ (2,231)**	**$ 1,102**	**$ (1,739)**
Three Months Ended September 30, 2016					
Revenues:					
Equity in earnings of consolidated subsidiaries*	$ 1,002	$ 528	$ -	$ (1,530)	$ -
Other income	145	-	12,952	(243)	12,854
Total revenues	1,147	528	12,952	(1,773)	12,854
Expenses:					
Interest expense	249	12	69	(1)	329
Gain on extinguishment of debt	-	-	(14)	-	(14)
Other expenses	238	1	11,821	(258)	11,802
Total expenses	487	13	11,876	(259)	12,117
Income (loss) from continuing operations before income tax expense (benefit)	660	515	1,076	(1,514)	737
Income tax expense (benefit)	197	(4)	111	-	304
Income (loss) from continuing operations	463	519	965	(1,514)	433
Income (loss) from discontinued operations, net of income taxes	(1)	-	4	-	3
Net income (loss)	462	519	969	(1,514)	436
Less:					
Net loss from continuing operations attributable to noncontrolling interests	-	-	(26)	-	(26)
Net income (loss) attributable to AIG	$ 462	$ 519	$ 995	$ (1,514)	$ 462

(in millions)	American International Group, Inc. (As Guarantor)	AIGLH	Other Subsidiaries	Reclassifications and Eliminations	Consolidated AIG
Nine Months Ended September 30, 2017					
Revenues:					
Equity in earnings of consolidated subsidiaries*	**$ 794**	**$ 2,553**	**$ -**	**$ (3,347)**	**$ -**
Other income	**653**	**-**	**36,085**	**147**	**36,885**
Total revenues	**1,447**	**2,553**	**36,085**	**(3,200)**	**36,885**
Expenses:					
Interest expense	**719**	**37**	**129**	**(5)**	**880**
(Gain) loss on extinguishment of debt	**2**	**-**	**(6)**	**-**	**(4)**
Other expenses	**693**	**2**	**34,865**	**(142)**	**35,418**
Total expenses	**1,414**	**39**	**34,988**	**(147)**	**36,294**
Income (loss) from continuing operations before income tax expense (benefit)	**33**	**2,514**	**1,097**	**(3,053)**	**591**
Income tax expense (benefit)	**(544)**	**(12)**	**538**	**-**	**(18)**
Income (loss) from continuing operations	**577**	**2,526**	**559**	**(3,053)**	**609**
Income (loss) from discontinued operations, net of income taxes	**(1)**	**-**	**8**	**-**	**7**
Net income (loss)	**576**	**2,526**	**567**	**(3,053)**	**616**
Less:					
Net income from continuing operations attributable to noncontrolling interests	**-**	**-**	**40**	**-**	**40**
Net income (loss) attributable to AIG	**$ 576**	**$ 2,526**	**$ 527**	**$ (3,053)**	**$ 576**
Nine Months Ended September 30, 2016					
Revenues:					
Equity in earnings of consolidated subsidiaries*	$ 2,226	$ (267)	$ -	$ (1,959)	$ -
Other income	209	5	39,833	(690)	39,357
Total revenues	2,435	(262)	39,833	(2,649)	39,357
Expenses:					
Interest expense	743	39	177	(4)	955
(Gain) loss on extinguishment of debt	77	-	(1)	-	76
Other expenses	686	15	34,946	(702)	34,945
Total expenses	1,506	54	35,122	(706)	35,976
Income (loss) from continuing operations before income tax expense (benefit)	929	(316)	4,711	(1,943)	3,381
Income tax expense (benefit)	(1,265)	(17)	2,452	-	1,170
Income (loss) from continuing operations	2,194	(299)	2,259	(1,943)	2,211
Loss from discontinued operations, net of income taxes	(2)	-	(52)	-	(54)
Net income (loss)	2,192	(299)	2,207	(1,943)	2,157
Less:					
Net loss from continuing operations attributable to noncontrolling interests	-	-	(35)	-	(35)
Net income (loss) attributable to AIG	$ 2,192	$ (299)	$ 2,242	$ (1,943)	$ 2,192

* Eliminated in consolidation.

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, 2017					
Net income (loss)	**$ (1,739)**	**$ 1,129**	**$ (2,205)**	**$ 1,102**	**$ (1,713)**
Other comprehensive income (loss)	**977**	**1,274**	**(30,625)**	**29,351**	**977**
Comprehensive income (loss)	**(762)**	**2,403**	**(32,830)**	**30,453**	**(736)**
Total comprehensive income attributable to noncontrolling interests	**-**	**-**	**26**	**-**	**26**
Comprehensive income (loss) attributable to AIG	**$ (762)**	**$ 2,403**	**$ (32,856)**	**$ 30,453**	**$ (762)**
Three Months Ended September 30, 2016					
Net income (loss)	$ 462	$ 519	$ 969	$ (1,514)	$ 436
Other comprehensive income (loss)	798	(56)	7	49	798
Comprehensive income (loss)	1,260	463	976	(1,465)	1,234
Total comprehensive loss attributable to noncontrolling interests	-	-	(26)	-	(26)
Comprehensive income (loss) attributable to AIG	$ 1,260	$ 463	$ 1,002	$ (1,465)	$ 1,260
Nine Months Ended September 30, 2017					
Net income (loss)	**$ 576**	**$ 2,526**	**$ 567**	**$ (3,053)**	**$ 616**
Other comprehensive income (loss)	**2,709**	**7,056**	**18,864**	**(25,920)**	**2,709**
Comprehensive income (loss)	**3,285**	**9,582**	**19,431**	**(28,973)**	**3,325**
Total comprehensive income attributable to noncontrolling interests	**-**	**-**	**40**	**-**	**40**
Comprehensive income (loss) attributable to AIG	**$ 3,285**	**$ 9,582**	**$ 19,391**	**$ (28,973)**	**$ 3,285**
Nine Months Ended September 30, 2016					
Net income (loss)	$ 2,192	$ (299)	$ 2,207	$ (1,943)	$ 2,157
Other comprehensive income (loss)	6,520	7,204	48,555	(55,759)	6,520
Comprehensive income (loss)	8,712	6,905	50,762	(57,702)	8,677
Total comprehensive loss attributable to noncontrolling interests	-	-	(35)	-	(35)
Comprehensive income (loss) attributable to AIG	$ 8,712	$ 6,905	$ 50,797	$ (57,702)	$ 8,712

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

(in millions)	American International Group, Inc. (As Guarantor)	AIGLH	Other Subsidiaries*	Reclassifications and Eliminations*	Consolidated AIG
Nine Months Ended September 30, 2017					
Net cash (used in) provided by operating activities	$ 793	$ 1,105	$ (8,773)	$ (2,320)	$ (9,195)
Cash flows from investing activities:					
Sales of investments	5,428	-	58,914	(3,508)	60,834
Sales of divested businesses, net	40	-	565	-	605
Purchase of investments	(1,781)	-	(49,675)	3,508	(47,948)
Loans to subsidiaries - net	38	-	5	(43)	-
Contributions from (to) subsidiaries - net	990	-	-	(990)	-
Net change in restricted cash	-	-	(23)	-	(23)
Net change in short-term investments	1,925	-	890	-	2,815
Other, net	(17)	(4)	(1,488)	-	(1,509)
Net cash (used in) provided by investing activities	6,623	(4)	9,188	(1,033)	14,774
Cash flows from financing activities:					
Issuance of long-term debt	1,108	-	1,297	-	2,405
Repayments of long-term debt	(1,354)	-	(1,397)	-	(2,751)
Purchase of common stock	(6,275)	-	-	-	(6,275)
Intercompany loans - net	(5)	-	(38)	43	-
Cash dividends paid	(884)	(1,133)	(1,187)	2,320	(884)
Other, net	(5)	-	1,394	990	2,379
Net cash (used in) provided by financing activities	(7,415)	(1,133)	69	3,353	(5,126)
Effect of exchange rate changes on cash	-	-	(21)	-	(21)
Change in cash	1	(32)	463	-	432
Cash at beginning of year	2	34	1,832	-	1,868
Change in cash of businesses held for sale	-	-	133	-	133
Cash at end of period	$ 3	$ 2	$ 2,428	$ -	$ 2,433
Nine Months Ended September 30, 2016					
Net cash (used in) provided by operating activities	$ 1,671	$ 1,664	$ 2,277	$ (3,859)	$ 1,753
Cash flows from investing activities:					
Sales of investments	3,242	-	59,669	(9,567)	53,344
Purchase of investments	(659)	-	(62,293)	9,567	(53,385)
Loans to subsidiaries - net	1,025	-	73	(1,098)	-
Contributions from (to) subsidiaries - net	1,593	-	-	(1,593)	-
Net change in restricted cash	-	-	(49)	-	(49)
Net change in short-term investments	1,006	-	(1,861)	-	(855)
Other, net	(179)	-	1,449	-	1,270
Net cash (used in) provided by investing activities	6,028	-	(3,012)	(2,691)	325
Cash flows from financing activities:					
Issuance of long-term debt	3,831	-	7,599	-	11,430
Repayments of long-term debt	(1,454)	(62)	(6,167)	-	(7,683)
Purchase of common stock	(8,506)	-	-	-	(8,506)
Intercompany loans - net	(73)	(3)	(1,022)	1,098	-
Cash dividends paid	(1,051)	(1,709)	(2,150)	3,859	(1,051)
Other, net	(263)	-	3,183	1,593	4,513
Net cash (used in) provided by financing activities	(7,516)	(1,774)	1,443	6,550	(1,297)
Effect of exchange rate changes on cash	-	-	88	-	88
Change in cash	183	(110)	796	-	869
Cash at beginning of year	34	116	1,479	-	1,629
Cash at end of period	$ 217	$ 6	$ 2,275	$ -	$ 2,498

SUPPLEMENTARY DISCLOSURE OF CONDENSED CONSOLIDATING CASH FLOW INFORMATION

(in millions)	American International Group, Inc. (As Guarantor)	AIGLH	Other Subsidiaries*	Reclassifications and Eliminations*	Consolidated AIG
Cash (paid) received during the 2017 period for:					
Interest:					
Third party	**$ (791)**	**$ (47)**	**$ (208)**	**$ -**	**$ (1,046)**
Intercompany	**(1)**	**(1)**	**2**	**-**	**-**
Taxes:					
Income tax authorities	**$ (324)**	**$ -**	**$ (166)**	**$ -**	**$ (490)**
Intercompany	**1,852**	**-**	**(1,852)**	**-**	**-**
Cash (paid) received during the 2016 period for:					
Interest:					
Third party	$ (797)	$ (51)	$ (161)	$ -	$ (1,009)
Intercompany	-	-	-	-	-
Taxes:					
Income tax authorities	$ (11)	$ -	$ (197)	$ -	$ (208)
Intercompany	782	-	(782)	-	-

AMERICAN INTERNATIONAL GROUP, INC. (AS GUARANTOR) SUPPLEMENTARY DISCLOSURE OF NON-CASH ACTIVITIES:

Nine Months Ended September 30, *(in millions)*	**2017**	2016
Intercompany non-cash financing and investing activities:		
Capital contributions	**$ 198**	$ 3,086
Dividends received in the form of securities	**735**	4,055
Return of capital	**26**	-
Fixed maturity securities received in exchange for equity securities	**-**	440

17. Subsequent Events

DIVIDENDS DECLARED

On November 2, 2017, our Board of Directors declared a cash dividend on AIG Common Stock of $0.32 per share, payable on December 22, 2017 to shareholders of record on December 8, 2017.

ITEM 2 | Management's Discussion and Analysis of Financial Condition and Results of Operations

Glossary and Acronyms of Selected Insurance Terms and References

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

American International Group, Inc. (AIG) has incorporated into this discussion a number of cross-references to additional information included throughout this Quarterly Report on Form 10-Q, in our Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2017 and June 30, 2017 and in our Annual Report on Form 10-K for the year ended December 31, 2016 (the 2016 Annual Report) to assist readers seeking additional information related to a particular subject.

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

Cautionary Statement Regarding Forward-Looking Information

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

- exposures to subprime mortgages, monoline insurers, the residential and commercial real estate markets, state and municipal bond issuers, sovereign bond issuers, the energy sector and currency exchange rates;
- exposure to European governments and European financial institutions;
- strategy for risk management;
- actual and anticipated sales, monetizations and/or acquisitions of businesses or assets;
- restructuring of business operations, including anticipated restructuring charges and annual cost savings;
- generation of deployable capital;
- strategies to increase return on equity and earnings per share;
- strategies to grow net investment income, efficiently manage capital, grow book value per common share, and reduce expenses;
- anticipated organizational, business and regulatory changes;
- strategies for customer retention, growth, product development, market position, financial results and reserves;
- management of the impact that innovation and technology changes may have on customer preferences, the frequency or severity of losses and/or the way we distribute and underwrite our products;
- segments' revenues and combined ratios; and
- management succession and retention plans.

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

- changes in market conditions;
- negative impacts on customers, business partners and other stakeholders;
- the occurrence of catastrophic events, both natural and man-made;
- significant legal, regulatory or governmental proceedings;
- the timing and applicable requirements of any regulatory framework to which we are subject, including as a global systemically important insurer (G-SII);
- concentrations in our investment portfolios;
- actions by credit rating agencies;
- judgments concerning casualty insurance underwriting and insurance liabilities;
- our ability to successfully manage Legacy portfolios;
- our ability to successfully reduce costs and expenses and make business and organizational changes without negatively impacting client relationships or our competitive position;
- our ability to successfully dispose of, monetize and/or acquire businesses or assets;
- judgments concerning the recognition of deferred tax assets;
- judgments concerning estimated restructuring charges and estimated cost savings; and
- such other factors discussed in:
  - 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, 2017 and June 30, 2017; and
  - Part I, Item 1A. Risk Factors and Part II, Item 7. MD&A of the 2016 Annual Report.

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

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 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.

Book value per common share, excluding accumulated other comprehensive income (AOCI) and Book value per common share, excluding AOCI 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 AOCI, is derived by dividing total AIG shareholders’ equity, excluding AOCI, by total common shares outstanding. Adjusted book value per common share is derived by dividing total AIG shareholders’ equity, excluding AOCI and DTA (Adjusted Shareholders’ Equity), by total common shares outstanding. The reconciliation to book value per common share, the most comparable GAAP measure, is presented in the Executive Summary section of this MD&A.

Return on equity – After-tax operating income excluding AOCI 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. The reconciliation to return on equity, the most comparable GAAP measure, is presented in the Executive Summary section of this MD&A.

After-tax operating income attributable to AIG is derived by excluding the tax effected pre-tax operating income (PTOI) adjustments described below 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.

General operating expenses, operating basis 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 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 in the Consolidated Results of Operations section of this MD&A.

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.

Pre-tax operating income 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.

- ***Commercial Insurance: Liability and Financial Lines, Property and Special Risks; Consumer Insurance: Personal Insurance***
  - **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.
- ***Consumer Insurance: Individual Retirement, Group Retirement, and Life Insurance; Other Operations: Institutional Markets***
  - **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.

Critical Accounting Estimates

The preparation of financial statements in accordance with 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:

- loss reserves;
- 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 other invested assets, including investments in life settlements, and goodwill impairment;
- liability for legal contingencies;
- fair value measurements of certain financial assets and liabilities; and
- 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 assets.

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 2016 Annual Report.

Executive Summary

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 our securities. You should read this Quarterly Report on Form 10-Q, together with the 2016 Annual Report, in their entirety for a more detailed description of events, trends, uncertainties, risks and critical accounting estimates affecting us.

AIG'S OPERATING MODEL

Our Core businesses include Commercial Insurance and Consumer Insurance, as well as Other Operations. Commercial Insurance includes two modules – Liability and Financial Lines and Property and Special Risks. Consumer Insurance is comprised of four modules – Individual Retirement, Group Retirement, Life Insurance and Personal Insurance. As we continue to focus on operating improvement, we are exiting certain lines of business and market regions that we consider non-core and unprofitable while still maintaining a global presence for our Core businesses. The Legacy Portfolio consists of our run-off insurance lines and legacy investments. Other Operations consists of businesses and items not attributed to our Commercial Insurance and Consumer Insurance modules or our Legacy Portfolio.

Our multinational capabilities provide a diverse mix of businesses through our global offices and branches in more than 80 countries and jurisdictions. Accordingly, we also review and assess the performance of our Core business through the broad locations of our insurance operations across three key geographic modules: the United States, Europe, and Japan. Our disclosure of geography is based on the significant legal entity insurance companies (including branches) operating in those geographic areas. The other geography includes AIG Parent, United Guaranty Corporation (United Guaranty), AIG Fuji Life Insurance Company, Ltd. (Fuji Life), our insurance operations in remaining geographies around the globe and certain legal entities not deemed significant in the key geographic areas. Geography disclosures exclude our Legacy Portfolio.

On September 25, 2017, we announced prospective changes to our organizational structure, which will become effective during the fourth quarter. Commercial Insurance and Consumer Insurance segments are expected to transition to General Insurance and Life and Retirement, respectively. General Insurance and Life and Retirement will each have distinct business units that reflect how business is marketed and underwritten. General Insurance is expected to include U.S. and International results for Commercial Insurance and Personal Insurance. Life and Retirement is expected to include Individual Retirement, Group Retirement, Life Insurance and Institutional Markets.

Other Operations is expected to include AIG Parent and our new technology-focused subsidiary, Blackboard, formerly operating as Hamilton USA, which was acquired on October 2, 2017. Our Legacy Portfolio will continue to consist of our run-off insurance lines and legacy investments. When the new operating structure is finalized in the fourth quarter, the presentation of our segment results will be modified and prior periods' presentation will be revised to conform to the new structure.

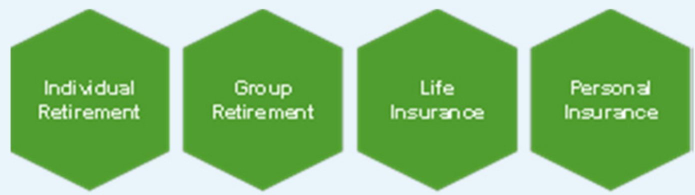
Business Modules

Commercial Insurance

Commercial Insurance is a leading provider of insurance products and services for commercial customers. It includes one of the world's most far-reaching property casualty networks. Commercial Insurance offers a broad range of products to customers through a diversified, multichannel distribution network. Customers value Commercial Insurance's strong capital position, extensive risk management and claims expertise, and its ability to be a market leader in critical lines of the insurance business.

Consumer Insurance

Consumer Insurance is a unique franchise that brings together a broad portfolio of retirement, life insurance and personal insurance products offered through multiple distribution networks. It holds long-standing, leading market positions in many of its U.S. product lines, and its global footprint provides the opportunity to leverage its multinational servicing capabilities and pursue select opportunities in attractive markets. With its strong capital position, customer-focused service, innovative product development capabilities and deep distribution relationships across multiple channels, Consumer Insurance is well positioned to provide clients with valuable solutions, delivered through the channels they prefer.



Other Operations

Other Operations consists of businesses and items not attributed to our Commercial and Consumer modules or our Legacy Portfolio. It includes AIG Parent, Institutional Markets, United Guaranty[(a)], Fuji Life[(b)], deferred tax assets related to tax attributes and intercompany eliminations.

(a) United Guaranty was sold in December 31, 2016.

(b) Fuji Life was sold on April 30, 2017.

Legacy Portfolio

Legacy Portfolio includes Legacy Property and Casualty Run-Off Insurance Lines, Legacy Life Insurance Run-Off Lines and Legacy Investments.

Geography Modules

United States

includes the following major property and casualty and life insurance companies: National Union Fire Insurance Company of Pittsburgh, Pa. (National Union), American Home Assurance Company (American Home U.S.), Lexington Insurance Company (Lexington), American General Life Insurance Company (American General), The Variable Annuity Life Insurance Company (VALIC), and the United States Life Insurance Company in the City of New York (U.S. Life).

Europe

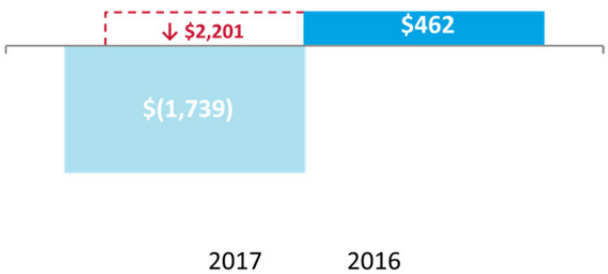
includes AIG Europe Limited and its branches, which are property and casualty companies.

Japan

includes the following major property and casualty insurance companies: Fuji Fire and Marine Insurance Company (Fuji Fire), AIUI Japan, and American Home Assurance Company, Ltd. (American Home Japan).

FINANCIAL PERFORMANCE SUMMARY

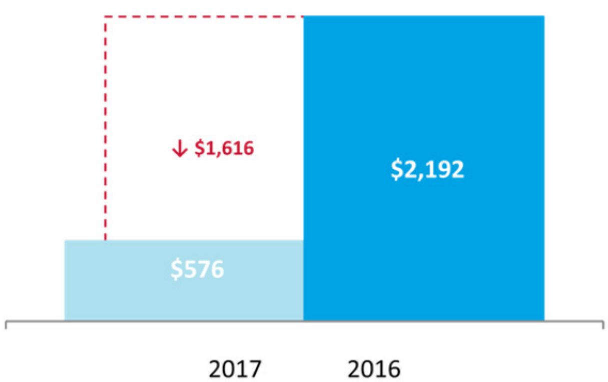
Net Income (Loss) Attributable To AIG
Three Months Ended September 30,
($ in millions)



2017 and 2016 Quarterly Comparison

Decreased due to lower income from insurance operations, reflecting aggregate pre-tax catastrophe losses of $3.0 billion, which included losses from Hurricanes Harvey, Irma and Maria and the earthquake in Mexico, compared to catastrophe losses of $282 million in the same period in the prior year; an increase in unfavorable prior year loss reserve development driven by higher than expected loss emergence mainly in Liability and Financial Lines primarily related to accident year 2016; lower net investment income; and higher net realized capital losses. These decreases were partially offset by lower general operating and other expenses and a net positive adjustment from the update of actuarial assumptions compared to a net negative adjustment in the same period in the prior year.

Net Income Attributable To AIG
Nine Months Ended September 30,
($ in millions)

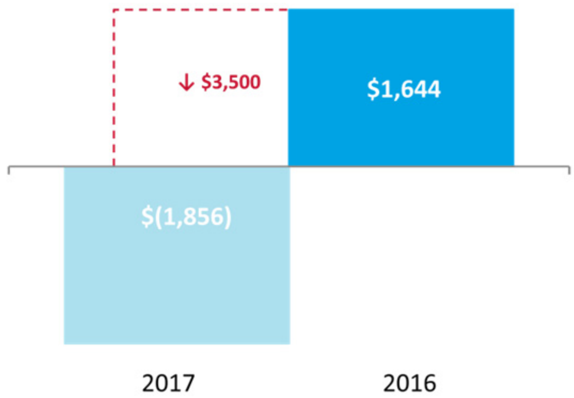


2017 and 2016 Year-to-Date Comparison

Decreased due to lower income from insurance operations, reflecting higher catastrophe losses, an increase in unfavorable prior year loss reserve development driven by higher than expected loss emergence mainly in Liability and Financial Lines primarily related to accident year 2016, a loss on sale of divested businesses due to the sale of Fuji Life in 2017 compared to a gain on sale of divested businesses due to the sale of AIG Advisor Group Inc. (AIG Advisor Group) and NSM Insurance Group LLC (NSM) in 2016 and higher net realized capital losses. These decreases were partially offset by lower general operating and other expenses, a net positive adjustment from the update of actuarial assumptions compared to a net negative adjustment in the same period in the prior year and fair value gains on derivative positions in the Legacy Portfolio, as well as higher net investment income due to increased income from alternative investments and higher appreciation on assets for which the fair value option was elected.

For further discussion see MD&A – Consolidated Results of Operations.

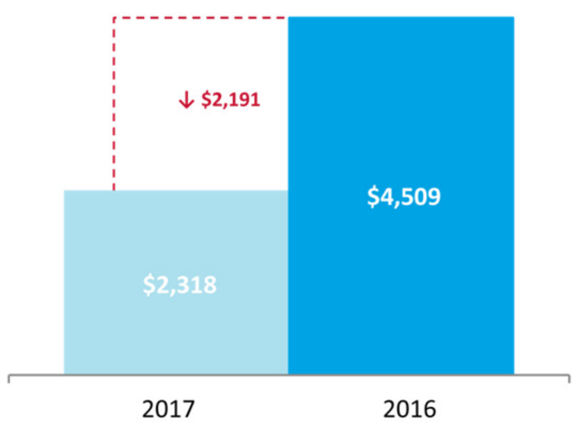
Pre-Tax Operating Income (Loss)*
Three Months Ended September 30,
($ in millions)



2017 and 2016 Quarterly Comparison

Decreased due to lower income from insurance operations, reflecting higher aggregate pre-tax catastrophe losses of $3.0 billion, which included losses from Hurricanes Harvey, Irma and Maria and the earthquake in Mexico, compared to catastrophe losses of $282 million in the same period in the prior year, an increase in unfavorable prior year loss reserve development driven by higher than expected loss emergence mainly in Liability and Financial Lines primarily related to accident year 2016 and lower net investment income. These decreases were partially offset by lower general operating and other expenses and a net positive adjustment from the update of actuarial assumptions compared to a net negative adjustment in the same period in the prior year.

Pre-Tax Operating Income*
Nine Months Ended September 30,
($ in millions)



2017 and 2016 Year-to-Date Comparison

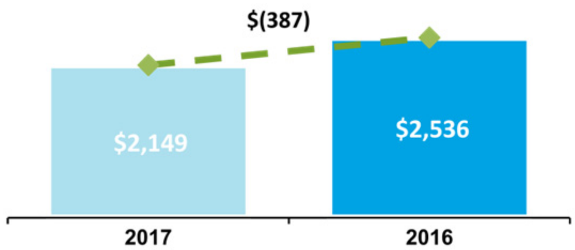
Decreased due to lower income from insurance operations, reflecting higher pre-tax catastrophe losses and an increase in unfavorable prior year loss reserve development driven by higher than expected loss emergence mainly in Liability and in Financial Lines primarily related to accident year 2016. These decreases were partially offset by lower general operating and other expenses, a net positive adjustment from the update of actuarial assumptions compared to a net negative adjustment in the same period in the prior year and fair value gains on derivative positions in the Legacy Portfolio as well as higher net investment income due to increased income from alternative investments and higher appreciation on assets for which the fair value option was elected.

For further discussion see MD&A – Business Segment Operations.

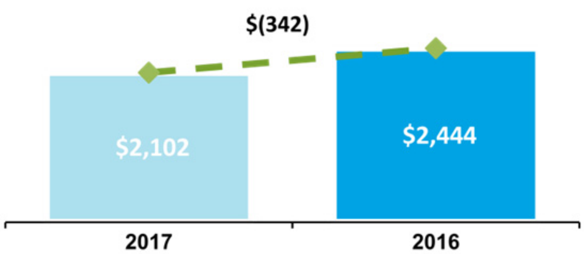
* Non-GAAP measure – *for reconciliation of Non-GAAP to GAAP measures see Consolidated Results of Operations.*

Three Months Ended September 30,
($ in millions)

General Operating and Other Expenses



General Operating Expenses, Operating Basis*



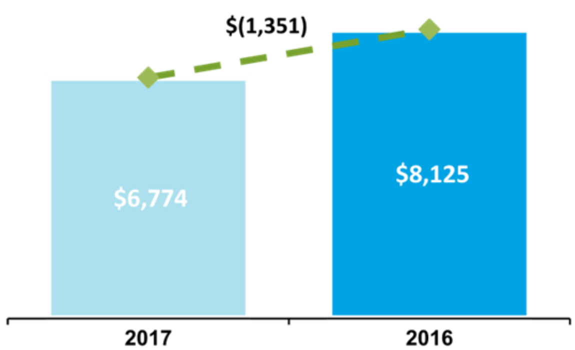
2017 and 2016 Quarterly Comparison

Declined due to lower employee-related expenses and professional fee reductions related to our ongoing efficiency program, divestitures of businesses, including United Guaranty and NSM, and a favorable foreign exchange impact of $19 million.

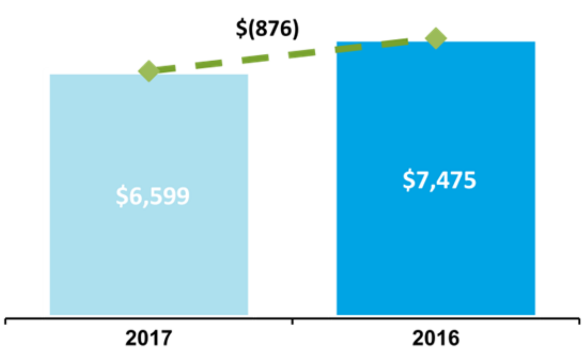
In keeping with our broad and ongoing efforts to transform for long-term competitiveness, general operating and other expenses for the third quarters of 2017 and 2016 included approximately $31 million and $210 million of pre-tax restructuring and other costs, respectively, which were primarily comprised of employee severance charges.

Nine Months Ended September 30,
($ in millions)

General Operating and Other Expenses



General Operating Expenses, Operating Basis*



2017 and 2016 Year-to-Date Comparison

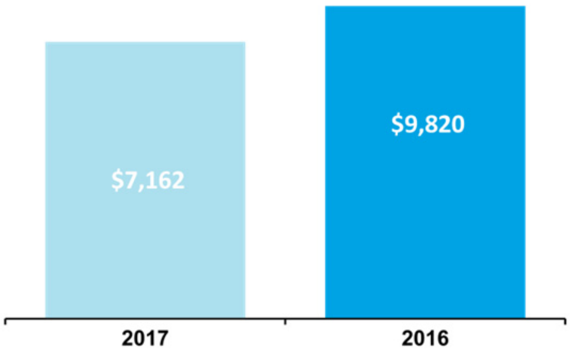
Declined due to lower employee-related expenses and professional fee reductions related to our ongoing efficiency program and divestitures of businesses, including United Guaranty, AIG Advisor Group, Fuji Life and NSM, and a favorable foreign exchange impact of $19 million.

General operating and other expenses for the nine-month periods ended September 30, 2017 and 2016 included approximately $259 million and $488 million of pre-tax restructuring and other costs, respectively, which were primarily comprised of employee severance charges.

We continue to execute initiatives focused on organizational simplification, operational efficiency, and business rationalization, which are expected to result in aggregate pre-tax restructuring and other costs of approximately $1.5 billion (of which approximately $1.45 billion has been recognized since the third quarter of 2015) as well as generate pre-tax annualized savings of approximately $1.4 billion to $1.5 billion when fully implemented by 2018.

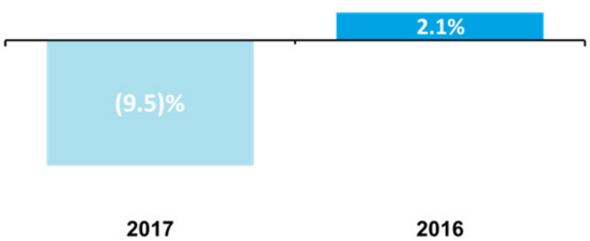
* Non-GAAP measure – *for reconciliation of Non-GAAP to GAAP measures see Consolidated Results of Operations*.

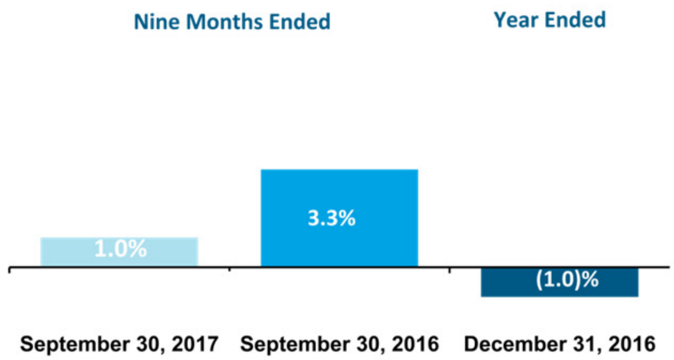
Capital Returned to Shareholders
Nine Months Ended September 30,
($ in millions)



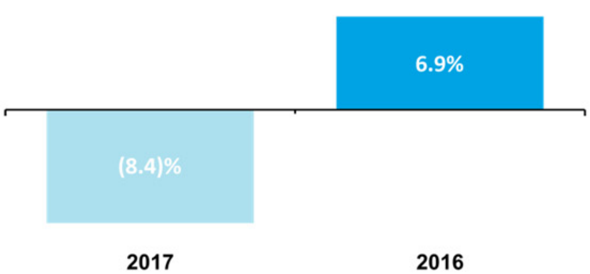
We have returned $20.3 billion in capital to our shareholders through dividends and share and warrant repurchases from January 1, 2016 to September 30, 2017.

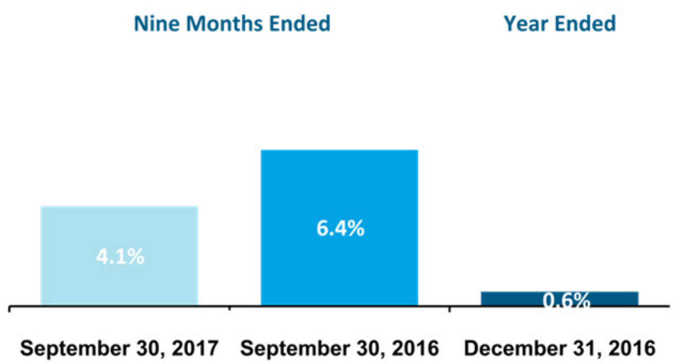
Return on Equity
Three Months Ended September 30,





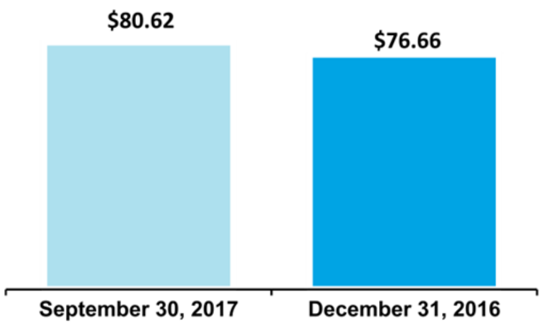
Adjusted Return on Equity*
Three Months Ended September 30,



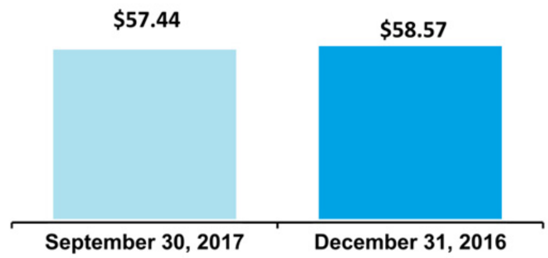


* Non-GAAP measure – *for reconciliation of Non-GAAP to GAAP measures see Consolidated Results of Operations*.

Book Value Per Common Share



Adjusted Book Value Per Common Share*



* Non-GAAP measure – *for reconciliation of Non-GAAP to GAAP measures see Consolidated Results of Operations*.

AIG'S OUTLOOK – INDUSTRY AND ECONOMIC FACTORS

Our business is affected by industry and economic factors such as interest rates, currency exchange rates, credit and equity market conditions, catastrophic claims events, regulation, tax policy, competition, and general economic, market and political conditions. We continued to operate under difficult market conditions in the first nine months of 2017, characterized by factors such as historically low interest rates, the Department of Labor's (the DOL) final fiduciary duty rule (the DOL Fiduciary Rule), volatile energy markets, slowing growth in China and Euro-Zone economies, and the formal commencement of the United Kingdom's (the UK) withdrawal from its membership in the European Union (the EU) (commonly referred to as Brexit). Brexit has also affected the U.S. dollar/British pound exchange rate and increased the volatility of exchange rates among the euro, British pound and the Japanese yen (the Major Currencies), which may continue for some time.

Impact of Changes in the Interest Rate Environment

Interest rates decreased marginally in the first nine months of 2017 and have remained at historically low levels. Certain markets in which we operate have experienced negative interest rates. A sustained low interest rate environment negatively affects sales of interest rate sensitive products in our industry and may negatively impact the profitability of our existing business as we reinvest cash flows from investments, including increased calls and prepayments of fixed maturity securities and mortgage loans, at rates below the average yield of our existing portfolios. We actively manage our exposure to the interest rate environment through portfolio selection and asset-liability management, including spread management strategies for our investment-oriented products and economic hedging of interest rate risk from guarantee features in our variable and fixed index annuities.

Annuity Sales and Surrenders

The sustained low interest rate environment has a significant impact on the annuity industry. Low long-term interest rates put pressure on investment returns, which may negatively affect sales of interest rate sensitive products and reduce future profits on certain existing fixed rate products. However, our disciplined rate setting has helped to mitigate some of the pressure on investment spreads. As long as the low interest rate environment continues, conditions will be challenging for the fixed annuity market. Rapidly rising interest rates could create the potential for increased sales, but may also drive higher surrenders. Customers are, however, currently buying fixed annuities with surrender charge periods of four to seven years in pursuit of higher returns, which may help mitigate the rate of increase in surrenders in a rapidly rising rate environment. In addition, older contracts that have higher minimum interest rates and continue to be attractive to the contract holders have driven better than expected persistency in Fixed Annuities, although the reserves for such contracts have continued to decrease over time in amount and as a percentage of the total annuity portfolio. We will closely monitor surrenders of Fixed Annuities as contracts with lower minimum interest rates come out of the surrender charge period in a more attractive rate environment. Low interest rates have also driven growth in our fixed index annuity products, which provide additional interest crediting tied to favorable performance in certain equity market indices and the availability of guaranteed living benefits. Changes in interest rates significantly impact the valuation of our liabilities for guaranteed products with income features and the value of the related hedging portfolio.

Reinvestment and Spread Management

We actively monitor fixed income markets, including the level of interest rates, credit spreads and the shape of the yield curve. We also frequently review our interest rate assumptions and actively manage the crediting rates used for 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 many of our 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.

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

For additional information on our investment and asset-liability management strategies see Investments.

For investment-oriented products in our Individual Retirement, Group Retirement, Life Insurance and Institutional Markets businesses, our spread management strategies include disciplined pricing and product design for new business, modifying or limiting the sale of products that do not achieve targeted spreads, using asset-liability management to match assets to liabilities to the extent practicable, and actively managing crediting rates to help mitigate some of the pressure on investment spreads. Renewal crediting rate management is done under contractual provisions that were designed to allow crediting rates to be reset at pre-established intervals in accordance with state and federal laws and subject to minimum crediting rate guarantees. We will continue to adjust crediting rates on in-force business to mitigate the pressure on spreads from declining base yields, but our ability to lower crediting rates may be limited by the competitive environment, contractual minimum crediting rates, and provisions that allow rates to be reset only at pre-established intervals. For example, competitors including private equity-held annuity writers are currently offering higher crediting rates. As a result, the timing and extent of crediting rate decreases may differ from the corresponding declines in investment yields, which could reduce our spreads and future profitability.

Of the aggregate fixed account values of our Individual Retirement and Group Retirement annuity products, 73 percent were crediting at the contractual minimum guaranteed interest rate at September 30, 2017. The percentage of fixed account values of our annuity products that are currently crediting at rates above one percent was 70 percent at both September 30, 2017 and December 31, 2016. These businesses continue to focus on pricing discipline and strategies to reduce the minimum guaranteed interest crediting rates offered on new sales. In the core universal life business in our Life Insurance business, 71 percent of the account values were crediting at the contractual minimum guaranteed interest rate at September 30, 2017.

The following table presents fixed annuity and universal life account values of our Core Individual Retirement, Group Retirement and Life Insurance businesses by contractual minimum guaranteed interest rate and current crediting rates:

September 30, 2017 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
Individual Retirement*				
1%	$ 5,353	$ 4,034	$ 12,638	$ 22,025
> 1% - 2%	7,125	142	1,927	9,194
> 2% - 3%	14,009	31	441	14,481
> 3% - 4%	10,358	44	7	10,409
> 4% - 5%	562	-	4	566
> 5% - 5.5%	34	-	5	39
Total Individual Retirement	$ 37,441	$ 4,251	$ 15,022	$ 56,714
Group Retirement*				
1%	$ 1,378	$ 2,570	$ 2,579	$ 6,527
> 1% - 2%	6,261	662	156	7,079
> 2% - 3%	15,448	-	167	15,615
> 3% - 4%	905	-	-	905
> 4% - 5%	7,163	-	-	7,163
> 5% - 5.5%	162	-	-	162
Total Group Retirement	$ 31,317	$ 3,232	$ 2,902	$ 37,451
Universal life insurance				
1%	$ -	$ -	$ 8	$ 8
> 1% - 2%	27	177	205	409
> 2% - 3%	566	529	943	2,038
> 3% - 4%	1,785	353	6	2,144
> 4% - 5%	3,383	214	-	3,597
> 5% - 5.5%	303	-	-	303
Total universal life insurance	$ 6,064	$ 1,273	$ 1,162	$ 8,499
Total	$ 74,822	$ 8,756	$ 19,086	$ 102,664
Percentage of total	73 %	8 %	19 %	100 %

* Individual Retirement and Group Retirement amounts shown include fixed options within variable annuity products.

Assumption Updates and Loss Recognition

Spreads and surrender rates are important components of the future profit assumptions that drive the rate we use to amortize DAC and related reserves for investment-oriented products. If future profit assumptions change significantly, we may be required to recalculate DAC and related reserves, and reflect any resulting adjustments in current period income. In addition to investment-oriented products, certain traditional long-duration products for which we do not have the ability to adjust interest rates, such as payout annuities, are exposed to reduced earnings and potential loss recognition reserve increases in a sustained low interest rate environment.

See Insurance Reserves – Life and Annuity Reserves and DAC – Update of Actuarial Assumptions for discussion of such adjustments recorded in the three- and nine-month periods ended September 30, 2017 and 2016 in our Consumer Insurance and Legacy Life Insurance Run-Off Lines.

Commercial Insurance

The impact of low interest rates on our Commercial Insurance segment is primarily on our long-tail Casualty line of business. We expect limited impacts on our existing long-tail Casualty business as the duration of our assets is slightly longer than that of our liabilities. We do expect sustained low interest rates will impact new and renewal business for the long-tail Casualty line as we may not be able to adjust our future pricing consistent with our profitability objectives to fully offset the impact of investing at lower rates. However, we will continue to maintain pricing discipline and risk selection.

In addition, for our Commercial Insurance segment and run-off insurance lines reported within the Legacy Portfolio, sustained low interest rates may unfavorably affect the net loss reserve discount for workers' compensation, and to a lesser extent could favorably impact assumptions about future medical costs, the combined net effect of which could result in higher net loss reserves.

Additionally, sustained low interest rates on discounting of projected benefit cash flows for our pension plans may result in higher pension expense.

Department of Labor Fiduciary Rule

Our Individual Retirement and Group Retirement operating segments provide products and services to certain employee benefit plans that are subject to restrictions imposed by the Employee Retirement Income Security Act of 1974, as amended (ERISA) and the Internal Revenue Code, including the requirements of the DOL Fiduciary Rule, related exemption amendments, and subsequent interpretative guidance and bulletins. Overall, the DOL Fiduciary Rule, as currently promulgated, would result in increased compliance costs and may create increased exposure to legal claims under certain circumstances, including class actions. Following the extension of the applicability dates of the DOL Fiduciary Rule and related exemptions announced by the DOL in April 2017, the new definition of fiduciary and the impartial conduct standards under the DOL Fiduciary Rule became applicable on June 9, 2017, with the remaining provisions of the rule scheduled to become applicable on January 1, 2018.

In late August 2017, the DOL issued a proposed rule to further extend the applicability date of all remaining elements of the DOL Fiduciary Rule and related exemptions from January 1, 2018 to July 1, 2019. The comment period for this proposed rule ended on September 15, 2017. The delay announced in April 2017 and the current proposed delay in the applicability of the DOL Fiduciary Rule followed a February 3, 2017 presidential memorandum that directed the DOL to review the rule and determine whether the DOL Fiduciary Rule will adversely impact the ability of retirement savers to access retirement information and financial advice. Continued uncertainties in the annuity market around the impact and implementation of this rule, including potential delays and possible modifications, have continued to significantly affect distributors, negatively impacting industry sales of annuity products, including those offered by Individual Retirement. We believe, based on our understanding of the DOL Fiduciary Rule, that we have implemented the adjustments necessary to achieve compliance with the applicable provisions of the rule. In addition to the re-examination of the DOL Fiduciary Rule, other federal and state-level authorities have also initiated efforts to evaluate standards of conduct for investment advice and to impose fiduciary duties on financial advisers who give such advice. While we cannot yet predict what impact these developments will have on our businesses, we are closely following the DOL's ongoing review and assessment of the DOL Fiduciary Rule as well as these other federal and state-level developments.

Impact of Currency Volatility

Currency volatility remains acute. Such volatility affected line item components of income for those businesses with substantial international operations. In particular, growth trends in net premiums written reported in U.S. dollars can differ significantly from those measured in original currencies. The net effect on underwriting results, however, is significantly mitigated, as both revenues and expenses are similarly affected.

These currencies may continue to fluctuate, in either direction, especially as a result of the UK's announced exit from the EU, and such fluctuations will affect net premiums written growth trends reported in U.S. dollars, as well as financial statement line item comparability.

Liability and Financial Lines, Property and Special Risks, International Life Insurance and Personal Insurance businesses are transacted in most major foreign currencies. The following table presents the average of the quarterly weighted average exchange rates of the Major Currencies, which have the most significant impact on our businesses:

	Three Months Ended September 30,		Percentage	Nine Months Ended September 30,		Percentage
Rate for 1 USD	**2017**	2016	Change	**2017**	2016	Change
Currency:						
JPY	**110.99**	103.53	7 %	**112.51**	110.72	2 %
EUR	**0.87**	0.90	(3)%	**0.91**	0.90	1 %
GBP	**0.77**	0.74	4 %	**0.79**	0.71	11 %

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

Other Industry Developments

On September 7, 2017, the UK Ministry of Justice announced, a proposal to increase the Ogden rate from negative 0.75 percent to between zero and one percent. This proposal has to be passed by Parliament. We will continue to monitor the progress with this potential change.

In early October 2017, a series of wildfires spread across Northern California causing significant property damage, business interruption and loss of lives. As of November 2, 2017, our preliminary estimate of the amount of pre-tax losses from these wildfires is approximately $500 million, net of reinsurance, impacting both our Commercial Insurance and Personal Insurance businesses. These losses will be reflected in our fourth quarter 2017 results. This preliminary estimate involves the exercise of considerable judgment. Due to the complexity of factors contributing to the losses, there can be no assurance that AIG's ultimate losses associated with these events will not differ from this estimate, perhaps materially.

Consolidated Results of Operations

The following section provides a comparative discussion of our Consolidated Results of Operations on a reported basis for the three- and nine-month periods ended September 30, 2017 and 2016. Factors that relate primarily to a specific business are discussed in more detail within the business segment operations section.

For a discussion of the Critical Accounting Estimates that affect our results of operations see the Critical Accounting Estimates section of this MD&A and *Part II, Item 7. MD&A — Critical Accounting Estimates in the 2016 Annual Report*.

The following table presents our consolidated results of operations and other key financial metrics:

	Three Months Ended September 30,		Percentage	Nine Months Ended September 30,		Percentage
(in millions)	**2017**	2016	Change	**2017**	2016	Change
Revenues:						
Premiums	**$ 8,063**	$ 8,581	(6)%	**$ 23,459**	$ 26,138	(10)%
Policy fees	**728**	646	13	**2,177**	2,029	7
Net investment income	**3,416**	3,783	(10)	**10,715**	10,479	2
Net realized capital losses	**(922)**	(765)	(21)	**(1,106)**	(829)	(33)
Other income	**466**	609	(23)	**1,640**	1,540	6
Total revenues	**11,751**	12,854	(9)	**36,885**	39,357	(6)
Benefits, losses and expenses:						
Policyholder benefits and losses incurred	**10,322**	7,489	38	**22,653**	20,748	9
Interest credited to policyholder account balances	**867**	887	(2)	**2,683**	2,798	(4)
Amortization of deferred policy acquisition costs	**912**	1,018	(10)	**3,135**	3,625	(14)
General operating and other expenses	**2,149**	2,536	(15)	**6,774**	8,125	(17)
Interest expense	**290**	329	(12)	**880**	955	(8)
(Gain) loss on extinguishment of debt	**1**	(14)	NM	**(4)**	76	NM
Net (gain) loss on sale of divested businesses	**13**	(128)	NM	**173**	(351)	NM
Total benefits, losses and expenses	**14,554**	12,117	20	**36,294**	35,976	1
Income (loss) from continuing operations before income tax expense (benefit)	**(2,803)**	737	NM	**591**	3,381	(83)
Income tax expense (benefit)	**(1,091)**	304	NM	**(18)**	1,170	NM
Income (loss) from continuing operations	**(1,712)**	433	NM	**609**	2,211	(72)
Income (loss) from discontinued operations, net of income tax expense (benefit)	**(1)**	3	NM	**7**	(54)	NM
Net income (loss)	**(1,713)**	436	NM	**616**	2,157	(71)
Less: Net income (loss) attributable to noncontrolling interests	**26**	(26)	NM	**40**	(35)	NM
Net income (loss) attributable to AIG	**$ (1,739)**	$ 462	NM%	**$ 576**	$ 2,192	(74)%

(in millions, except per share data)	**September 30, 2017**	December 31, 2016
Balance sheet data:		
Total assets	**$ 503,073**	$ 498,264
Long-term debt	**31,039**	30,912
Total AIG shareholders' equity	**72,468**	76,300
Book value per common share	**80.62**	76.66
Book value per common share, excluding AOCI	**74.01**	73.41
Adjusted book value per common share	**57.44**	58.57

The following table presents a reconciliation of Book value per common share to Book value per common share, excluding AOCI and Book value per common share, excluding AOCI and DTA (Adjusted book value per common share), which are non-GAAP measures. *For additional information see Use of Non-GAAP Measures.*

(in millions, except per share data)	September 30, 2017	December 31, 2016
Total AIG shareholders' equity	$ 72,468	$ 76,300
Accumulated other comprehensive income	5,939	3,230
Total AIG shareholders' equity, excluding AOCI	66,529	73,070
Deferred tax assets	14,897	14,770
Adjusted shareholders' equity	$ 51,632	$ 58,300
Total common shares outstanding	898,880,087	995,335,841
Book value per common share	$ 80.62	$ 76.66
Book value per common share, excluding AOCI	74.01	73.41
Adjusted book value per common share	57.44	58.57

The following table presents a reconciliation of Return on equity to Adjusted Return on equity, which is a non-GAAP measure. *For additional information see Use of Non-GAAP Measures.*

	Three Months Ended September 30,		Nine Months Ended September 30,		Year Ended December 31,
(dollars in millions)	2017	2016	2017	2016	2016
Actual or annualized net income (loss) attributable to AIG	$ (6,956)	$ 1,848	$ 768	$ 2,923	$ (849)
Actual or annualized after-tax operating income attributable to AIG	(4,444)	4,460	2,273	4,257	406
Average AIG Shareholders' equity	73,100	89,305	74,142	89,196	86,617
Average AOCI	5,451	8,658	4,477	6,344	5,722
Average AIG Shareholders' equity, excluding average AOCI	67,649	80,647	69,665	82,852	80,895
Average DTA	14,592	15,591	14,635	16,189	15,905
Average adjusted AIG Shareholders' equity	$ 53,057	$ 65,056	$ 55,030	$ 66,663	$ 64,990
ROE	(9.5) %	2.1 %	1.0 %	3.3 %	(1.0) %
Adjusted Return on Equity	(8.4) %	6.9 %	4.1 %	6.4 %	0.6 %

The following table presents a reconciliation of General operating and other expenses to General operating expense, operating basis, which is a Non-GAAP measure:

	Three Months Ended September 30,		Percentage	Nine Months Ended September 30,		Percentage
(in millions)	2017	2016	Change	2017	2016	Change
General operating and other expenses	$ 2,149	$ 2,536	(15) %	$ 6,774	$ 8,125	(17) %
Restructuring and other costs	(31)	(210)	85	(259)	(488)	47
Other (income) expense related to retroactive reinsurance agreement	-	(4)	NM	-	8	NM
Pension expense related to a one-time lump sum payment to former employees	(49)	-	NM	(50)	-	NM
Non-operating litigation reserves	-	2	NM	70	(1)	NM
Total general operating and other expenses included in pre-tax operating income	2,069	2,324	(11)	6,535	7,644	(15)
Loss adjustment expenses, reported as policyholder benefits and losses incurred	289	340	(15)	889	1,031	(14)
Advisory fee expenses	(84)	(76)	(11)	(238)	(566)	58
Non-deferrable insurance commissions and other	(148)	(107)	(38)	(410)	(350)	(17)
Direct marketing and acquisition expenses, net of deferrals, and other	(56)	(52)	(8)	(226)	(329)	31
Investment expenses reported as net investment income and other	32	15	113	49	45	9
Total general operating expenses, operating basis	$ 2,102	$ 2,444	(14) %	$ 6,599	$ 7,475	(12) %

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

Three Months Ended September 30,	2017			2016		
(in millions, except per share data)	Pre-tax	Total Tax (Benefit) Charge	After Tax	Pre-tax	Total Tax (Benefit) Charge	After Tax
Pre-tax income (loss)/net income (loss), including noncontrolling interests	$ (2,803)	$ (1,091)	$ (1,714)	$ 737	$ 304	$ 465
Noncontrolling interest			(25)			(3)
Pre-tax income (loss)/net income (loss) attributable to AIG	$ (2,803)	$ (1,091)	$ (1,739)	$ 737	$ 304	$ 462
Uncertain tax positions and other tax adjustments		(11)	11		(42)	42
Deferred income tax valuation allowance releases		2	(2)		2	(2)
Changes in fair value of securities used to hedge guaranteed living benefits	(26)	(9)	(17)	(17)	(6)	(11)
Changes in benefit reserves and DAC, VOBA and SIA related to net realized capital gains (losses)	(84)	(29)	(55)	67	24	43
Unfavorable (favorable) prior year development and related amortization changes ceded under retroactive reinsurance agreements	(7)	(2)	(5)	(3)	(1)	(2)
(Gain) loss on extinguishment of debt	1	1	-	(14)	(5)	(9)
Net realized capital losses	922	316	606	765	210	555
Noncontrolling interest on net realized capital losses			1			(29)
(Income) loss from discontinued operations			1			(3)
(Income) loss from divested businesses	13	7	6	(128)	(45)	(83)
Non-operating litigation reserves and settlements	-	-	-	(5)	(2)	(3)
Net loss reserve discount (benefit) charge	48	20	28	32	14	18
Pension expense related to a one-time lump sum payment to former employees	49	16	33	-	-	-
Restructuring and other costs	31	10	21	210	73	137
Pre-tax operating income (loss)/After-tax operating income (loss)	$ (1,856)	$ (770)	$ (1,111)	$ 1,644	$ 526	$ 1,115
Weighted average diluted shares outstanding			908.7			1,102.4
Income (loss) per common share attributable to AIG (diluted)			$ (1.91)			$ 0.42
After-tax operating income (loss) per common share attributable to AIG (diluted)*			$ (1.22)			$ 1.01

Nine Months Ended September 30,	2017			2016		
(in millions, except per share data)	Pre-tax	Total Tax (Benefit) Charge	After Tax	Pre-tax	Total Tax (Benefit) Charge	After Tax
Pre-tax income/net income (loss), including noncontrolling interests	$ 591	$ (18)	$ 610	$ 3,381	$ 1,170	$ 2,197
Noncontrolling interest			(34)			(5)
Pre-tax income/net income (loss) attributable to AIG	$ 591	$ (18)	$ 576	$ 3,381	$ 1,170	$ 2,192
Uncertain tax positions and other tax adjustments		(27)	27		(184)	184
Deferred income tax valuation allowance releases		23	(23)		4	(4)
Changes in fair value of securities used to hedge guaranteed living benefits	(117)	(41)	(76)	(270)	(95)	(175)
Changes in benefit reserves and DAC, VOBA and SIA related to net realized capital gains (losses)	(195)	(68)	(127)	91	32	59
Unfavorable (favorable) prior year development and related amortization changes ceded under retroactive reinsurance agreements	258	91	167	(15)	(5)	(10)
(Gain) loss on extinguishment of debt	(4)	(1)	(3)	76	26	50
Net realized capital losses	1,106	401	705	829	217	612
Noncontrolling interest on net realized capital losses			6			(40)
(Income) loss from discontinued operations			(7)			54
(Income) loss from divested businesses	173	41	132	(351)	(123)	(228)
Non-operating litigation reserves and settlements	(86)	(30)	(56)	(43)	(15)	(28)
Net loss reserve discount (benefit) charge	283	101	182	323	113	210
Pension expense related to a one-time lump sum payment to former employees	50	17	33	-	-	-
Restructuring and other costs	259	90	169	488	171	317
Pre-tax operating income/After-tax operating income	$ 2,318	$ 579	$ 1,705	$ 4,509	$ 1,311	$ 3,193
Weighted average diluted shares outstanding			961.3			1,142.7
Income per common share attributable to AIG (diluted)			$ 0.60			$ 1.92
After-tax operating income per common share attributable to AIG (diluted)			$ 1.77			$ 2.79

* For the three-month period ended September 30, 2017, because we reported a net loss and 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. The shares excluded from these calculations were 22,459,868 shares.

QUARTERLY PRE-TAX INCOME (LOSS) COMPARISON FOR 2017 AND 2016

Pre-tax results decreased in the three-month period ended September 30, 2017 compared to the same period in 2016 primarily due to:

- higher aggregate pre-tax catastrophe losses of $3.0 billion, which included losses from Hurricanes Harvey, Irma and Maria and the earthquake in Mexico, compared to catastrophe losses of $282 million in the same period in the prior year;
- an increase in unfavorable prior year loss reserve development driven by higher than expected loss emergence mainly in Liability and Financial Lines primarily related to accident year 2016;
- a decrease in net investment income due to lower invested assets, lower income on our hedge fund portfolio, and blended investment yields on new investments that were lower than blended rates on investments that were sold, matured or called;
- an increase in net realized capital losses reflecting:
  - higher derivative losses from variable annuity GMWB, net of hedges, including losses from guaranteed living benefit embedded derivatives, net of hedging, primarily due to a higher net negative adjustment from updates of actuarial assumptions, movement in the non-performance or “own credit” spread adjustment (NPA), driven by tightening credit spreads and lower expected GMWB payments due to higher equity markets; and
  - higher impairments on investments in life settlements.

  Partially offset by:
  - foreign exchange gains in the three-month period ended September 30, 2017 compared to foreign exchange losses in the same period in the prior year due to $528 million of remeasurement losses for a short-term intercompany balance in 2016.

These decreases were partially offset by:

- lower general operating and other expenses reflecting strategic actions to reduce expenses; and
- a net positive adjustment from the update of actuarial assumptions compared to a net negative adjustment in the same period in the prior year.

YEAR-TO-DATE PRE-TAX INCOME COMPARISON FOR 2017 AND 2016

Pre-tax results decreased in the nine-month period ended September 30, 2017 compared to the same period in 2016 primarily due to:

- higher aggregate pre-tax catastrophe losses of $3.4 billion, which included losses from Hurricanes Harvey, Irma and Maria and the earthquake in Mexico, compared to catastrophe losses of $947 million in the same period in the prior year;
- an increase in unfavorable prior year loss reserve development driven by higher than expected loss emergence mainly in Liability and Financial Lines primarily related to accident year 2016;
- a loss on sale of divested businesses due to the sale of Fuji Life in the nine-month period ended September 30, 2017 compared to a gain on sale from divested businesses on the sale of AIG Advisor Group and NSM in the same period in the prior year;
- an increase in net realized capital losses reflecting:
  - higher derivative losses from variable annuity GMWB, net of hedges, including losses from guaranteed living benefit embedded derivatives, net of hedging, primarily due to a higher net negative adjustment from updates of actuarial assumptions, movement in the NPA, driven by tightening credit spreads and lower expected GMWB payments due to higher equity markets; and
  - gains in the same period in the prior year on the sale of a portion of our investment in People’s Insurance Company (Group) of China Limited and PICC Property & Casualty Company Limited (collectively, our PICC Investment).

  Partially offset by:
  - foreign exchange gains in the nine-month period ended September 30, 2017 compared to foreign exchange losses in the same period in the prior year due to $906 million of remeasurement losses for a short-term intercompany balance in 2016; and
  - lower other-than-temporary impairments.

These decreases were partially offset by:

- lower general operating and other expenses reflecting strategic actions to reduce expenses;
- a net positive adjustment from the update of actuarial assumptions compared to a net negative adjustment in the same period in the prior year;
- higher Legacy Portfolio fair value gains on certain investments; and
- an increase in net investment income due to higher income on alternative investments, primarily in our hedge fund portfolio.

INCOME TAX EXPENSE ANALYSIS

For the three-month period ended September 30, 2017, the effective tax rate on loss from continuing operations was 38.9 percent. The effective tax rate on loss from continuing operations differs from the statutory tax rate of 35 percent primarily due to tax benefits associated with tax exempt income and reclassifications from accumulated other comprehensive income to income from continuing operations related to the disposal of available for sale securities, partially offset by tax charges related to losses in our European operations taxed at a statutory tax rate lower than 35 percent.

For the nine-month period ended September 30, 2017, the effective tax rate on income from continuing operations was not meaningful, due to a tax benefit on pre-tax income. The tax benefit was primarily due to tax exempt income, reclassifications from accumulated other comprehensive income to income from continuing operations related to the disposal of available for sale securities and excess tax deductions related to share based compensation payments recorded through the income statement in accordance with ASU 2016-09, partially offset by tax charges related to increases in uncertain tax positions associated with the impact of settlement discussions with the IRS related to certain open tax issues and losses in our European operations taxed at a statutory tax rate lower than 35 percent.

For the three-month period ended September 30, 2016, the effective tax rate on income from continuing operations was 41.2 percent. The effective tax rate on income from continuing operations differs from the statutory tax rate of 35 percent primarily due to foreign exchange losses incurred by our foreign subsidiaries related to the weakening of the British pound following the Brexit vote taxed at a statutory tax rate lower than 35 percent, partially offset by tax benefits associated with tax exempt interest income and reclassifications from accumulated other comprehensive income to income from continuing operations related to the disposal of available for sale securities.

For the nine-month period ended September 30, 2016, the effective tax rate on income from continuing operations was 34.6 percent. The effective tax rate 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, the impact of an agreement reached with the IRS related to certain tax issues under audit and reclassifications from accumulated other comprehensive income to income from continuing operations related to the disposal of available for sale securities, partially offset by a tax charge and related interest associated with increases in uncertain tax positions related to cross border financing transactions and foreign exchange losses incurred by our foreign subsidiaries related to the weakening of the British pound following the Brexit vote taxed at a statutory tax rate lower than 35 percent.

Business Segment Operations

Our business operations consist of Commercial Insurance, Consumer Insurance, Other Operations, and a Legacy Portfolio.

Commercial Insurance consists of two modules: Liability and Financial Lines and Property and Special Risks. Consumer Insurance consists of four modules: Group Retirement, Individual Retirement, Life Insurance and Personal Insurance. Other Operations consists of businesses and items not allocated to our other businesses, which are primarily AIG Parent, Institutional Markets, United Guaranty and Fuji Life. Our Legacy Portfolio consists of our Legacy Property and Casualty Run-Off Insurance Lines, Legacy Life Insurance Run-Off Lines and Legacy Investments.

The following table summarizes Pre-tax operating income (loss) from our business segment operations. *See also Note 3 to the Condensed Consolidated Financial Statements*.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2017**	2016	**2017**	2016
Core business:				
Commercial Insurance				
Liability and Financial Lines	**$ (257)**	$ 948	**$ 903**	$ 2,332
Property and Special Risks	**(2,605)**	(263)	**(2,200)**	(44)
Commercial Insurance	**(2,862)**	685	**(1,297)**	2,288
Consumer Insurance				
Individual Retirement	**718**	920	**1,815**	1,727
Group Retirement	**249**	214	**758**	670
Life Insurance	**112**	(54)	**272**	(27)
Personal Insurance	**(71)**	148	**471**	510
Consumer Insurance	**1,008**	1,228	**3,316**	2,880
Other Operations	**(287)**	(164)	**(835)**	(565)
Consolidations, eliminations and other adjustments	**(1)**	(6)	**75**	-
Total Core	**(2,142)**	1,743	**1,259**	4,603
Legacy Portfolio	**286**	(99)	**1,059**	(94)
Pre-tax operating income (loss)	**$ (1,856)**	$ 1,644	**$ 2,318**	$ 4,509

Commercial Insurance

PRODUCTS AND DISTRIBUTION

Liability and Financial Lines

Liability: Products include general liability, environmental, commercial automobile liability, workers' compensation, excess casualty and crisis management insurance products. Casualty also includes risk-sharing and other customized structured programs for large corporate and multinational customers.

Financial Lines: Products include professional liability insurance for a range of businesses and risks, including directors and officers liability, mergers and acquisitions (M&A), fidelity, employment practices, fiduciary liability, cyber risk, kidnap and ransom, and errors and omissions insurance.

Property and Special Risks

Property: Products include commercial, industrial and energy-related property insurance products and services that cover exposures to man-made and natural disasters, including business interruption.

Special Risks: Products include aerospace, political risk, trade credit, portfolio solutions, surety and marine insurance.

Distribution

Commercial Insurance products are primarily distributed through a network of independent retail and wholesale brokers.

BUSINESS STRATEGY

Customer: We provide commercial insurance solutions to the full spectrum of enterprises — from large, multinational, and mid-sized companies to small businesses, entrepreneurs, and non-profit organizations across the globe. We expect that investments in underwriting, claims services, client risk services, science and data will continue to differentiate us from our peers and drive a superior client experience.

Sharpen Commercial Focus: Create a leaner, more focused, and more profitable Commercial Insurance organization. Deliver a more competitive return on equity across our businesses primarily through improvements in our loss ratio. Optimize our business portfolio through risk selection by using enhanced data, analytics and the application of science to deliver superior risk-adjusted returns. Exit or remediate targeted sub-segments of underperforming portfolios or non-core businesses that do not meet our risk acceptance or profitability objectives. Maintain and grow profitable accounts and deliver a better client experience.

Invest to Grow: Grow our higher-value businesses while investing in transformative opportunities, continuing initiatives to modernize our technology and infrastructure, advancing our engineering capabilities, innovating new products and client risk solutions and delivering a better client experience.

COMPETITION AND CHALLENGES

Operating in a highly competitive industry, Commercial Insurance competes against several hundred companies, specialty insurance organizations, mutual companies and other underwriting organizations in the U.S. In international markets, we compete for business with the foreign insurance operations of large global insurance groups and local companies in specific market areas and product types. Insurance companies compete through a combination of risk acceptance criteria, product pricing, service and terms and conditions. Commercial Insurance seeks to distinguish itself in the insurance industry primarily based on its well-established brand, global franchise, multinational capabilities, financial and capital strength, innovative products, claims expertise to handle complex claims, expertise in providing specialized coverages and customer service.

We serve our business and individual customers on a global basis — from the largest multinational corporations to local businesses and individuals. Our clients benefit from our substantial underwriting expertise.

Our challenges include:

- information technology infrastructure modernization, which puts pressure on our efforts to reduce operating expenses;
- long-tail exposures that create added challenges to pricing and risk management;
- over capacity in certain lines of business that creates downward market pressure on pricing;
- tort environment volatility in certain jurisdictions and lines of business; and
- volatility in claims arising from natural and man-made catastrophes.

OUTLOOK—INDUSTRY AND ECONOMIC FACTORS

Below is a discussion of the industry and economic factors impacting our specific business:

Liability and Financial Lines

The Liability and Financial Lines markets remain challenging, with excess capacity continuing to negatively impact the rate environment. Despite this, we continue to achieve rate increases in challenged areas of the portfolio, particularly for directors and officers liability (D&O) within U.S. Financial lines, and more broadly across U.S. Casualty Lines. Within U.S. Casualty, we expect continued execution of our risk selection strategy alongside disciplined underwriting to allow us to achieve rate increases through the remainder of 2017. We have continued to observe higher loss cost trends, which are impacting not only the primary books, but also having a leveraged impact on excess layers. Liability and Financial Lines has large international exposures within the Commercial Insurance portfolio and will therefore remain sensitive to volatility in foreign currencies.

Property and Special Risks

In the first nine months of 2017, Property and Special Risks experienced growth in certain of our targeted lines of business, including Middle Markets; however, we faced certain challenges in other lines driven by the competitive market environment. Rates in more commoditized lines of business such as U.S. excess and surplus continue to be unsatisfactory and we intend to continue to reduce our net premiums written in these areas. Property premiums declined in the first nine months of 2017, primarily due to reductions in the portfolio driven by actions to address accounts with inadequate prices and unfavorable terms and conditions.

Overall, Property and Special Risks experienced rate pressure in the first nine months of 2017; however, recent hurricane and earthquake activity is expected to positively impact market pricing. Property and Special Risks continues to differentiate its underwriting capacity from its peers by leveraging its global footprint, diverse product offering, risk engineering expertise and significant underwriting experience.

COMMERCIAL INSURANCE RESULTS

	Three Months Ended September 30,			Nine Months Ended September 30,		
(in millions)	**2017**	2016	Change	**2017**	2016	Change
Revenues:						
Premiums	**$ 3,815**	$ 4,475	(15)%	**$ 11,286**	$ 13,908	(19)%
Net investment income	**777**	941	(17)	**2,522**	2,350	7
Total operating revenues	**4,592**	5,416	(15)	**13,808**	16,258	(15)
Benefits and expenses:						
Policyholder benefits and losses incurred	**6,426**	3,455	86	**11,868**	9,958	19
Amortization of deferred policy acquisition costs	**423**	514	(18)	**1,273**	1,576	(19)
General operating and other expenses[(a)]	**605**	762	(21)	**1,964**	2,436	(19)
Total operating expenses	**7,454**	4,731	58	**15,105**	13,970	8
Pre-tax operating income (loss)	**$ (2,862)**	$ 685	NM%	**$ (1,297)**	$ 2,288	NM%
Loss ratio[(b)]	**168.4**	77.3	91.1	**105.2**	71.5	33.7
Acquisition ratio	**14.5**	15.3	(0.8)	**15.2**	15.8	(0.6)
General operating expense ratio	**12.5**	13.2	(0.7)	**13.5**	13.0	0.5
Expense ratio	**27.0**	28.5	(1.5)	**28.7**	28.8	(0.1)
Combined ratio[(b)]	**195.4**	105.8	89.6	**133.9**	100.3	33.6
Adjustments for accident year loss ratio, as adjusted and accident year combined ratio, as adjusted:						
Catastrophe losses and reinstatement premiums	**(71.2)**	(5.6)	(65.6)	**(27.5)**	(5.9)	(21.6)
Prior year development, net of (additional) return premium on loss sensitive business	**(22.1)**	(7.0)	(15.1)	**(8.5)**	(2.4)	(6.1)
Adjustment for ceded premiums under reinsurance contracts related to prior accident years	**-**	-	NM	**(0.3)**	-	(0.3)
Accident year loss ratio, as adjusted	**75.1**	64.7	10.4	**68.9**	63.2	5.7
Accident year combined ratio, as adjusted	**102.1**	93.2	8.9	**97.6**	92.0	5.6

(a) Includes general operating expenses, commissions and other acquisition expenses.

(b) Consistent with our definition of PTOI, excludes net loss reserve discount 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.

The following table presents Commercial Insurance net premiums written by module, showing change on both a reported and constant dollar basis:

	Three Months Ended September 30,		Percentage Change in		Nine Months Ended September 30,		Percentage Change in	
(in millions)	**2017**	2016	U.S. dollars	Original currency	**2017**	2016	U.S. dollars	Original currency
Liability and Financial Lines	**$ 2,175**	$ 2,389	(9)%	(9)%	**$ 6,476**	$ 7,219	(10)%	(9)%
Property and Special Risks	**1,595**	1,965	(19)	(19)	**4,749**	6,007	(21)	(20)
Total net premiums written	**$ 3,770**	$ 4,354	(13)%	(13)%	**$ 11,225**	$ 13,226	(15)%	(14)%

The following tables present Commercial accident year catastrophes and severe losses by geography[(a)] and number of events:

Catastrophes[(b)]

(in millions)	# of Events		U.S.		Japan		Europe		Other		Total
Three Months Ended September 30, 2017											
Flooding	**- [(c)]**	**$**	**996**	**$**	**-**	**$**	**87**	**$**	**48**	**$**	**1,131**
Windstorms and hailstorms	**7**		**1,380**		**9**		**111**		**58**		**1,558**
Earthquakes	**1**		**26**		**-**		**10**		**(6)**		**30**
Total catastrophe-related charges	**8**	**$**	**2,402**	**$**	**9**	**$**	**208**	**$**	**100**	**$**	**2,719**
Three Months Ended September 30, 2016											
Flooding	1	$	97	$	-	$	(10)	$	-	$	87
Windstorms and hailstorms	7		103		19		10	$	2		134
Wildfire	-		11		-		1		9		21
Earthquakes	-		21		(11)		(1)		(2)		7
Other	-		-		-		-		3		3
Total catastrophe-related charges	8	$	232	$	8	$	-	$	12	$	252
Nine Months Ended September 30, 2017											
Flooding	**- [(c)]**	**$**	**996**	**$**	**-**	**$**	**87**	**$**	**48**	**$**	**1,131**
Windstorms and hailstorms	**17**		**1,694**		**9**		**115**		**58**		**1,876**
Tropical cyclone	**1**		**20**		**-**		**-**		**41**		**61**
Earthquakes	**1**		**26**		**-**		**10**		**(6)**		**30**
Total catastrophe-related charges	**19**	**$**	**2,736**	**$**	**9**	**$**	**212**	**$**	**141**	**$**	**3,098**
Nine Months Ended September 30, 2016											
Flooding	3	$	134	$	-	$	34	$	-	$	168
Windstorms and hailstorms	18		413		21		10		8		452
Wildfire	1		48		-		1		33		82
Earthquakes	2		68		5		1		16		90
Other	1		-		-		32		3		35
Total catastrophe-related charges	25	$	663	$	26	$	78	$	60	$	827

(a) Geography shown in the table represents where the ultimate liability resides, after intercompany reinsurance agreements, and is not necessarily indicative of where the catastrophe or severe loss events have occurred. This presentation follows our geography modules. *For further discussion on our geography modules see MD&A – Executive Summary*.

(b) 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.

(c) Flooding events reported in the three- and nine-month periods ended September 30, 2017 are a subset of windstorm events.

Severe Losses[(d)]

(in millions)	# of Events		U.S.		Japan		Europe		Other		Total
Three Months Ended September 30,											
2017	**12**	**$**	**164**	**$**	**-**	**$**	**48**	**$**	**20**	**$**	**232**
2016	7	$	54	$	-	$	36	$	5	$	95
Nine Months Ended September 30,											
2017	**20**	**$**	**242**	**$**	**-**	**$**	**125**	**$**	**30**	**$**	**397**
2016	17	$	173	$	-	$	129	$	31	$	333

(d) 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.

LIABILITY AND FINANCIAL LINES RESULTS

	Three Months Ended September 30,			Nine Months Ended September 30,		
(in millions)	**2017**	2016	Change	**2017**	2016	Change
Underwriting results:						
Net premiums written	**$ 2,175**	$ 2,389	(9)%	**$ 6,476**	$ 7,219	(10)%
Decrease in unearned premiums	**70**	221	(68)	**36**	951	(96)
Net premiums earned	**2,245**	2,610	(14)	**6,512**	8,170	(20)
Losses and loss adjustment expenses incurred	**2,538**	1,768	44	**5,783**	5,643	2
Acquisition expenses:						
Amortization of deferred policy acquisition costs	**215**	242	(11)	**624**	862	(28)
Other acquisition expenses	**77**	76	1	**251**	234	7
Total acquisition expenses	**292**	318	(8)	**875**	1,096	(20)
General operating expenses	**275**	345	(20)	**882**	1,047	(16)
Underwriting income (loss)	**(860)**	179	NM	**(1,028)**	384	NM
Net investment income	**603**	769	(22)	**1,931**	1,948	(1)
Pre-tax operating income (loss)	**$ (257)**	$ 948	NM%	**$ 903**	$ 2,332	(61)%
Loss ratio[(a)]	**113.1**	67.7	45.4	**88.8**	69.1	19.7
Acquisition ratio	**13.0**	12.2	0.8	**13.4**	13.4	-
General operating expense ratio	**12.2**	13.2	(1.0)	**13.5**	12.8	0.7
Expense ratio	**25.2**	25.4	(0.2)	**26.9**	26.2	0.7
Combined ratio[(a)]	**138.3**	93.1	45.2	**115.7**	95.3	20.4
Adjustments for accident year loss ratio, as adjusted and accident year combined ratio, as adjusted:						
Catastrophe losses[(b)] and reinstatement premiums	**(0.9)**	(0.2)	(0.7)	**(0.3)**	(0.1)	(0.2)
Prior year development, net of (additional) return premium on loss sensitive business	**(34.1)**	0.5	(34.6)	**(13.5)**	(1.0)	(12.5)
Adjustment for ceded premiums under reinsurance contracts related to prior accident years	**-**	-	NM	**(0.5)**	-	(0.5)
Accident year loss ratio, as adjusted	**78.1**	68.0	10.1	**74.5**	68.0	6.5
Accident year combined ratio, as adjusted	**103.3**	93.4	9.9	**101.4**	94.2	7.2

(a) Consistent with our definition of PTOI, excludes net loss reserve discount 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.

(b) The catastrophe losses resulted from commercial auto physical damage claims related to hurricane activity in the third quarter of 2017.

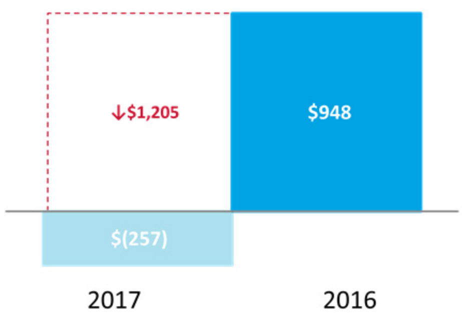
Business and Financial Highlights

Liability and Financial Lines pre-tax operating income decreased in the three- and nine-month periods ended September 30, 2017, due to higher unfavorable prior year loss reserve development, mainly in U.S. and European Casualty and Financial Lines, primarily in accident year 2016. These decreases were partially offset by the amortization of the deferred gain from National Indemnity Company (NICO) reinsurance agreement. The decrease was also driven by higher current accident year loss ratios, as adjusted, primarily in U.S. Casualty Lines. Net premiums written decreased primarily due to continued execution of strategic portfolio optimization actions across the U.S. businesses as well as disciplined underwriting in challenging market conditions. General operating expenses continued to decrease due to expense saving initiatives.

Net investment income reflected lower interest and dividends in the three- and nine-month periods ended September 30, 2017, due to lower invested assets resulting from the first quarter 2017 funding of the adverse development reinsurance agreement with NICO. In the nine-month period ended September 30, 2017, the lower net investment income was partially offset by higher income on alternative investments and gains on securities where we elected the fair value option.

For further discussion on the NICO transaction see MD&A – Insurance Reserves.

Liability and Financial Lines Pre-Tax Operating Income (Loss)
Three Months Ended September 30,
(in millions)



Quarterly 2017 and 2016 Comparison

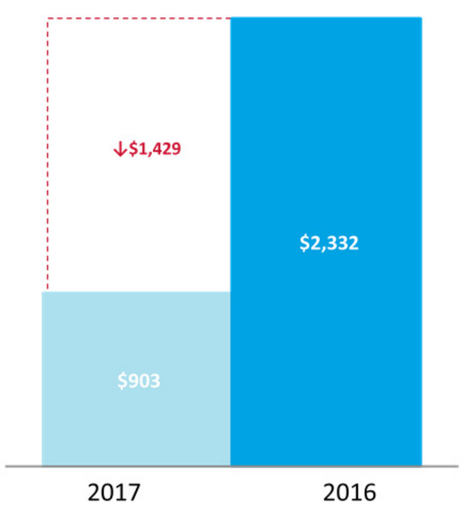
Pre-tax operating income decreased due to:

- higher unfavorable prior year loss reserve development, partially offset by the amortization of the deferred gain from the NICO reinsurance agreement;
- higher current accident year loss ratios, as adjusted, mainly in U.S. Casualty Lines, driven by an increase in loss estimates as a result of 2016 year-end and second and third quarter 2017 detailed reserve valuation reviews; and
- lower net investment income reflecting lower interest and dividends due to lower invested assets resulting from funding of the NICO reinsurance agreement.

This decrease was partially offset by:

- lower acquisition expenses driven by lower insurance taxes, licenses and fees; and
- lower general operating expenses driven by continued strategic actions to reduce operating expenses.

Liability and Financial Lines Pre-Tax Operating Income
Nine Months Ended September 30,
(in millions)



Year-to-Date 2017 and 2016 Comparison

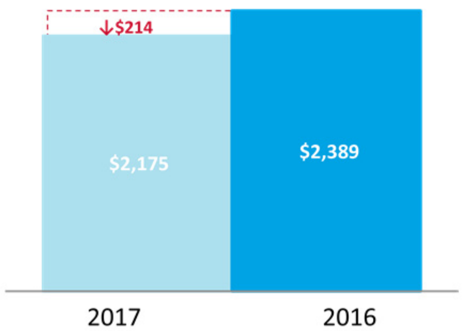
Pre-tax operating income decreased due to:

- higher unfavorable prior year loss reserve development, partially offset by the net losses ceded under the NICO reinsurance agreement and the amortization of the deferred gain from the NICO reinsurance agreement;
- higher current accident year loss ratios, as adjusted, mainly in U.S. Casualty Lines, driven by an increase in loss estimates as a result of 2016 year-end and second and third quarter 2017 detailed reserve valuation reviews; and
- lower net investment income reflecting lower interest and dividends due to lower invested assets resulting from funding of the NICO reinsurance agreement, partially offset by higher income on alternative investments and gains on securities where we elected the fair value option.

This decrease was partially offset by:

- lower acquisition expenses driven by lower insurance taxes, licenses and fees; and
- lower general operating expenses driven by continued strategic actions to reduce operating expenses.

Liability and Financial Lines Net Premiums Written
Three Months Ended September 30,
(in millions)

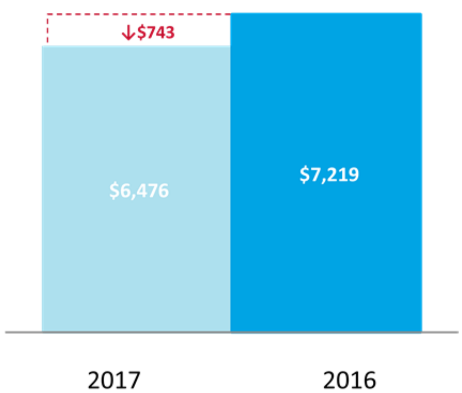


Quarterly 2017 and 2016 Comparison

Net premiums written decreased primarily due to:

- continued execution of our risk selection strategy in U.S. Casualty as we optimize our product portfolio; and
- lower production primarily in D&O and M&A products within U.S. Financial Lines due to efforts to maintain underwriting discipline in the current competitive market environment.

Liability and Financial Lines Net Premiums Written
Nine Months Ended September 30,
(in millions)

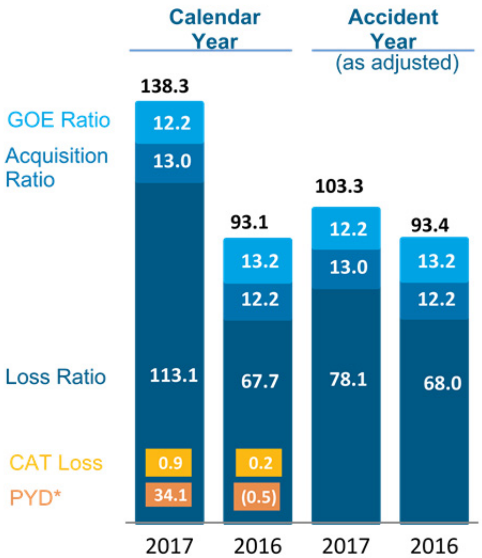


Year-to-Date 2017 and 2016 Comparison

Net premiums written decreased primarily due to:

- continued execution of our risk selection strategy in U.S. Casualty as we optimize our product portfolio; and
- lower production primarily in the U.S. due to efforts to maintain underwriting discipline in the current competitive market environment.

Liability and Financial Lines Combined Ratios
Three Months Ended September 30,



Quarterly 2017 and 2016 Comparison

The increase in combined ratio reflected an increase in the loss ratio slightly offset by a decrease in the expense ratio.

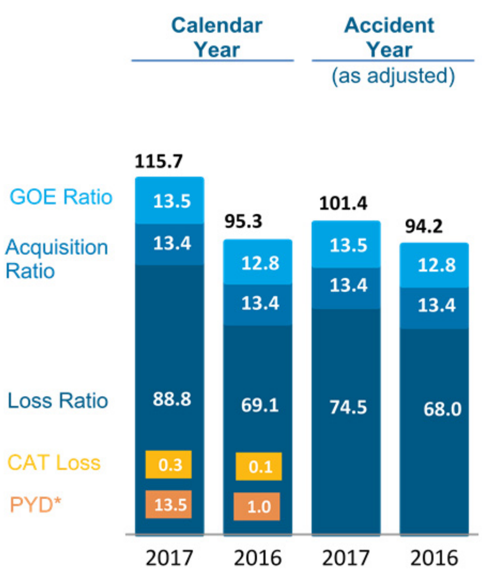
The increase in the loss ratio was due to:

- an increase in prior year unfavorable loss reserve development largely in reaction to early unfavorable loss emergence in U.S. Casualty and Financial Lines in accident year 2016, and an increased number of large claims in European Casualty and Financial Lines primarily in accident year 2016; and
- higher current accident year loss ratios, as adjusted, in certain U.S. Casualty Lines, driven by an increase in loss estimates as a result of 2016 year-end and second and third quarter 2017 detailed reserve valuation reviews.

This increase was slightly offset by a decrease in the expense ratio due to a lower general operating expense ratio that was almost entirely offset by a higher acquisition ratio.

* Excludes adjustment for ceded premiums under reinsurance contracts related to prior accident years.

Liability and Financial Lines Combined Ratios
Nine Months Ended September 30,



Year-to-Date 2017 and 2016 Comparison

The increase in combined ratio reflected an increase in both the loss ratio and the expense ratio.

The increase in the loss ratio was due to:

- an increase in prior year unfavorable loss reserve development largely in reaction to early unfavorable loss emergence in U.S. Casualty and Financial Lines in accident year 2016, and an increased number of large claims in European Casualty and Financial Lines primarily in accident year 2016; and
- higher current accident year loss ratios, as adjusted, in certain U.S. Casualty Lines, driven by an increase in loss estimates as a result of 2016 year-end and second and third quarter of 2017 detailed reserve valuation reviews.

The increase in the expense ratio reflected a higher general operating expense ratio due to a decrease in net premiums earned reflecting portfolio optimization, which more than offset expense reductions.

* Excludes adjustment for ceded premiums under reinsurance contracts related to prior accident years.

PROPERTY AND SPECIAL RISKS RESULTS

	Three Months Ended September 30,			Nine Months Ended September 30,		
(in millions)	**2017**	2016	Change	**2017**	2016	Change
Underwriting results:						
Net premiums written	**$ 1,595**	$ 1,965	(19)%	**$ 4,749**	$ 6,007	(21)%
(Increase) decrease in unearned premiums	**(25)**	(100)	75	**25**	(269)	NM
Net premiums earned	**1,570**	1,865	(16)	**4,774**	5,738	(17)
Losses and loss adjustment expenses incurred	**3,888**	1,687	130	**6,085**	4,315	41
Acquisition expenses:						
Amortization of deferred policy acquisition costs	**208**	272	(24)	**649**	714	(9)
Other acquisition expenses	**52**	94	(45)	**192**	390	(51)
Total acquisition expenses	**260**	366	(29)	**841**	1,104	(24)
General operating expenses	**201**	247	(19)	**639**	765	(16)
Underwriting loss	**(2,779)**	(435)	NM	**(2,791)**	(446)	NM
Net investment income	**174**	172	1	**591**	402	47
Pre-tax operating loss	**$ (2,605)**	$ (263)	NM%	**$ (2,200)**	$ (44)	NM%
Loss ratio[(a)]	**247.6**	90.5	157.1	**127.5**	75.2	52.3
Acquisition ratio	**16.6**	19.6	(3.0)	**17.6**	19.2	(1.6)
General operating expense ratio	**12.8**	13.2	(0.4)	**13.4**	13.3	0.1
Expense ratio	**29.4**	32.8	(3.4)	**31.0**	32.5	(1.5)
Combined ratio[(a)]	**277.0**	123.3	153.7	**158.5**	107.7	50.8
Adjustments for accident year loss ratio, as adjusted and accident year combined ratio, as adjusted:						
Catastrophe losses and reinstatement premiums	**(172.0)**	(13.3)	(158.7)	**(64.6)**	(14.3)	(50.3)
Prior year development	**(4.9)**	(17.3)	12.4	**(1.7)**	(4.5)	2.8
Accident year loss ratio, as adjusted	**70.7**	59.9	10.8	**61.2**	56.4	4.8
Accident year combined ratio, as adjusted	**100.1**	92.7	7.4	**92.2**	88.9	3.3

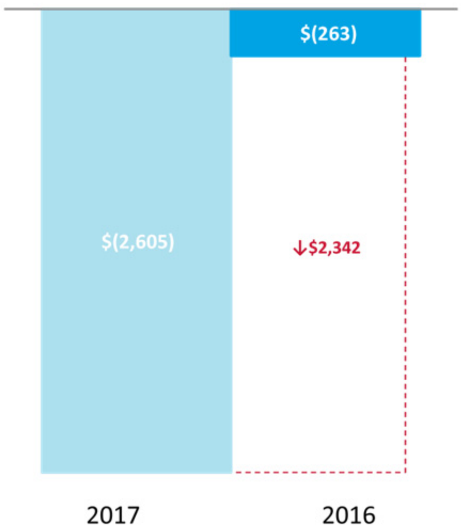
(a) Consistent with our definition of PTOI, excludes net loss reserve discount and the portion of favorable or unfavorable prior year reserve development for which we have ceded the risk under retroactive reinsurance agreements and related changes in amortization of the deferred gain.

Business and Financial Highlights

Property and Special Risks pre-tax operating income decreased in the three- and nine-month periods ended September 30, 2017 primarily due to higher catastrophe and severe losses, and an elevated current accident year loss ratio, as adjusted, primarily in U.S. and Europe commercial property. Property and Special Risks net premiums written decreased mainly in U.S. and Europe commercial property and in U.S. programs due to portfolio optimization and continued challenging market conditions. The sale of our interest in the Ascot business in the fourth quarter of 2016 and the changes made to our 2017 catastrophe reinsurance program, specifically the large North American catastrophe reinsurance cover, also resulted in a decline in net premiums written. General operating expenses continued to decrease due to expense savings initiatives.

Net investment income reflected higher year-to-date income from alternative investments and gains on securities where we elected the fair value option compared to the prior year, which was partially offset in the nine-month period ended September 30, 2017 by lower interest and dividends due to portfolio rebalancing.

Property and Special Risks Pre-Tax Operating Income (Loss)
Three Months Ended September 30,
(in millions)



Quarterly 2017 and 2016 Comparison

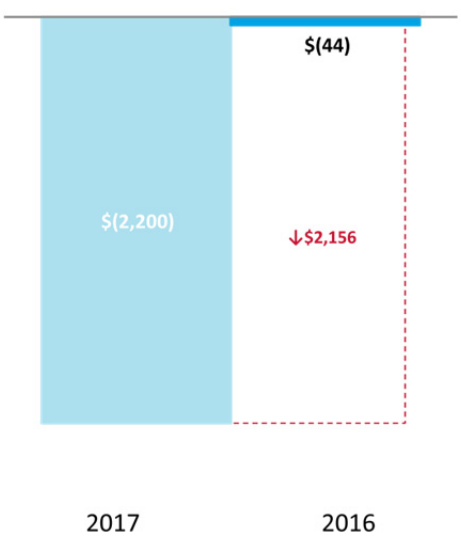
Pre-tax operating income decreased primarily due to:

- higher catastrophe losses driven by hurricanes Harvey, Irma and Maria, as well as other catastrophes including the recent Mexico earthquake; and
- a higher current accident year loss ratio, as adjusted, in the U.S. and Europe primarily from higher severe losses in commercial property.

The decrease was partially offset by:

- lower unfavorable prior year development in the U.S. programs business within Special Risks; and
- lower general operating expenses driven by lower employee-related expenses and other expense reduction initiatives.

Property and Special Risks Pre-Tax Operating Income (Loss)
Nine Months Ended September 30,
(in millions)



Year-to-Date 2017 and 2016 Comparison

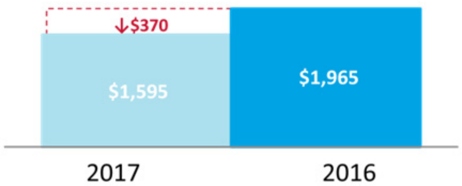
Pre-tax operating income decreased primarily due to:

- higher catastrophe losses driven by hurricanes Harvey, Irma and Maria, as well as other catastrophes including the recent Mexico earthquake; and
- a higher current accident year loss ratio, as adjusted, primarily in U.S. and Europe commercial property.

This decrease was partially offset by:

- lower unfavorable prior year development in the U.S. programs business within Special Risks;
- higher net investment income on alternative investments driven by improvement in equity market performance, and gains on securities where we elected the fair value option; and
- lower general operating expenses driven by lower employee-related expenses and other expense reduction initiatives.

Property and Special Risks Net Premiums Written
Three Months Ended September 30,
(in millions)



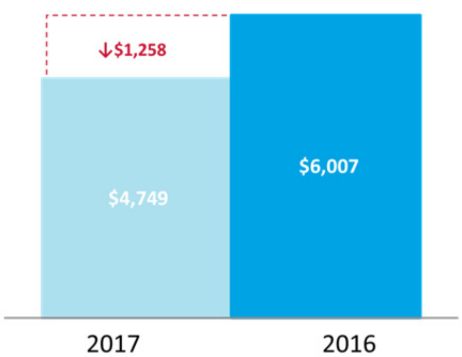
Quarterly 2017 and 2016 Comparison

Net premiums written decreased primarily due to:

- lower production in U.S. and Europe commercial property primarily driven by remediation efforts and a competitive market environment;
- reduced production primarily in U.S. programs driven by actions to address portfolio profitability;
- the sale of our interest in the Ascot business; and
- higher ceded premiums related to the additional layer of coverage added to the North American catastrophe reinsurance cover for 2017.

This decrease was partially offset by recognition of ceded return premiums on our excess of loss reinsurance covers.

Property and Special Risks Net Premiums Written
Nine Months Ended September 30,
(in millions)



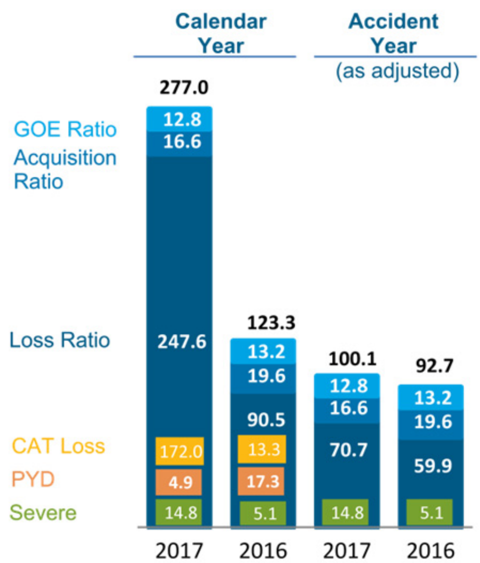
Year-to-Date 2017 and 2016 Comparison

Net premiums written decreased primarily due to:

- lower production in U.S. and Europe commercial property primarily driven by remediation efforts and a competitive market environment;
- reduced production primarily in U.S. programs driven by actions to address portfolio profitability;
- the sale of our interest in the Ascot business; and
- higher ceded premiums due to changes made to the North American catastrophe reinsurance cover for 2017.

This decrease was partially offset by recognition of ceded return premiums on our excess of loss reinsurance covers.

Property and Special Risks Combined Ratios
Three Months Ended September 30,



Quarterly 2017 and 2016 Comparison

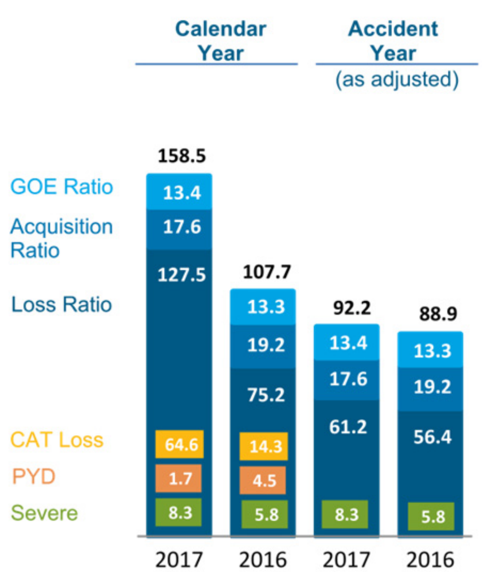
The increase in combined ratio reflected an increase in the loss ratio partially offset by a decrease in the expense ratio.

The increase in the loss ratio was primarily due to higher catastrophe losses and a higher current accident year loss ratio, as adjusted, mainly driven by higher severe losses partially offset by lower unfavorable prior year development in the U.S. programs business within Special Risks.

This increase was partially offset by a decrease in the expense ratio driven by:

- a decrease in the general operating expense ratio due to lower employee-related expenses and other expense reduction initiatives; and
- a decrease in the acquisition ratio due to the sale of our interest in the Ascot business, reduced production and increased operating efficiency.

Property and Special Risks Combined Ratios
Nine Months Ended September 30,



Year-to-Date 2017 and 2016 Comparison

The increase in combined ratio reflected an increase in the loss ratio partially offset by a decrease in the expense ratio.

The increase in the loss ratio was primarily due to higher catastrophe losses and a higher current accident year loss ratio, as adjusted, mainly driven by higher severe losses partially offset by lower unfavorable prior year development in the U.S. programs business within Special Risks.

The decrease in the expense ratio was due to a lower acquisition ratio driven by the sale of our interest in the Ascot business, reduced production and increased operating efficiency.

Consumer Insurance

PRODUCTS AND DISTRIBUTION

Individual Retirement

Variable Annuities: Products include variable annuities that offer a combination of growth potential, death benefit features and income protection features. Variable annuities are distributed primarily through banks, wirehouses, and regional and independent broker-dealers.

Index Annuities: Products include fixed index annuities that provide growth potential based in part on the performance of a market index. Certain fixed index annuity products offer optional income protection features. Fixed index annuities are distributed primarily through banks, broker dealers, independent marketing organizations and independent insurance agents.

Fixed Annuities: Products include single premium fixed annuities, immediate annuities and deferred income annuities. The Fixed Annuities product line maintains its industry-leading position in the U.S. bank distribution channel by designing products collaboratively with banks and offering an efficient and flexible administration platform.

Retail Mutual Funds: Includes our mutual fund sales and related administration and servicing operations. Retail Mutual Funds are distributed primarily through broker-dealers.

Group Retirement

Group Retirement: Products and services include group mutual funds, group fixed annuities, group variable annuities, individual annuity and investment products, and financial planning and advisory services.

Products and services are marketed by VALIC under the VALIC brand and include investment offerings and plan administrative and compliance services. VALIC career financial advisors and independent financial advisors provide retirement plan participants with enrollment support and comprehensive financial planning services.

Life Insurance

Life Insurance: In the U.S., primarily includes term life and universal life insurance. International operations include the distribution of life and health products in the UK and Ireland. Life products in the U.S. are primarily distributed through independent marketing organizations, independent insurance agents, financial advisors and direct marketing.

Personal Insurance

Individual: Products include personal auto and property in Japan and other selected international markets and insurance for high net worth individuals offered through AIG Private Client Group, including auto, homeowners, umbrella, yacht, fine art and collections insurance, with a focus on the U.S. and multi-national coverage offerings. Products are distributed through various channels, including agents and brokers.

Group: Products include voluntary and sponsor-paid personal accident and supplemental health products for individuals, employees, associations and other organizations, a broad range of travel insurance products and services for leisure and business travelers as well as extended warranty insurance covering electronics, appliances, and HVAC industries. Products are distributed through various channels, including agents, brokers, affinity partners, airlines and travel agents.

BUSINESS STRATEGY

Customer: Deliver client-centric solutions through our unique franchise, which brings together a broad portfolio of retirement, life insurance and personal insurance products offered through multiple distribution networks. Consumer Insurance focuses on ease of doing business, offering valuable solutions, and expanding and deepening its distribution relationships across multiple channels.

Sharpen Consumer Focus: Invest in areas where Consumer Insurance can grow profitability and sustainably, and achieve and maintain industry leading positions.

Individual Retirement will continue to capitalize on the opportunity to meet consumer demand for guaranteed income by maintaining innovative variable and index annuity products, while also managing risk from guarantee features through risk-mitigating product design and well-developed economic hedging capabilities.

Our fixed annuity products provide diversity in our annuity product suite by offering stable returns for retirement savings.

Group Retirement continues to enhance its technology platform to improve the customer experience for plan sponsors and individual participants. VALIC's self-service tools paired with its career financial advisors provide a compelling service platform. Group Retirement's strategy also involves providing financial planning services for its clients and meeting their demand for income in retirement.

Life Insurance continues to invest to position itself for growth, while executing on strategies to enhance returns.

Life Insurance is focused on rationalizing its product portfolio, aligning distribution with its most productive channels, consolidating systems to state-of-the-art platforms, and employing innovative underwriting enhancements.

Personal Insurance aims to provide clients with valuable solutions, delivered through the channels they prefer. We continue to focus and invest in the most profitable markets and segments.

We are also leveraging our multinational capabilities to meet the increasing demand for cross-border coverage and services. Personal Insurance will continue to use our strong risk management and market expertise to foster growth by providing innovative and competitive solutions to its customers and distributors.

Operational Effectiveness: Simplify processes and enhance operating environments to increase competitiveness, improve service and product capabilities and facilitate delivery of our target customer experience. We continue to invest in technology to improve operating efficiency and ease of doing business for our distribution partners and customers. In the U.S. Life business, we are focused on leveraging our most efficient systems and increasing automation of our underwriting process. We believe that simplifying our operating models will enhance productivity and support further profitable growth.

Balance Sheet Management: Lead a rigorous product and portfolio approach with enhanced product design and high quality investments that match our asset and liability exposures and are designed to ensure our ability to meet cash and liquidity needs under all operating scenarios.

Value Creation and Capital Management: Strive to deliver solid earnings through disciplined pricing, sustainable underwriting improvements, expense reductions, and diversification of risk, while optimizing capital allocation and efficiency within insurance entities to enhance return on equity.

COMPETITION AND CHALLENGES

Consumer Insurance operates in the highly competitive insurance and financial services industry in the U.S. and select international markets and competes against various financial services companies, including mutual funds, banks and other life and property casualty insurance companies. Competition is primarily based on product pricing and design, distribution, financial strength, customer service and ease of doing business.

Consumer Insurance remains competitive due to its long-standing market leading positions, innovative products, distribution relationships across multiple channels, customer-focused service, multi-national capabilities and strong financial ratings.

Our primary challenges include:

- a sustained low interest rate environment, which makes it difficult to profitably price new products and puts margin pressure on existing business due to lower reinvestment yields;
- increased competition in our primary markets, including aggressive pricing of annuities by private equity-backed annuity writers, increased competition and consolidation of employer groups in the group retirement planning market, and increased competition for auto and homeowners' insurance in Japan;
- increasingly complex new and proposed regulatory requirements have created uncertainty that is affecting industry growth; and
- investments to upgrade our technology and underwriting processes challenge our management of general operating expenses.

OUTLOOK—INDUSTRY AND ECONOMIC FACTORS

Below is a discussion of the industry and economic factors impacting our specific modules:

Individual Retirement

Increasing life expectancy and reduced expectations for traditional retirement income from defined benefit programs and fixed income securities are leading Americans to seek additional financial security as they approach retirement. The strong demand for individual variable and fixed index annuities with guaranteed income features has attracted increased competition in this product space. In response to the continued low interest rate environment, which has added pressure to profit margins, we have developed guaranteed income benefits for both variable and fixed index annuities with margins that are less sensitive to the level of interest rates.

Changes in the interest rate environment can have a significant impact on sales, surrender rates, investment returns, guaranteed income features, and spreads in the annuity industry.

For additional discussion of the impact of market interest rate movement on our Individual Retirement business see Executive Summary – AIG's Outlook – Industry and Economic Factors – Impact of Changes in the Interest Rate Environment.

Individual Retirement provides products and services to certain employee benefit plans that are subject to the requirements of the DOL Fiduciary Rule.

For additional information on the DOL Fiduciary Rule see Executive Summary – AIG's Outlook – Industry and Economic Factors – Department of Labor Fiduciary Rule.

Group Retirement

Group Retirement competes in the defined contribution market under the VALIC brand. VALIC is a leading retirement plan provider in the U.S. for K-12 schools and school districts, higher education, healthcare, government and other not-for-profit institutions. The defined contribution market is a highly efficient and competitive market that requires support for both plan sponsors and individual participants. To meet this challenge, VALIC is investing in a client-focused technology platform to support improved compliance and self-service functionality. VALIC's service model pairs self-service tools with its career financial advisors who provide individual plan participants with enrollment support and comprehensive financial planning services.

Changes in the interest rate environment can have a significant impact on investment returns, guaranteed income features, and spreads, and a moderate impact on sales and surrender rates.

For additional discussion of the impact of market interest rate movement on our Group Retirement business see Executive Summary – AIG's Outlook –Industry and Economic Factors – Impact of Changes in the Interest Rate Environment.

Group Retirement provides products and services to certain employee benefit plans that are subject to the requirements of the DOL Fiduciary Rule.

For additional information on the DOL Fiduciary Rule see Executive Summary – AIG's Outlook – Industry and Economic Factors – Department of Labor Fiduciary Rule.

Life Insurance

Consumers have a significant need for life insurance, whether it is used for income replacement for their surviving family, estate planning or wealth transfer. Additionally, consumers use life insurance to provide living benefits in case of chronic, critical or terminal illnesses, as well as to supplement retirement income.

In response to consumer needs and a sustained low interest rate environment, our Life Insurance product portfolio has been evolving. We implemented a strategy to de-emphasize products with long-duration interest rate guarantees and placed a stronger focus on indexed universal life products.

For additional discussion of the impact of market interest rate movement on our Life Insurance business see Executive Summary – AIG's Outlook –Industry and Economic Factors – Impact of Changes in the Interest Rate Environment.

As life insurance ownership remains at historical lows in the United States, efforts to expand the reach and increase the affordability of life insurance are critical. The industry is investing in consumer-centric efforts to reduce traditional barriers to securing life protection by simplifying the sales and service experience. Digitally-enabled processes and tools provide a fast, friendly and simple path to life insurance protection.

Personal Insurance

The need for full life cycle products and coverage, increases in personal wealth accumulation, and awareness of insurance protection and risk management continue to support the growth of the Personal Insurance industry. Personal Insurance focuses on group and corporate clients, together with individual customers within national markets. We expect the demand for multinational cross-border coverage and services to increase due to the internationalization of clients and customers. We believe our global presence provides Personal Insurance a distinct competitive advantage.

In Japan, the competition for auto insurance has intensified, in part driven by a decline in new car sales and the existence of fewer but larger insurers. In addition, the overall market size in homeowners insurance contracted after the duration restriction on long-term fire insurance became effective in October 2015. In the U.S., we compete in the high net worth market and will continue to expand our innovative products and services to distribution partners and clients. Outside of Japan and the U.S., Personal Insurance continues to invest selectively in markets that we believe have higher potential for sustainable profitability.

Recent Developments

In August 2017, Hurricane Harvey made landfall in Texas and Louisiana causing widespread flooding and property damage in various southern counties within the region. Certain business modules in our Consumer Insurance segment have operations in Houston, Texas and have been directly impacted by the storm. As of September 30, 2017, we have incurred approximately $27 million of storm-related costs. We continue to assess the full financial impact of Hurricane Harvey and its impact to our business operations.

CONSUMER INSURANCE RESULTS

(in millions)	Three Months Ended September 30, **2017**	2016	Percentage Change	Nine Months Ended September 30, **2017**	2016	Percentage Change
Revenues:						
Premiums	**$ 3,237**	$ 3,313	(2)%	**$ 9,601**	$ 9,754	(2)%
Policy fees	**646**	573	13	**1,940**	1,792	8
Net investment income	**1,843**	1,903	(3)	**5,665**	5,427	4
Other income	**228**	220	4	**670**	1,059	(37)
Total operating revenue	**5,954**	6,009	(1)	**17,876**	18,032	(1)
Benefits and expenses:						
Policyholder benefits and losses incurred	**2,426**	2,367	2	**6,669**	6,701	-
Interest credited to policyholder account balances	**742**	755	(2)	**2,319**	2,398	(3)
Amortization of deferred policy acquisition costs	**539**	455	18	**1,984**	1,929	3
General operating and other expenses*	**1,207**	1,181	2	**3,515**	4,059	(13)
Interest expense	**32**	23	39	**73**	65	12
Total operating expenses	**4,946**	4,781	3	**14,560**	15,152	(4)
Pre-tax operating income	**$ 1,008**	$ 1,228	(18)%	**$ 3,316**	$ 2,880	15 %

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

Our insurance companies generate significant revenues from investment activities. As a result, the modules in Consumer Insurance are subject to variances in net investment income on the asset portfolios that support insurance liabilities and surplus.

For additional information on our investment strategy, asset-liability management process and invested asset composition see Investments.

The Individual Retirement, Group Retirement and Life Insurance modules review and update estimated gross profit assumptions used to amortize DAC and related items for investment-oriented products, as well as other actuarial assumptions, at least annually. As a result, the pre-tax operating earnings of these businesses include adjustments to policy fees, policyholder benefits, interest credited and DAC amortization to reflect such assumption updates, which may be significant.

For the amount of adjustments recorded to reflect such assumption updates by product line and financial statement line item and for related discussion of the assumption changes that resulted in these adjustments see Insurance Reserves – Life and Annuity Reserves and DAC – Update of Actuarial Assumptions.

INDIVIDUAL RETIREMENT RESULTS

The following table presents individual retirement results:

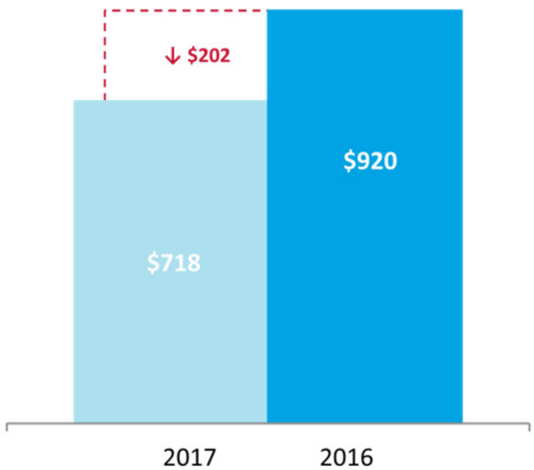
(in millions)	Three Months Ended September 30, 2017	2016	Percentage Change	Nine Months Ended September 30, 2017	2016	Percentage Change
Revenues:						
Premiums	$ 22	$ 37	(41)%	$ 81	$ 129	(37)%
Policy fees	190	183	4	567	528	7
Net investment income	973	1,009	(4)	2,983	2,868	4
Advisory fee and other income	158	151	5	468	857	(45)
Benefits and expenses:						
Policyholder benefits and losses incurred	15	(20)	NM	88	133	(34)
Interest credited to policyholder account balances	366	370	(1)	1,193	1,259	(5)
Amortization of deferred policy acquisition costs	(20)	(119)	83	235	165	42
Non deferrable insurance commissions	82	59	39	227	166	37
Advisory fee expenses	61	58	5	179	514	(65)
General operating expenses	103	99	4	321	381	(16)
Interest expense	18	13	38	41	37	11
Pre-tax operating income	$ 718	$ 920	(22)%	$ 1,815	$ 1,727	5 %
Fixed Annuities base net investment spread:						
Base yield	4.69 %	4.95 %	(26) bps	4.84 %	4.95 %	(11) bps
Cost of funds	2.65	2.74	(9)	2.65	2.76	(11)
Fixed Annuities base net investment spread	2.04 %	2.21 %	(17) bps	2.19 %	2.19 %	- bps

Business and Financial Highlights

The market environment reflected continued uncertainty about the DOL Fiduciary Rule and interest rates, which remained low relative to historical levels. As a result, deposits in the three- and nine-month periods ended September 30, 2017 were lower than the same periods in the prior year in most product lines. Net investment income in the three-month period ended September 30, 2017 included lower alternative investment income primarily due to a reduction in the overall size of the hedge fund portfolio, partially offset by higher gains on securities for which the fair value option was elected. In the nine-month period ended September 30, 2017, net investment income included higher gains on securities for which the fair value option was elected and higher returns from alternative investments, partially offset by a reduction in the overall size of the hedge fund portfolio. Pre-tax operating income also included adjustments in each period to update actuarial assumptions, particularly from updates to assumptions for lapses, spreads, and separate account long-term asset growth rate.

Fixed Annuities base net investment spread decreased in the three-month period ended September 30, 2017 compared to the same period in the prior year, primarily due to lower reinvestment yields, accretion income and commercial mortgage loan prepayments, partially mitigated by disciplined pricing and active crediting rate management. In the nine-month period ended September 30, 2017, base net investment spread was comparable to the same period in the prior year, as the impact of lower reinvestment yields, accretion income and prepayments on commercial mortgage loans was mostly mitigated by disciplined pricing and active crediting rate management.

Individual Retirement Pre-Tax Operating Income
Three Months Ended September 30,
(in millions)



Quarterly 2017 and 2016 Comparison

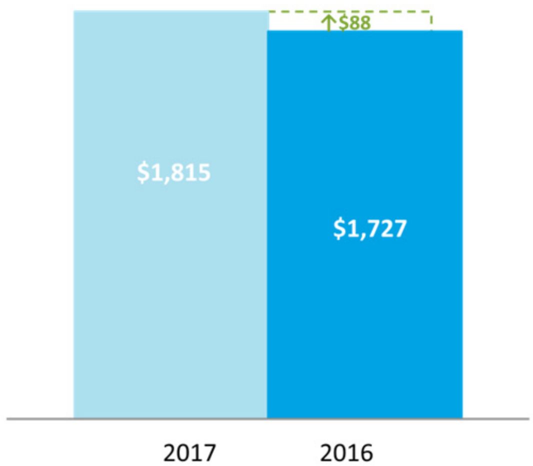
Pre-tax operating income decreased primarily due to:

- lower net positive adjustment from the review and update of actuarial assumptions, which was $242 million compared to $369 million in the prior year;
- lower net investment income from alternative investments due to continued impact of the reduction in the overall size of the hedge fund portfolio, partially offset by higher gains on securities for which the fair value option was elected;
- lower base net investment spread in Fixed Annuities primarily due to lower reinvestment yields, accretion income and commercial mortgage loan prepayments, partially mitigated by disciplined pricing and active crediting rate management;
- higher policyholder benefit expense primarily due to growth in Index Annuities and lower benefit expense in the prior year driven by reductions in variable annuity reserves; and
- higher commission expense primarily due to growth in account values from improvements in the equity markets and an allocation of life reinsurance risk charges, as all U.S. life segments benefited from the reduction in required statutory capital resulting from a reinsurance agreement entered into in 2016 involving certain whole life, term life and universal life businesses (Life Insurance Reinsurance Transactions);

Partially offsetting these decreases were:

- higher policy fee and advisory fee income, net of expenses, primarily due to growth in account values from improvements in the equity markets; and
- higher base net investment spread in Variable and Index Annuities primarily due to growth in invested assets, higher commercial mortgage loan prepayments, and disciplined pricing and active crediting rate management.

Individual Retirement Pre-Tax Operating Income
Nine Months Ended September 30,
(in millions)



Year-to-Date 2017 and 2016 Comparison

Pre-tax operating income increased primarily due to:

- net investment income, which included higher gains on securities for which the fair value option was elected and higher returns on alternative investments, partially offset by a reduction in the overall size of the hedge fund portfolio;
- higher base net investment spread in Variable and Index Annuities primarily due to growth in invested assets, and disciplined pricing and active crediting rate management, partially offset by lower commercial mortgage loan prepayments and accretion income;
- lower policyholder benefit expense primarily due to a reduction in immediate annuity reserves, partially offset by growth in Index Annuities and lower benefit expense in the prior year driven by reductions in variable annuity reserves;
- excluding the impact of the actuarial assumption updates, lower DAC amortization primarily due to improved equity market performance; and
- higher policy fee and advisory fee income, net of expenses, due to growth in annuity account values from improvement in the equity markets.

Partially offsetting these increases were:

- lower net positive adjustment from the review and update of actuarial assumptions as discussed above;
- higher commission expense primarily due to growth in account values from improvements in the equity markets and the allocation of reinsurance risk charges from Life Insurance Reinsurance Transactions; and
- the sale of AIG Advisor Group in May 2016, which drove the decreases in advisory fee income, advisory expenses and general operating expenses, and resulted in a net $14 million decrease in pre-tax operating income.

INDIVIDUAL RETIREMENT GAAP PREMIUMS, PREMIUMS AND DEPOSITS, SURRENDERS AND NET FLOWS

For Individual Retirement, premiums primarily represent amounts received on life-contingent payout annuities. Premiums decreased in the three- and nine-month periods ended September 30, 2017 compared to the same periods in the prior year, primarily due to stronger sales of immediate annuities in the prior-year periods, in which higher equity market volatility made immediate annuities more attractive to customers seeking less volatile returns.

Premiums and deposits is a non-GAAP financial measure that includes, in addition to direct and assumed premiums, deposits received on investment-type annuity contracts and mutual funds under administration.

Net flows for annuity products in Individual Retirement represent premiums and deposits less death, surrender and other withdrawal benefits. Net flows for mutual funds represent deposits less withdrawals.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2017**	2016	**2017**	2016
Premiums	**$ 22**	$ 37	**$ 81**	$ 129
Deposits	**2,504**	3,328	**8,723**	12,854
Other	**-**	(2)	**(4)**	1
Premiums and deposits	**$ 2,526**	$ 3,363	**$ 8,800**	$ 12,984

Surrender Rates

The following table presents surrenders as a percentage of average reserves:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	**2017**	2016
Surrenders as a percentage of average reserves				
Fixed Annuities	**5.9 %**	7.2 %	**6.6 %**	7.6 %
Variable and Index Annuities	**5.6**	5.2	**5.9**	5.0

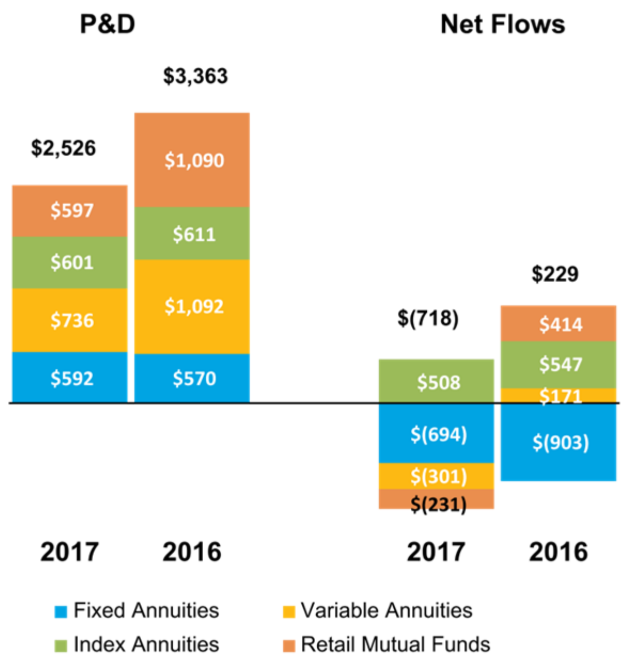
The following table presents reserves for Fixed Annuities and Variable and Index Annuities by surrender charge category:

	September 30, 2017		December 31, 2016	
(in millions)	Fixed Annuities	Variable and Index Annuities	Fixed Annuities	Variable and Index Annuities
No surrender charge	**$ 33,029**	**$ 17,818**	$ 34,674	$ 15,338
Greater than 0% - 2%	**1,649**	**5,692**	857	4,558
Greater than 2% - 4%	**1,596**	**8,267**	2,221	5,741
Greater than 4%	**12,920**	**34,823**	12,599	34,966
Non-surrenderable	**1,535**	**417**	1,606	380
Total reserves	**$ 50,729**	**$ 67,017**	$ 51,957	$ 60,983

Individual Retirement annuities are typically subject to a four- to seven-year surrender charge period, depending on the product. For Variable and Index Annuities, the proportion of reserves subject to surrender charges at September 30, 2017 has decreased compared to December 31, 2016 due to normal aging of the business and slower sales, which were due in part to uncertainty around the implementation of the DOL Fiduciary Rule. The increase in reserves with no surrender charge contributed to the increase in the surrender rate in the three- and nine-month periods ended September 30, 2017 compared to the same periods in the prior year.

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

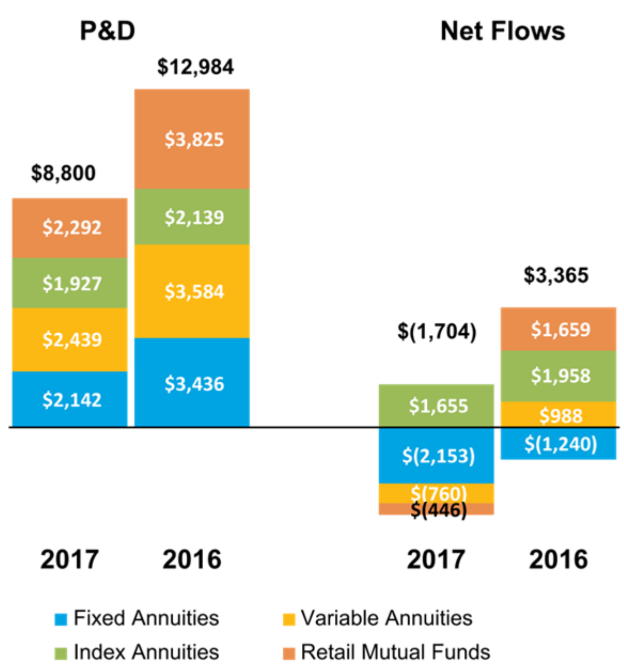
Individual Retirement Premiums and Deposits (P&D) and Net Flows
Three Months Ended September 30,
(in millions)



Quarterly 2017 and 2016 Comparison

- **Fixed Annuities** premiums and deposits were slightly higher than the prior-year period primarily due to strategic crediting rate enhancements for certain products. Net flows continued to be negative but improved compared to the prior-year period, primarily due to lower surrenders, in addition to higher premiums and deposits.
- **Variable and Index Annuities** premiums and deposits and net flows declined, primarily due to lower sales of variable annuities, due in part to continued uncertainty in the annuity market around the implementation of the DOL Fiduciary Rule. Lower sales combined with higher surrenders compared to the prior-year period resulted in lower net flows.
- **Retail Mutual Funds** had negative net flows in the three-month period ended September 30, 2017 compared to positive net flows in the same period in the prior year, reflecting lower deposits due to negative industry trends in U.S. equity actively managed funds and uncertainty surrounding the DOL Fiduciary Rule.

Individual Retirement Premiums and Deposits (P&D) and Net Flows
Nine Months Ended September 30,
(in millions)



Year-to-Date 2017 and 2016 Comparison

- **Fixed Annuities** premiums and deposits were lower than the prior-year period, and net flows continued to be negative, primarily due to disciplined pricing in the continued low interest rate environment and higher equity market volatility in the prior-year period, which made fixed annuities more attractive to customers seeking less volatile returns.
- **Variable and Index Annuities** premiums and deposits and net flows declined, reflecting lower sales of index annuities, along with a continued decrease in variable annuity industry sales due in part to uncertainty around the implementation of the DOL Fiduciary Rule. Lower sales combined with higher surrenders compared to the prior-year period resulted in a decrease in net flows for the index annuity product line and negative net flows compared to positive net flows in the prior-year period for the variable annuity product line.
- **Retail Mutual Funds** had negative net flows in the nine-month period ended September 30, 2017 compared to positive net flows in the same period in the prior year, reflecting lower deposits due to negative industry trends in U.S. equity actively managed funds and uncertainty surrounding the DOL Fiduciary Rule.

GROUP RETIREMENT RESULTS

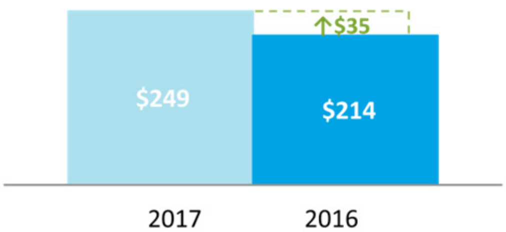
(in millions)	Three Months Ended September 30, 2017	2016	Percentage Change	Nine Months Ended September 30, 2017	2016	Percentage Change
Revenues:						
Premiums	**$ 8**	$ 9	(11)%	**$ 21**	$ 21	- %
Policy fees	**113**	99	14	**313**	285	10
Net investment income	**524**	554	(5)	**1,614**	1,588	2
Advisory fee and other income	**57**	55	4	**168**	159	6
Benefits and expenses:						
Policyholder benefits and losses incurred	**10**	14	(29)	**36**	31	16
Interest credited to policyholder account balances	**283**	289	(2)	**845**	849	-
Amortization of deferred policy acquisition costs	**12**	63	(81)	**59**	106	(44)
Non deferrable insurance commissions	**28**	20	40	**80**	59	36
Advisory fee expenses	**22**	18	22	**59**	52	13
General operating expenses	**88**	92	(4)	**256**	267	(4)
Interest expense	**10**	7	43	**23**	19	21
Pre-tax operating income	**$ 249**	$ 214	16 %	**$ 758**	$ 670	13 %
Base net investment spread:						
Base yield	**4.52 %**	4.71 %	(19)bps	**4.56 %**	4.82 %	(26)bps
Cost of funds	**2.78**	2.86	(8)	**2.80**	2.90	(10)
Base net investment spread	**1.74 %**	1.85 %	(11)bps	**1.76 %**	1.92 %	(16)bps

Business and Financial Highlights

Group Retirement premiums in the three- and nine-month periods ended September 30, 2017 were comparable to the same periods in the prior year, while premiums and deposits in the three- and nine-month period ended September 30, 2017 increased compared to the same periods in the prior year. The increase in premiums and deposits was primarily driven by higher deposits from group acquisitions, which, along with lower surrenders, drove the improvement in net flows in the three-month period ended September 30, 2017. Net flows in the nine-month period ended September 30, 2017 declined and continued to be negative primarily due to higher surrenders reflecting continued pressure from the consolidation of healthcare providers and other employers in our target markets.

Low base net investment yields and lower commercial mortgage loan prepayments in the three- and nine-month periods ended September 30, 2017 continued to pressure investment spreads, partially mitigated by crediting rate management. Net investment income in the three-month period ended September 30, 2017 included lower alternative investment income primarily due to a reduction in the overall size of the hedge fund portfolio. In the nine-month period ended September 30, 2017, net investment income included higher gains on securities for which the fair value option was elected and higher returns from alternative investments, partially offset by a reduction in the overall size of the hedge fund portfolio. Pre-tax operating income also included adjustments in each period to update actuarial assumptions, particularly from updates to separate account long-term asset growth rate assumption.

Group Retirement Pre-Tax Operating Income
Three Months Ended September 30,
(in millions)



Quarterly 2017 and 2016 Comparison

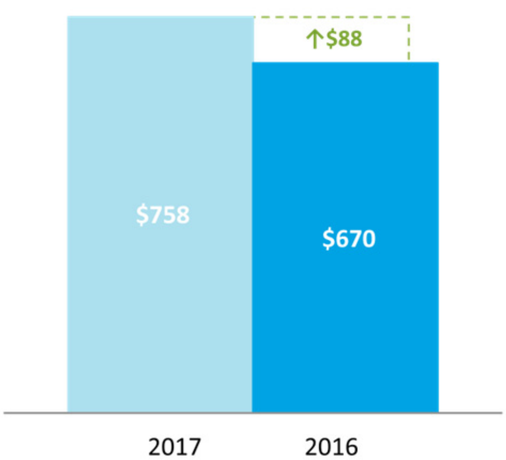
Pre-tax operating income increased primarily due to:

- a net positive adjustment from the review and update of actuarial assumptions, which was $13 million compared to a $47 million net negative adjustment in the prior year; and
- higher policy fee income due to growth in account values from improvement in the equity markets.

Partially offsetting these increases were:

- lower base net investment spread primarily due to lower reinvestment yields and commercial mortgage loan prepayments, partially mitigated by effective crediting rate management;
- lower net investment income from alternative investments due to continued impact of the reduction in the overall size of the hedge fund portfolio; and
- higher commission expense primarily due to the allocation of reinsurance risk charges from Life Insurance Reinsurance Transactions.

Group Retirement Pre-Tax Operating Income
Nine Months Ended September 30,
(in millions)



Year-to-Date 2017 and 2016 Comparison

Pre-tax operating income increased primarily due to:

- a net positive adjustment from the review and update of actuarial assumptions compared to a net negative adjustment in the prior year as discussed above;
- net investment income, which included higher gains on securities for which the fair value option was elected and higher returns on alternative investments, partially offset by a reduction in the overall size of the hedge fund portfolio;
- higher policy fee income due to growth in account values from improvement in the equity markets; and
- lower general operating expenses primarily due to lower legal expenses, partially offset by higher spending for implementation of the DOL Fiduciary Rule.

Partially offsetting these increases were:

- lower base net investment spread primarily due to lower reinvestment yields and commercial mortgage loan prepayments, partially mitigated by effective crediting rate management; and
- higher commission expense primarily due to the allocation of reinsurance risk charges from Life Insurance Reinsurance Transactions.

GROUP RETIREMENT GAAP PREMIUMS, PREMIUMS AND DEPOSITS, SURRENDERS AND NET FLOWS

For Group Retirement, premiums primarily represent amounts received on life-contingent payout annuities. Premiums in the three- and nine-month periods ended September 30, 2017, which primarily represent immediate annuities, were comparable to the same periods in the prior year.

Premiums and deposits is a non-GAAP financial measure that includes, in addition to direct and assumed premiums, deposits received on investment-type annuity contracts and mutual funds under administration.

Net flows for annuity products included in Group Retirement represent premiums and deposits less death, surrender and other withdrawal benefits. Net flows for mutual funds represent deposits less withdrawals.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2017**	2016	**2017**	2016
Premiums	**$ 8**	$ 9	**$ 21**	$ 21
Deposits	**1,852**	1,812	**5,681**	5,493
Premiums and deposits	**$ 1,860**	$ 1,821	**$ 5,702**	$ 5,514

Surrender Rates

The following table presents Group Retirement surrenders as a percentage of average reserves and mutual funds under administration:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	**2017**	2016
Surrenders as a percentage of average reserves and mutual funds	**7.4 %**	8.3 %	**8.5 %**	8.0 %

The following table presents reserves for Group Retirement annuities by surrender charge category:

(in millions)	**September 30, 2017**(a)	December 31, 2016(a)
No surrender charge(b)	**$ 67,856**	$ 64,160
Greater than 0% - 2%	**1,230**	906
Greater than 2% - 4%	**1,133**	1,395
Greater than 4%	**5,188**	5,434
Non-surrenderable	**450**	417
Total reserves	**$ 75,857**	$ 72,312

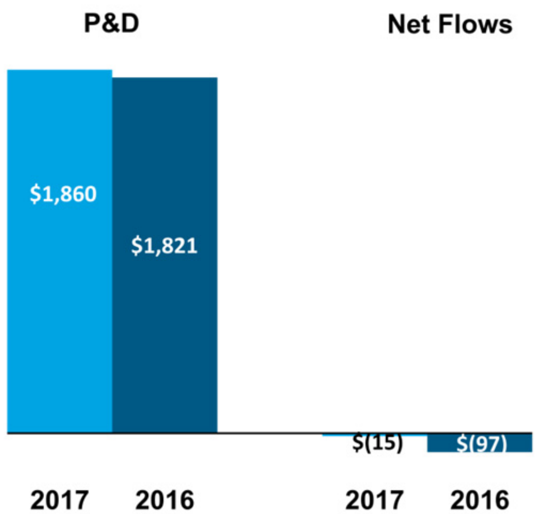
(a) Excludes mutual fund assets under administration of $19.1 billion and $16.3 billion at September 30, 2017 and December 31, 2016, respectively.

(b) Group Retirement amounts in this category include reserves of approximately $6.3 billion, at both September 30, 2017 and December 31, 2016, which are subject to 20 percent annual withdrawal limitations.

Group Retirement annuities are typically subject to a five- to seven-year surrender charge period, depending on the product. The increase in the amount and proportion of Group Retirement annuity reserves that have no surrender charge at September 30, 2017 compared to December 31, 2016 was primarily due to normal aging of this book of business, withdrawal limitations on certain plan assets and lower than expected surrenders of older contracts with higher minimum interest rates on fixed account balances that have continued to be attractive to the contract holders in the low interest rate environment.

A discussion of the significant variances in premiums and deposits and net flows follows:

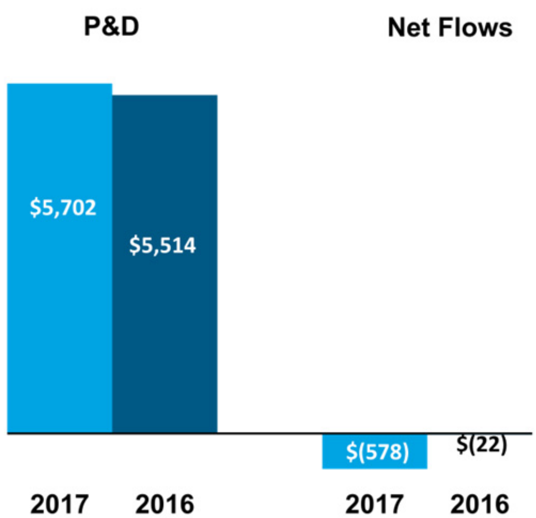
Group Retirement Premiums and Deposits and Net Flows
Three Months Ended September 30,
(in millions)



Quarterly 2017 and 2016 Comparison

Premiums and deposits increased primarily driven by higher deposits from group acquisitions. Net flows continued to be negative but improved compared to the prior-year period, primarily due to lower surrenders, in addition to higher premiums and deposits.

Group Retirement Premiums and Deposits and Net Flows
Nine Months Ended September 30,
(in millions)



Year-to-Date 2017 and 2016 Comparison

Premiums and deposits increased primarily driven by higher deposits from group acquisitions. Net flows declined and continued to be negative as the growth in sales was more than offset by surrenders, including group plan surrenders of approximately $350 million, which were within expectations but higher than in the prior-year period.

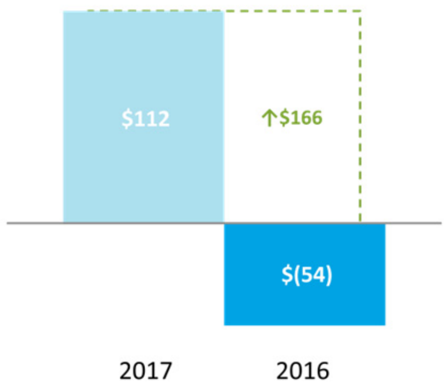
LIFE INSURANCE RESULTS

(in millions)	Three Months Ended September 30, 2017	2016	Percentage Change	Nine Months Ended September 30, 2017	2016	Percentage Change
Revenues:						
Premiums	**$ 384**	$ 349	10 %	**$ 1,168**	$ 1,068	9 %
Policy fees	**343**	291	18	**1,060**	979	8
Net investment income	**260**	267	(3)	**781**	772	1
Other income	**13**	14	(7)	**34**	43	(21)
Benefits and expenses:						
Policyholder benefits and losses incurred	**587**	730	(20)	**1,795**	1,851	(3)
Interest credited to policyholder account balances	**93**	96	(3)	**281**	290	(3)
Amortization of deferred policy acquisition costs	**37**	(43)	NM	**161**	113	42
Non deferrable insurance commissions	**32**	37	(14)	**88**	122	(28)
General operating expenses	**135**	152	(11)	**437**	504	(13)
Interest expense	**4**	3	33	**9**	9	-
Pre-tax operating income (loss)	**$ 112**	$ (54)	NM%	**$ 272**	$ (27)	NM%

Business and Financial Highlights

New individual life premiums and deposits in the three- and nine-month periods ended September 30, 2017 reflected higher universal life deposits and term life premiums compared to the prior-year periods. Life Insurance is focused on selling profitable new products through strategic channels to enhance future returns. General operating expenses decreased in the three- and nine-month periods ended September 30, 2017 compared to the same periods in the prior year, primarily due to the strategic decision to refocus the group benefits business. Pre-tax operating income also included adjustments in each period to update actuarial assumptions, which was a net positive adjustment in the three- and nine-month periods ended September 30, 2017 compared to a net negative adjustment in the same periods in the prior year.

Life Insurance Pre-Tax Operating Income (Loss)
Three Months Ended September 30,
(in millions)



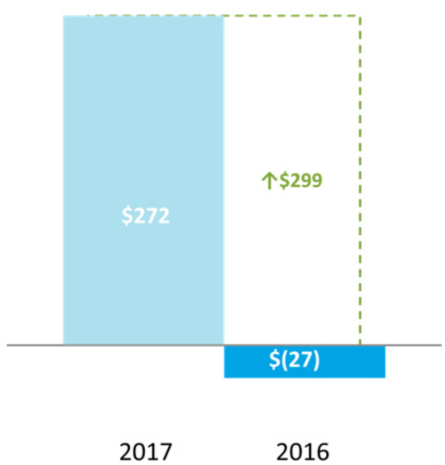
Quarterly 2017 and 2016 Comparison

Pre-tax operating income increased primarily due to:

- a net positive adjustment from the review and update of actuarial assumptions, which was $29 million compared to a $92 million net negative adjustment in the prior year;
- higher policy fee income primarily from growth in universal life; and
- lower general operating expenses primarily due to the strategic decision to refocus the group benefits business, reductions in domestic life acquisition expenses and lower employee-related expenses on international life.

Partially offsetting these increases was lower net investment income from alternative investments due to continued impact of the reduction in the overall size of the hedge fund portfolio and lower income from yield enhancements, partially offset by higher commercial mortgage loan prepayments.

Life Insurance Pre-Tax Operating Income (Loss)
Nine Months Ended September 30,
(in millions)



Year-to-Date 2017 and 2016 Comparison

Pre-tax operating income increased primarily due to:

- a net positive adjustment from the review and update of actuarial assumptions compared to a net negative adjustment in the prior year as discussed above;
- lower general operating expenses primarily due to the strategic decision to refocus the group benefits business and reductions in domestic life acquisition expenses;
- excluding the impact of the actuarial assumption updates, lower DAC amortization primarily due to lapse assumptions on international life;
- lower policyholder benefit expense due to favorable loss experience and a reserve reduction in group benefits business;
- higher policy fee income primarily from growth in universal life; and
- higher net investment income reflecting higher commercial loan prepayments and higher returns on alternative investments, partially offset by a reduction in the overall size of the hedge fund portfolio and lower income from yield enhancements.

LIFE INSURANCE GAAP PREMIUMS AND PREMIUMS AND DEPOSITS

Premiums for Life Insurance represent amounts received on traditional life insurance policies, primarily term life, and group benefit policies. Premiums increased in the three- and nine-month periods ended September 30, 2017 compared to the same period in the prior year, excluding the effect of foreign exchange, primarily due to assumed premiums related to business distributed by Laya Healthcare and growth in term life and international life and health, partially offset by lower premiums on group benefits policies.

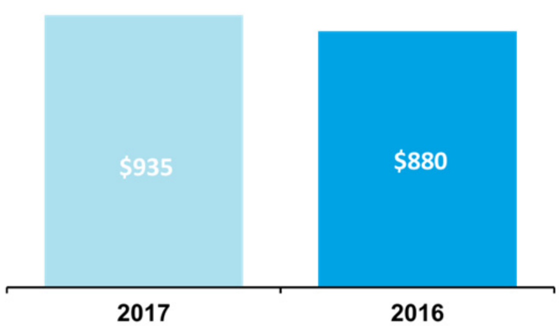
Premiums and deposits for Life Insurance is a non-GAAP financial measure that includes direct and assumed premiums as well as deposits received on universal life insurance.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2017**	2016	**2017**	2016
Premiums	**$ 384**	$ 349	**$ 1,168**	$ 1,068
Deposits	**371**	355	**1,120**	1,050
Other	**180**	176	**504**	490
Premiums and deposits	**$ 935**	$ 880	**$ 2,792**	$ 2,608

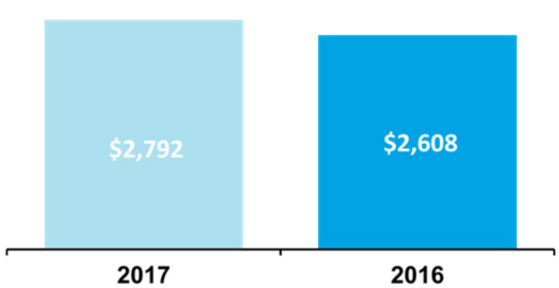
A discussion of the significant variances in premiums and deposits follows:

Life Insurance Premiums and Deposits
Three Months Ended September 30,
(in millions)



Premiums and deposits grew by six percent, excluding the effect of foreign exchange, principally driven by assumed premiums related to business distributed by Laya Healthcare and growth in universal life, term life and international life and health, partially offset by lower premiums on group benefits policies.

Life Insurance Premiums and Deposits
Nine Months Ended September 30,
(in millions)



Premiums and deposits grew by eight percent, excluding the effect of foreign exchange, principally driven by assumed premiums related to business distributed by Laya Healthcare and growth in universal life, term life and international life and health, partially offset by lower premiums on group benefits policies.

PERSONAL INSURANCE RESULTS

	Three Months Ended September 30,			Nine Months Ended September 30,		
(in millions)	**2017**	2016	Change	**2017**	2016	Change
Underwriting results:						
Net premiums written	**$ 2,807**	$ 2,922	(4)%	**$ 8,321**	$ 8,655	(4)%
(Increase) decrease in unearned premiums	**16**	(4)	NM	**10**	(119)	NM
Net premiums earned	**2,823**	2,918	(3)	**8,331**	8,536	(2)
Losses and loss adjustment expenses incurred	**1,814**	1,643	10	**4,750**	4,686	1
Acquisition expenses:						
Amortization of deferred policy acquisition costs	**510**	554	(8)	**1,529**	1,545	(1)
Other acquisition expenses	**215**	215	-	**639**	677	(6)
Total acquisition expenses	**725**	769	(6)	**2,168**	2,222	(2)
General operating expenses	**441**	431	2	**1,229**	1,317	(7)
Underwriting income (loss)	**(157)**	75	NM	**184**	311	(41)
Net investment income	**86**	73	18	**287**	199	44
Pre-tax operating income (loss)	**$ (71)**	$ 148	NM%	**$ 471**	$ 510	(8)%
Loss ratio	**64.3**	56.3	8.0	**57.0**	54.9	2.1
Acquisition ratio	**25.7**	26.4	(0.7)	**26.0**	26.0	-
General operating expense ratio	**15.6**	14.8	0.8	**14.8**	15.4	(0.6)
Expense ratio	**41.3**	41.2	0.1	**40.8**	41.4	(0.6)
Combined ratio	**105.6**	97.5	8.1	**97.8**	96.3	1.5
Adjustments for accident year loss ratio, as adjusted and accident year combined ratio, as adjusted:						
Catastrophe losses and reinstatement premiums	**(10.6)**	(0.9)	(9.7)	**(3.9)**	(1.4)	(2.5)
Prior year development	**-**	1.1	NM	**-**	1.5	NM
Accident year loss ratio, as adjusted	**53.7**	56.5	(2.8)	**53.1**	55.0	(1.9)
Accident year combined ratio, as adjusted	**95.0**	97.7	(2.7)	**93.9**	96.4	(2.5)

The following table presents Personal Insurance net premiums written, showing change on both reported and constant dollar basis:

	Three Months Ended September 30,		Percentage Change in		Nine Months Ended September 30,		Percentage Change in	
(in millions)	**2017**	2016	U.S. dollars	Original currency	**2017**	2016	U.S. dollars	Original currency
Net premiums written	**$ 2,807**	$ 2,922	(4)%	(2)%	**$ 8,321**	$ 8,655	(4)%	(3)%

The following tables present Personal Insurance accident year catastrophes and severe losses by geography[a] and the number of events:

Catastrophes[b]

(in millions)	# of Events		U.S.		Japan		Europe		Other		Total
Three Months Ended September 30, 2017											
Flooding	**-** [c]	**$**	**80**	**$**	**-**	**$**	**-**	**$**	**-**	**$**	**80**
Windstorms and hailstorms	**5**		**195**		**11**		**-**		**-**		**206**
Earthquakes	**1**		**11**		**-**		**-**		**-**		**11**
Total catastrophe-related charges	**6**	**$**	**286**	**$**	**11**	**$**	**-**	**$**	**-**	**$**	**297**
Three Months Ended September 30, 2016											
Flooding	1	$	5	$	-	$	-	$	-	$	5
Windstorms and hailstorms	6		5		19		-		2		26
Earthquakes	-		(2)		-		-		(2)		(4)
Total catastrophe-related charges	7	$	8	$	19	$	-	$	-	$	27
Nine Months Ended September 30, 2017											
Flooding	**-** [c]	**$**	**80**	**$**	**-**	**$**	**-**	**$**	**-**	**$**	**80**
Windstorms and hailstorms	**14**		**219**		**11**		**-**		**-**		**230**
Tropical cyclone	**1**		**2**		**-**		**-**		**3**		**5**
Earthquakes	**1**		**11**		**-**		**-**		**-**		**11**
Total catastrophe-related charges	**16**	**$**	**312**	**$**	**11**	**$**	**-**	**$**	**3**	**$**	**326**
Nine Months Ended September 30, 2016											
Flooding	3	$	8	$	-	$	1	$	-	$	9
Windstorms and hailstorms	16		40		21		-		2		63
Earthquakes	2		12		23		-		7		42
Other	1		-		-		1		-		1
Total catastrophe-related charges	22	$	60	$	44	$	2	$	9	$	115

(a) Geography shown in the table represents where the ultimate liability resides, after intercompany reinsurance agreements, and is not necessarily indicative of where the catastrophe or severe loss events have occurred. This presentation follows our geography modules. *For further discussion on our geography modules see MD&A – Executive Summary*.

(b) 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.

(c) Flooding events reported in the three- and nine-month periods ended September 30, 2017 are a subset of windstorm events.

Severe Losses[d]

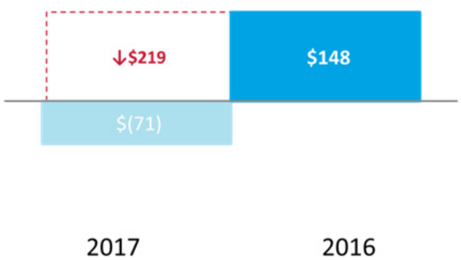
(in millions)	# of Events		U.S.		Japan		Europe		Other		Total
Three Months Ended September 30, 2017	**1**	**$**	**11**	**$**	**-**	**$**	**-**	**$**	**-**	**$**	**11**
2016	-	$	-	$	-	$	-	$	-	$	-
Nine Months Ended September 30, 2017	**2**	**$**	**20**	**$**	**-**	**$**	**-**	**$**	**8**	**$**	**28**
2016	1	$	16	$	-	$	-	$	-	$	16

(d) 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.

Business and Financial Highlights

Personal Insurance operating results decreased in the three- and nine-month periods ended September 30, 2017 compared to the same periods in 2016, driven by multiple catastrophe events in the current quarter. Personal Insurance continued its execution of strategic and portfolio actions while implementing underwriting actions and maintaining pricing discipline. Although market competition in the Personal Insurance industry has intensified, the accident year loss ratio, as adjusted, continued to reflect the underwriting quality, portfolio diversity, and low volatility of short-tailed risk in our Personal Insurance book.

Personal Insurance Pre-Tax Operating Income (Loss)
Three Months Ended September 30,
(in millions)



Quarterly 2017 and 2016 Comparison

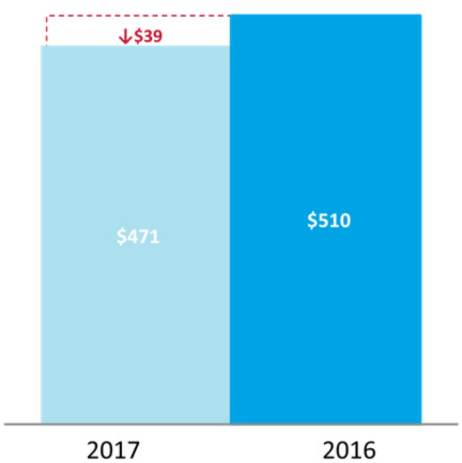
Pre-tax operating income decreased due to:

- higher catastrophe losses driven by hurricanes Harvey, Irma and Maria, as well as other catastrophes including the recent Mexico earthquake; and
- lower net favorable prior year loss reserve development.

Partially offsetting these decreases were:

- lower accident year losses; and
- higher net investment income from alternative investments partially offset by lower interest and dividends due to portfolio rebalancing.

Personal Insurance Pre-Tax Operating Income
Nine Months Ended September 30,
(in millions)



Year-to-Date 2017 and 2016 Comparison

Pre-tax operating income decreased due to:

- higher catastrophe losses;
- a lower earned premium base; and
- lower net favorable prior year loss reserve development.

Partially offsetting these decreases were:

- lower accident year losses;
- strategic actions to reduce expenses; and
- higher net investment income on alternative investments.

Personal Insurance Net Premiums Written
Three Months Ended September 30,
(in millions)

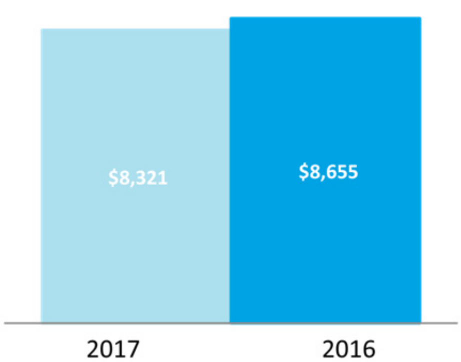
Quarterly 2017 and 2016 Comparison

Net premiums written decreased, excluding the impact of foreign exchange, due to:

- lower production in automobile and personal property; and
- higher ceded premiums related to the additional layer of coverage added to the North American catastrophe reinsurance cover for 2017.

These decreases were partially offset by higher production growth in the AIG private client group business, Accident and Health, and warranty service programs.

Personal Insurance Net Premiums Written
Nine Months Ended September 30,
(in millions)



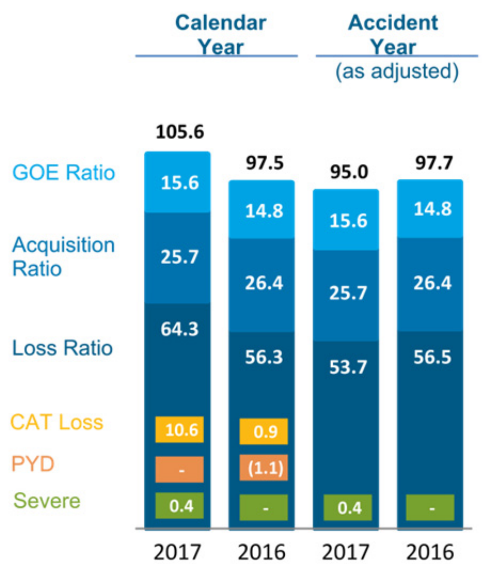
Year-to-Date 2017 and 2016 Comparison

Net premiums written decreased, excluding the impact of foreign exchange, reflecting the following:

- decreased production in Accident and Health including increased reinsurance purchases on certain blocks of business to manage aggregate exposure;
- lower automobile and personal property production in our Japan business; and
- higher ceded premiums due to the lower attachment point and the additional layer of coverage on our catastrophe reinsurance programs.

These decreases were partially offset by production growth in the AIG private client group business.

Personal Insurance Combined Ratios
Three Months Ended September 30,



Quarterly 2017 and 2016 Comparison

The increase in combined ratio primarily reflected a higher loss ratio.

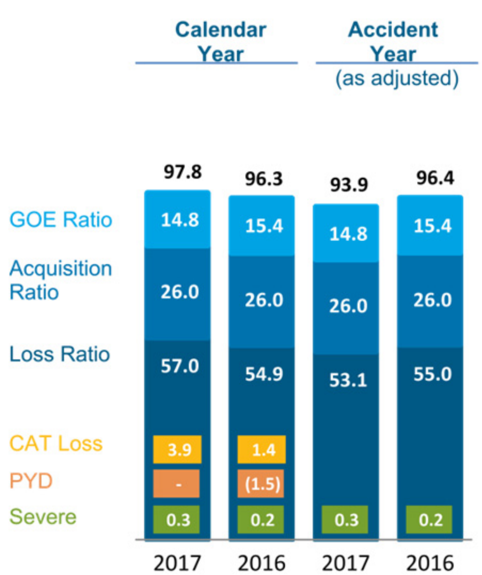
The higher loss ratio was driven by:

- higher losses arising from multiple catastrophe events; and
- lower net favorable prior year loss reserve development.

The loss ratio increase was partially offset by improved accident year losses.

The expense ratio remained flat due to a higher general operating expense ratio almost entirely offset by a lower acquisition ratio.

Personal Insurance Combined Ratios
Nine Months Ended September 30,



Year-to-Date 2017 and 2016 Comparison

The increase in combined ratio reflected a higher loss ratio, partially offset by improvement in expense ratio.

The increase in loss ratio was driven by:

- higher catastrophe losses; and
- lower net favorable prior year loss reserve development.

The loss ratio increase was partially offset by improved accident year losses.

The improvement in expense ratio reflected continued strategic actions to reduce expenses.

Other Operations

The following table presents Other Operations results:

(in millions)	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Percentage Change	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016	Percentage Change
Pre-tax operating income (loss) by activities:						
United Guaranty	$ -	$ 130	NM%	$ -	$ 401	NM%
Institutional Markets	79	69	14	204	190	7
Fuji Life	-	7	NM	43	3	NM
Parent and Other:						
Corporate General operating expenses	(172)	(167)	(3)	(563)	(514)	(10)
Interest expense	(243)	(248)	2	(729)	(740)	1
Other income, net	49	45	9	210	95	121
Total Parent and Other	(366)	(370)	1	(1,082)	(1,159)	7
Pre-tax operating loss before eliminations	(287)	(164)	(75)	(835)	(565)	(48)
Consolidation, eliminations and other adjustments	(1)	(6)	83	75	-	NM
Pre-tax operating loss	$ (288)	$ (170)	(69)%	$ (760)	$ (565)	(35)%

QUARTERLY 2017 AND 2016 COMPARISON

Pre-tax operating loss increased primarily due to the sale of United Guaranty during the fourth quarter of 2016.

Institutional Markets pre-tax operating income increased due to favorable mortality experience.

Parent and Other pre-tax operating loss was flat compared to the same period in the prior year due to higher gains on securities where we elected the fair value option, offset by higher corporate general operating expenses.

YEAR-TO-DATE 2017 AND 2016 COMPARISON

Pre-tax operating loss increased primarily due to the sale of United Guaranty during the fourth quarter of 2016.

Institutional Markets pre-tax operating income increased due to higher net spreads driven by growth in business.

Parent and Other pre-tax operating loss decreased as a result of gains on securities where we elected the fair value option, partially offset by higher general operating expenses related to one time payments for recent executive leadership changes.

Fuji Life pre-tax operating results increased primarily as a result of increases in underwriting income as a result of new products launched during 2016 as well as growth within existing product lines. Fuji Life was sold on April 30, 2017.

Legacy Portfolio

Legacy Insurance Lines represent exited or discontinued product lines, policy forms or distribution channels.

Legacy Property and Casualty Run-Off Insurance Lines — consists of asbestos and environmental exposures and other exposures within certain Property and Casualty profit centers no longer written, including excess workers' compensation, environmental impairment liability, public entity liability, accident & health, physicians and surgeons professional liability, and various other workers' compensation and general liability exposures.

Legacy Life Insurance Run-Off Lines — include whole life, long term care and exited accident & health product lines. Also includes certain structured settlement, terminal funding and single premium immediate annuities written prior to April 2012.

Legacy Investments — include investment classes that we have placed into run-off (life settlements, Legacy Global Real Estate and the Direct Investment book) and equity-like securities with high yield, high-risk characteristics.

BUSINESS STRATEGY

For Legacy Insurance Lines, securing the interests of our policyholders and insureds is paramount. We have considered and continue to evaluate the following strategies for these lines:

- Third party and affiliated reinsurance and retrocessions to improve capital efficiency
- Commutations of assumed reinsurance and direct policy buy-backs
- Enhance insured policyholder options and claims resolution strategies
- Enhanced asset liability management and expense management

For Legacy Investments, our business strategy is to maximize liquidity to AIG Parent and minimize book value impairments while sourcing for our insurance companies attractive assets for their portfolios. Where the asset is under our sole control, we expect to achieve this through a combination of unaffiliated and affiliated sales and securitizations. Where the asset is not under our sole control, there are fewer options as we may, for example, have fiduciary duty obligations to joint venture partners (such as in our Legacy Global Real Estate book).

LEGACY PORTFOLIO RESULTS

The following table presents Legacy Portfolio results:

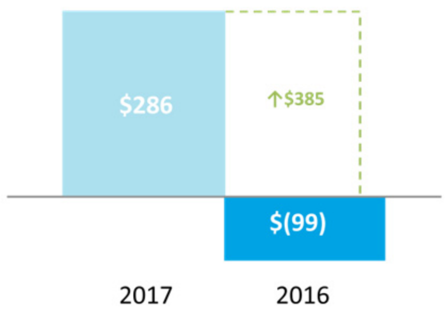
(in millions)	Three Months Ended September 30, 2017	2016	Percentage Change	Nine Months Ended September 30, 2017	2016	Percentage Change
Revenues:						
Premiums	$ 136	$ 180	(24)%	$ 449	$ 526	(15)%
Policy fees	38	29	31	105	103	2
Net investment income	690	810	(15)	2,142	2,153	(1)
Other income (loss)	149	293	(49)	539	221	144
Total operating revenues	1,013	1,312	(23)	3,235	3,003	8
Benefits and expenses:						
Policyholder benefits and losses and loss adjustment expenses incurred	500	1,137	(56)	1,470	2,194	(33)
Interest credited to policyholder account balances	61	73	(16)	181	211	(14)
Amortization of deferred policy acquisition costs	28	21	33	70	82	(15)
General operating and other expenses	105	110	(5)	352	373	(6)
Interest expense	33	70	(53)	103	237	(57)
Total benefits and expenses	727	1,411	(48)	2,176	3,097	(30)
Pre-tax operating income (loss)	$ 286	$ (99)	NM%	$ 1,059	$ (94)	NM%
Pre-tax operating income (loss) by type:						
Property and Casualty Run-Off Insurance Lines	$ 63	$ 68	(7)%	$ 207	$ 94	120 %
Life Insurance Run-Off Lines	79	(510)	NM	308	(356)	NM
Legacy Investments	144	343	(58)	544	168	224
Pre-tax operating income (loss)	$ 286	$ (99)	NM%	$ 1,059	$ (94)	NM%

Business and Financial Highlights

In the nine-month period ended September 30, 2017, the Legacy Investment portfolio executed several transactions with external parties for total consideration of approximately $676 million, which included sales of a portion of our life settlements portfolio with a face value (death benefits) of approximately $1.9 billion, resulting in a loss on the sale of $123 million. The majority of the consideration received was used to pay down intercompany loans and notes with affiliated insurance companies. In addition, the Legacy Investment portfolio returned approximately $1.0 billion of cash proceeds to AIG Parent in the nine-month period ended September 30, 2017, including $191 million from the sale of an AIG-sponsored fund that occurred in the fourth quarter of 2016.

On September 26, 2017, we signed a Purchase and Sale Agreement to sell the remaining life settlements contracts. The sale was completed on November 1, 2017. As a result, an impairment charge of $273 million was recorded in net realized capital losses in the third quarter of 2017 to write down the contracts to their fair market value.

Legacy Portfolio Pre-Tax Operating Income (Loss)
Three Months Ended September 30,
(in millions)

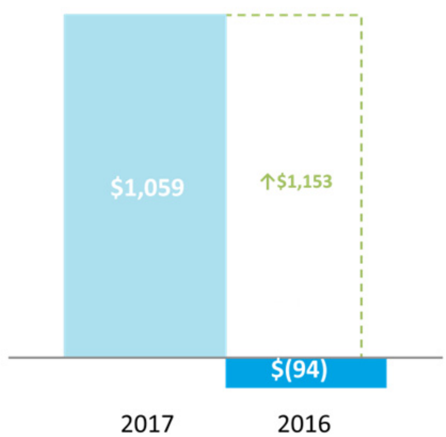


Quarterly 2017 and 2016 Comparison

Pre-tax operating income increased due to higher Legacy Life pre-tax operating income due to significantly lower loss recognition on certain payout annuities from the update of actuarial assumptions in the three-month period ended September 30, 2017 compared to the same period in the prior year.

Partially offsetting the increase was lower Legacy Investment pre-tax operating income driven primarily by lower gains on portfolios for which the fair value option was elected, and lower income on the life settlements portfolio as a result of partial sales.

Legacy Portfolio Pre-Tax Operating Income (Loss)
Nine Months Ended September 30,
(in millions)



Year-to-Date 2017 and 2016 Comparison

Pre-tax operating income increased due to:

- significantly lower loss recognition on certain payout annuities from the update of actuarial assumptions in the nine-month period ended September 30, 2017 compared to the same period in the prior year;
- increased Legacy Investment pre-tax operating income in 2017 compared to 2016 driven by higher fair value gains on portfolios for which the fair value option was elected; and
- increased Legacy Property and Casualty pre-tax operating income due to unfavorable prior year development in the prior year.

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 modules and AIG Parent. The primary objectives are generation of investment income, preservation of capital, liquidity management and growth of surplus to support the insurance products. The majority of assets backing our insurance liabilities consist of fixed maturity securities.

Investment Highlights during the Nine Months Ended September 30, 2017

- A decrease in interest rates and narrowing credit spreads resulted in a net unrealized gain in our investment portfolio. Net unrealized gains in our available for sale portfolio increased to approximately $14.1 billion as of September 30, 2017 from approximately $9.7 billion as of December 31, 2016.
- We continued to make investments in structured securities and other fixed maturity securities and increased lending activities in mortgage loans with favorable risk versus return characteristics to improve yields and increase net investment income.
- During the first quarter of 2017, we funded the adverse development reinsurance agreement entered into with NICO. The approximate $10.2 billion funding of this agreement was the primary reason for the decrease in the invested asset portfolio in the nine-month period ended September 30, 2017.
- During the nine-month period ended September 30, 2017, we reduced our hedge fund portfolio by approximately $1.8 billion as a result of redemptions consistent with our planned reduction of exposure. Our hedge fund portfolio experienced above average returns in the nine-month period ended September 30, 2017 due to higher equity market performance.
- Blended investment yields on new investments were lower than blended rates on investments that were sold, matured or called.
- Other-than-temporary impairments decreased due to lower impairments in our structured securities and corporate bond portfolios.
- During the second quarter of 2017, partial sale of our investment in Arch Capital Group Ltd. (Arch), which we received as part of the consideration for selling United Guaranty to Arch in 2016.

Investment Strategies

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

Some of our key investment strategies are as follows:

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

The following table presents the components of Net Investment Income:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2017**	2016	**2017**	2016
Interest and dividends	**$ 2,960**	$ 3,213	**$ 9,037**	$ 9,698
Alternative investments[(a)]	**355**	365	**1,174**	309
Other investment income[(b)]	**237**	320	**894**	810
Total investment income	**3,552**	3,898	**11,105**	10,817
Investment expenses	**136**	115	**390**	338
Total net investment income	**$ 3,416**	$ 3,783	**$ 10,715**	$ 10,479

(a) Includes income from hedge funds, private equity funds and affordable housing partnerships. Hedge funds for which we elected the fair value option are recorded as of the balance sheet date. Other hedge funds are generally reported on a one-month lag, while private equity funds are generally reported on a one-quarter lag.

(b) Primarily includes changes in fair value of certain fixed maturity securities where the fair value option has been elected and income on life settlements. For the three-month periods ended September 30, 2017 and 2016, the investment income (loss) recorded on these securities was $138 million and $98 million, respectively, and on life settlements was $55 million and $161 million, respectively. For the nine-month periods ended September 30, 2017 and 2016, the investment income (loss) recorded on these securities was $479 million and $370 million, respectively, and on life settlements was $256 million and $360 million, respectively.

Net investment income for the three-month period ended September 30, 2017 was lower than the same period in the prior year due to lower invested assets, lower income on our hedge fund portfolio, and blended investment yields on new investments that were lower than blended rates on investments that were sold, matured or called partially offset by higher gains on assets for which we elected the fair value option. Net investment income for the nine-month period ended September 30, 2017 was higher than the same period in the prior year as higher income on our alternative investments, primarily in our hedge fund portfolio, and higher gains on assets for which we elected the fair value option, more than offset lower invested assets and blended investment yields on new investments that were lower than blended rates on investments that were sold, matured or called.

Attribution of Net Investment Income to Operating Modules

Net investment income is attributed to our businesses based on internal models consistent with the nature of the underlying businesses.

For Commercial Insurance — Liability and Financial Lines, Property and Special Risks and Consumer Insurance — Personal Insurance and Legacy Property Casualty Insurance Run-Off Lines, we estimate investable funds based primarily on loss reserves and unearned premiums. The allocation of net investment income of the Property Casualty Insurance Companies to modules is calculated based on these estimated investable funds, consistent with the approximate duration of the liabilities and the required economic capital allocation for each module.

For Consumer Insurance — Individual Retirement, Group Retirement, and Life Insurance, Other Operations — Institutional Markets and Legacy Life Insurance Run-Off Lines, net investment income is attributed based on invested assets from segregated product line portfolios held in our Life Insurance Companies. All invested assets of the Life Insurance Companies in excess of liabilities are allocated based on estimates of required economic capital allocation for each module.

Asset Liability Measurement

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

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

In addition, the Property Casualty Insurance Companies seek to enhance returns through selective investments in a diversified portfolio of alternative investments. Although these alternative investments are subject to periodic earnings fluctuations, they have historically achieved yields in excess of the fixed maturity portfolio yields and have provided added diversification to the broader portfolio.

Fixed maturity securities of the Property Casualty Insurance Companies domestic operations, with an average duration of 4.1 years, are currently comprised of corporate bonds, structured securities, taxable municipal bonds and government and agency bonds as well as tax-exempt securities, which provide attractive risk-adjusted after-tax returns. The majority of these high quality investments are rated A or higher based on composite ratings.

Fixed maturity securities held in the Property Casualty Insurance Companies foreign operations are of high quality, primarily rated A or higher based on composite ratings, with an average duration of 3.4 years.

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

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

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

In addition, the Life Insurance Companies seek to enhance returns through investments in a diversified portfolio of alternative investments. Although these alternative investments are subject to periodic earnings fluctuations, they have historically achieved yields in excess of the fixed maturity portfolio yields. While a diversified portfolio of alternative investments remains a fundamental component of the investment strategy of the Life Insurance Companies, we intend to reduce the overall size of the hedge fund portfolio, in light of changing market conditions and perceived market opportunities, and to continue reducing the size of the private equity portfolio.

Fixed maturity securities of the Life Insurance Companies domestic operations, with an average duration of 7.2 years, are comprised primarily of taxable corporate bonds, as well as taxable municipal and government bonds, and agency and non-agency structured securities. The majority of these investments are held in the available for sale portfolio and are rated investment grade based on its composite ratings.

Fixed maturity securities held in the Life Insurance Companies foreign operations are of high quality, primarily rated A or higher based on composite ratings, with an average duration of 20.6 years.

NAIC Designations of Fixed Maturity Securities

The Securities Valuation Office (SVO) of the National Association of Insurance Companies (NAIC) evaluates the investments of U.S. insurers for statutory reporting purposes and assigns fixed maturity securities to one of six categories called 'NAIC Designations.' In general, NAIC Designations of '1' highest quality, or '2' high quality, include fixed maturity securities considered investment grade, while NAIC Designations of '3' through '6' generally include fixed maturity securities referred to as below investment grade. The NAIC has adopted revised rating methodologies for certain structured securities, including non-agency RMBS and CMBS, which are intended to enable a more precise assessment of the value of such structured securities and increase the accuracy in assessing expected losses to better determine the appropriate capital requirement for such structured securities. These methodologies result in an improved NAIC Designation for such securities compared to the rating typically assigned by the three major rating agencies. The following tables summarize the ratings distribution of U.S. Insurance Companies fixed maturity security portfolio by NAIC Designation, and the distribution by composite AIG credit rating, which is generally based on ratings of the three major rating agencies.

For a full description of the composite AIG credit ratings see Investments – Credit Ratings.

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

September 30, 2017

(in millions)

NAIC Designation	1	2	Total Investment Grade	3	4	5	6	Total Below Investment Grade	Total
Other fixed maturity securities	$ 73,490	$ 69,224	$ 142,714	$ 6,105	$ 4,686	$ 1,264	$ 154	$ 12,209	$ 154,923
Mortgage-backed, asset-backed and collateralized	63,960	3,059	67,019	407	81	137	2,364	2,989	70,008
Total*	$ 137,450	$ 72,283	$ 209,733	$ 6,512	$ 4,767	$ 1,401	$ 2,518	$ 15,198	$ 224,931

* Excludes $25.5 billion of fixed maturity securities for which no NAIC Designation is available because they are held in legal entities within U.S. Insurance Companies that do not require a statutory filing.

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

September 30, 2017

(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	$ 74,088	$ 69,232	$ 143,320	$ 5,580	$ 4,653	$ 1,370	$ 11,603	$ 154,923
Mortgage-backed, asset-backed and collateralized	44,390	4,737	49,127	992	709	19,180	20,881	70,008
Total*	$ 118,478	$ 73,969	$ 192,447	$ 6,572	$ 5,362	$ 20,550	$ 32,484	$ 224,931

* Excludes $25.5 billion of fixed maturity securities for which no NAIC Designation is available because they are held in legal entities within U.S. Insurance Companies that do not require a statutory filing.

Credit Ratings

At September 30, 2017, approximately 91 percent of our fixed maturity securities were held by our domestic entities. Approximately 17 percent of these securities were rated AAA by one or more of the principal rating agencies, and approximately 15 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.

Moody's Investors' Service Inc. (Moody's), Standard & Poor's Financial Services LLC, a subsidiary of S&P Global Inc. (S&P), or similar foreign rating services rate a significant portion of our foreign entities' fixed maturity securities portfolio. 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, 2017, approximately 23 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 8 percent were below investment grade or not rated. Approximately 39 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 securities, the credit ratings in the table below and in subsequent tables reflect: (a) a composite of the ratings of the three major rating agencies, or when agency ratings are not available, the rating assigned by the NAIC SVO (over 99 percent of total fixed maturity securities), 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.

For a discussion of credit risks associated with Investments see Enterprise Risk Management.

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	
(in millions)	**September 30, 2017**	December 31, 2016	**September 30, 2017**	December 31, 2016	**September 30, 2017**	December 31, 2016
Rating:						
Other fixed maturity securities						
AAA	**$ 11,332**	$ 11,791	**$ 2,731**	$ 2,807	**$ 14,063**	$ 14,598
AA	**30,059**	33,647	**221**	250	**30,280**	33,897
A	**43,879**	45,619	**1,635**	1,612	**45,514**	47,231
BBB	**71,591**	68,700	**142**	76	**71,733**	68,776
Below investment grade	**12,584**	12,832	**17**	17	**12,601**	12,849
Non-rated	**1,048**	890	**-**	-	**1,048**	890
Total	**$ 170,493**	$ 173,479	**$ 4,746**	$ 4,762	**$ 175,239**	$ 178,241
Mortgage-backed, asset-backed and collateralized						
AAA	**$ 29,648**	$ 28,593	**$ 894**	$ 1,055	**$ 30,542**	$ 29,648
AA	**7,593**	6,114	**615**	714	**8,208**	6,828
A	**7,843**	8,504	**364**	307	**8,207**	8,811
BBB	**4,591**	4,996	**178**	303	**4,769**	5,299
Below investment grade	**17,578**	19,838	**5,838**	6,790	**23,416**	26,628
Non-rated	**25**	13	**18**	67	**43**	80
Total	**$ 67,278**	$ 68,058	**$ 7,907**	$ 9,236	**$ 75,185**	$ 77,294
Total						
AAA	**$ 40,980**	$ 40,384	**$ 3,625**	$ 3,862	**$ 44,605**	$ 44,246
AA	**37,652**	39,761	**836**	964	**38,488**	40,725
A	**51,722**	54,123	**1,999**	1,919	**53,721**	56,042
BBB	**76,182**	73,696	**320**	379	**76,502**	74,075
Below investment grade	**30,162**	32,670	**5,855**	6,807	**36,017**	39,477
Non-rated	**1,073**	903	**18**	67	**1,091**	970
Total	**$ 237,771**	$ 241,537	**$ 12,653**	$ 13,998	**$ 250,424**	$ 255,535

Available-for-Sale Investments

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

(in millions)	Fair Value at September 30, 2017	Fair Value at December 31, 2016
Bonds available for sale:		
U.S. government and government sponsored entities	$ 2,384	$ 1,992
Obligations of states, municipalities and political subdivisions	18,831	24,772
Non-U.S. governments	15,593	14,535
Corporate debt	133,685	132,180
Mortgage-backed, asset-backed and collateralized:		
RMBS	37,509	37,374
CMBS	13,518	14,271
CDO/ABS	16,251	16,413
Total mortgage-backed, asset-backed and collateralized	67,278	68,058
Total bonds available for sale*	237,771	241,537
Equity securities available for sale:		
Common stock	1,056	1,065
Preferred stock	577	752
Mutual funds	74	261
Total equity securities available for sale	1,707	2,078
Total	$ 239,478	$ 243,615

* At September 30, 2017 and December 31, 2016, the fair value of bonds available for sale held by us that were below investment grade or not rated totaled $31.2 billion and $33.6 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, 2017	December 31, 2016
Japan	$ 1,820	$ 2,140
Germany	1,635	1,168
United Kingdom	1,263	815
Canada	1,065	1,115
France	882	667
Mexico	609	637
Netherlands	561	445
Indonesia	452	366
Norway	438	456
Chile	352	360
Other	6,571	6,417
Total	$ 15,648	$ 14,586

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

	September 30, 2017					December 31, 2016
(in millions)	Sovereign	Financial Institution	Non-Financial Corporates	Structured Products	**Total**	Total
Euro-Zone countries:						
France	$ 882	$ 1,172	$ 2,020	$ -	$ 4,074	$ 3,788
Germany	1,635	146	1,971	1	3,753	3,227
Netherlands	561	871	1,274	56	2,762	2,658
Belgium	190	107	893	-	1,190	1,075
Ireland	11	-	582	551	1,144	1,263
Spain	-	89	924	-	1,013	918
Italy	-	176	584	-	760	842
Luxembourg	-	17	425	-	442	430
Finland	57	33	78	-	168	198
Austria	23	3	4	-	30	95
Other - EuroZone	742	41	234	-	1,017	1,104
Total Euro-Zone	$ 4,101	$ 2,655	$ 8,989	$ 608	$ 16,353	$ 15,598
Remainder of Europe						
United Kingdom	$ 1,263	$ 3,402	$ 8,398	$ 3,671	$ 16,734	$ 15,293
Switzerland	40	1,265	990	-	2,295	2,360
Sweden	130	413	159	-	702	691
Norway	438	44	168	-	650	582
Russian Federation	105	20	158	-	283	169
Other - Remainder of Europe	160	116	77	-	353	285
Total - Remainder of Europe	$ 2,136	$ 5,260	$ 9,950	$ 3,671	$ 21,017	$ 19,380
Total	$ 6,237	$ 7,915	$ 18,939	$ 4,279	$ 37,370	$ 34,978

Investments in Municipal Bonds

At September 30, 2017, the U.S. municipal bond portfolio was composed primarily of essential service revenue bonds and high-quality tax-backed bonds with over 92 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, 2017				December 31, 2016
(in millions)	State General Obligation	Local General Obligation	Revenue	Total Fair Value	Total Fair Value
State:					
New York	$ 20	$ 559	$ 3,009	$ 3,588	$ 4,170
California	683	423	2,184	3,290	3,471
Texas	195	674	1,109	1,978	3,287
Massachusetts	477	-	490	967	1,396
Illinois	72	129	657	858	1,171
Florida	62	-	657	719	1,016
Washington	256	13	377	646	1,059
Virginia	8	-	632	640	789
Ohio	94	-	492	586	536
Georgia	131	167	266	564	747
Washington D.C.	37	-	460	497	671
Pennsylvania	161	23	223	407	719
Maryland	168	92	126	386	423
All other states(a)	419	356	2,930	3,705	5,317
Total(b)(c)	$ 2,783	$ 2,436	$ 13,612	$ 18,831	$ 24,772

(a) We did not have material credit exposure to the government of Puerto Rico.

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

(c) Includes $0.9 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, 2017**	Fair Value at December 31, 2016
Financial institutions:		
Money Center/Global Bank Groups	$ 9,285	$ 8,892
Regional banks — other	562	606
Life insurance	3,652	3,100
Securities firms and other finance companies	375	392
Insurance non-life	5,013	5,213
Regional banks — North America	6,372	6,844
Other financial institutions	9,589	8,435
Utilities	18,498	17,938
Communications	9,872	10,025
Consumer noncyclical	15,935	15,338
Capital goods	7,853	8,339
Energy	13,274	13,618
Consumer cyclical	9,011	8,606
Basic	6,128	6,582
Other	18,266	18,252
Total *	$ 133,685	$ 132,180

* At both September 30, 2017 and December 31, 2016, approximately 91 percent of these investments were rated investment grade.

Our investments in the energy category, as a percentage of total investments in available-for-sale fixed maturities, was 5.6 percent at both September 30, 2017 and December 31, 2016. While the energy investments are primarily investment grade and are actively managed, the category continues to experience volatility that could adversely affect credit quality and fair value.

Investments in RMBS

The following table presents AIG's RMBS available for sale securities:

(in millions)		Fair Value at September 30, 2017		Fair Value at December 31, 2016
Agency RMBS	$	14,942	$	13,854
Alt-A RMBS		11,841		12,387
Subprime RMBS		3,058		2,905
Prime non-agency		6,890		7,422
Other housing related		778		806
Total RMBS[(a)(b)]	$	37,509	$	37,374

(a) Includes approximately $12.5 billion and $12.9 billion at September 30, 2017, and December 31, 2016, respectively, of certain RMBS that had experienced deterioration in credit quality since their origination. *For additional discussion on Purchased Credit Impaired (PCI) Securities see Note 6 to the Condensed Consolidated Financial Statements*.

(b) The weighted average expected life was six years at both September 30, 2017 and December 31, 2016.

Our underwriting practices for investing in RMBS, other asset-backed securities (ABS) 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 securities:

(in millions)		Fair Value at September 30, 2017		Fair Value at December 31, 2016
CMBS (traditional)	$	10,883	$	11,782
Agency		1,986		1,737
Other		649		752
Total	$	13,518	$	14,271

The fair value of CMBS holdings remained stable during the third quarter of 2017. 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 securities by collateral type:

(in millions)		Fair value at September 30, 2017		Fair value at December 31, 2016
Collateral Type:				
Bank loans (CLO)	$	7,777	$	8,548
Other		102		129
Total	$	7,879	$	8,677

Commercial Mortgage Loans

At September 30, 2017, we had direct commercial mortgage loan exposure of $27.9 billion, of which 99.7 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:

(dollars in millions)	Number of Loans	Class: Apartments	Offices	Retail	Industrial	Hotel	Others	Total	Percent of Total
September 30, 2017									
State:									
New York	**97**	**$ 1,538**	**$ 3,653**	**$ 527**	**$ 226**	**$ 119**	**$ 178**	**$ 6,241**	**22 %**
California	**86**	**324**	**1,071**	**303**	**315**	**847**	**396**	**3,256**	**12**
Texas	**56**	**327**	**936**	**162**	**84**	**154**	**38**	**1,701**	**6**
Massachusetts	**22**	**673**	**337**	**405**	**-**	**-**	**27**	**1,442**	**5**
New Jersey	**38**	**574**	**47**	**448**	**-**	**28**	**33**	**1,130**	**4**
Florida	**73**	**320**	**85**	**380**	**227**	**19**	**76**	**1,107**	**4**
Pennsylvania	**25**	**67**	**22**	**573**	**47**	**26**	**-**	**735**	**3**
Illinois	**14**	**258**	**305**	**11**	**26**	**-**	**23**	**623**	**2**
Ohio	**24**	**131**	**11**	**206**	**164**	**-**	**5**	**517**	**2**
Connecticut	**19**	**341**	**66**	**22**	**80**	**-**	**-**	**509**	**2**
Other states	**251**	**1,516**	**1,240**	**1,607**	**620**	**586**	**180**	**5,749**	**20**
Foreign	**71**	**1,205**	**938**	**745**	**358**	**628**	**1,046**	**4,920**	**18**
Total*	**776**	**$ 7,274**	**$ 8,711**	**$ 5,389**	**$ 2,147**	**$ 2,407**	**$ 2,002**	**$ 27,930**	**100 %**
December 31, 2016									
State:									
New York	96	$ 1,391	$ 3,527	$ 534	$ 215	$ 163	$ 185	$ 6,015	24 %
California	89	325	761	282	286	870	401	2,925	12
Texas	58	255	857	97	108	154	44	1,515	6
Florida	67	322	94	340	165	19	76	1,016	4
Massachusetts	20	415	114	408	50	-	27	1,014	4
New Jersey	39	529	47	355	-	29	33	993	4
Illinois	19	258	307	20	52	36	23	696	3
Pennsylvania	24	-	28	473	51	26	-	578	2
Ohio	29	151	17	211	165	-	5	549	2
Connecticut	19	343	67	23	80	-	-	513	2
Other states	269	1,309	1,239	1,670	481	560	199	5,458	22
Foreign	59	707	906	784	245	532	596	3,770	15
Total*	788	$ 6,005	$ 7,964	$ 5,197	$ 1,898	$ 2,389	$ 1,589	$ 25,042	100 %

* Does not reflect allowance for credit losses.

For additional discussion on commercial mortgage loans see Note 6 to the Consolidated Financial Statements in the 2016 Annual Report.

Impairments

The following table presents impairments by investment type:

(in millions)	Three Months Ended September 30, 2017	2016	Nine Months Ended September 30, 2017	2016
Other-than-temporary Impairments:				
Fixed maturity securities, available for sale	**$ 72**	$ 69	**$ 185**	$ 361
Equity securities, available for sale	**2**	3	**10**	7
Private equity funds and hedge funds	**14**	30	**28**	46
Subtotal	**88**	102	**223**	414
Other impairments:				
Investments in life settlements	**273**	80	**360**	329
Other investments	**16**	25	**20**	52
Real estate*	**9**	2	**61**	6
Total	**$ 386**	$ 209	**$ 664**	$ 801

* Impairments include $35 million related to other assets that were sold during the three-month period ended June 30, 2017.

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 investment type and impairment type:

(in millions)	RMBS	CDO/ABS	CMBS	Other Fixed Maturity	Equities/Other Invested Assets*	Total
Three Months Ended September 30,						
Impairment Type:						
Severity	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Change in intent	**-**	**-**	**-**	**1**	**-**	**1**
Foreign currency declines	**-**	**-**	**-**	**1**	**-**	**1**
Issuer-specific credit events	**5**	**-**	**7**	**57**	**16**	**85**
Adverse projected cash flows	**1**	**-**	**-**	**-**	**-**	**1**
Total	**$ 6**	**$ -**	**$ 7**	**$ 59**	**$ 16**	**$ 88**
Three Months Ended September 30, 2016						
Impairment Type:						
Severity	$ -	$ -	$ -	$ -	$ 10	$ 10
Change in intent	-	-	-	2	-	2
Foreign currency declines	-	-	-	7	-	7
Issuer-specific credit events	20	-	13	21	23	77
Adverse projected cash flows	6	-	-	-	-	6
Total	$ 26	$ -	$ 13	$ 30	$ 33	$ 102
Nine Months Ended September 30, 2017						
Impairment Type:						
Severity	**$ -**	**$ -**	**$ -**	**$ -**	**$ 2**	**$ 2**
Change in intent	**-**	**-**	**-**	**9**	**-**	**9**
Foreign currency declines	**-**	**-**	**-**	**11**	**-**	**11**
Issuer-specific credit events	**21**	**33**	**28**	**79**	**36**	**197**
Adverse projected cash flows	**4**	**-**	**-**	**-**	**-**	**4**
Total	**$ 25**	**$ 33**	**$ 28**	**$ 99**	**$ 38**	**$ 223**
Nine Months Ended September 30, 2016						
Impairment Type:						
Severity	$ -	$ -	$ -	$ -	$ 15	$ 15
Change in intent	-	-	-	35	-	35
Foreign currency declines	-	-	-	14	-	14
Issuer-specific credit events	80	1	25	159	38	303
Adverse projected cash flows	47	-	-	-	-	47
Total	$ 127	$ 1	$ 25	$ 208	$ 53	$ 414

* 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, 2017 and 2016 related to:

- issuer-specific credit events;
- securities that we intend to sell or for which it is more likely than not that we will be required to sell;
- declines due to foreign exchange rates;
- adverse changes in estimated cash flows on certain structured securities; and
- securities that experienced severe market valuation declines.

In addition, impairments are recorded on real estate and investments in life settlements.

In periods subsequent to the recognition of an other-than-temporary impairment charge for available for sale fixed maturity securities that is not foreign-exchange related, we generally prospectively accrete into earnings the difference between the new amortized cost and the expected undiscounted recoverable value over the remaining life of the security. The accretion that was recognized for these securities in earnings was $147 million and $187 million in the three-month periods ended September 30, 2017 and 2016, respectively, and $523 million and $645 million in the nine-month periods ended September 30, 2017 and 2016, respectively.

For a discussion of our other-than-temporary impairment accounting policy see Note 6 to the Consolidated Financial Statements in the 2016 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, 2017	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]		Unrealized			Unrealized			Unrealized			**Unrealized**	
(dollars in millions)	Cost[c]	Loss	Items[e]	Cost[c]	Loss	Items[e]	Cost[c]	Loss	Items[e]	**Cost**[c]	**Loss**[d]	**Items**[e]
Investment grade bonds												
0-6 months	$ 18,397	$ 179	2,138	$ 90	$ 32	3	$ -	$ -	-	**$ 18,487**	**$ 211**	**2,141**
7-11 months	6,910	167	753	36	12	6	8	6	3	**6,954**	**185**	**762**
12 months or more	11,768	543	1,264	339	115	20	14	8	4	**12,121**	**666**	**1,288**
Total	$ 37,075	$ 889	4,155	$ 465	$ 159	29	$ 22	$ 14	7	**$ 37,562**	**$ 1,062**	**4,191**
Below investment grade bonds												
0-6 months	$ 2,080	$ 48	1,289	$ 22	$ 5	30	$ -	$ -	1	**$ 2,102**	**$ 53**	**1,320**
7-11 months	448	16	166	11	3	5	-	-	-	**459**	**19**	**171**
12 months or more	2,383	134	397	223	60	34	9	9	2	**2,615**	**203**	**433**
Total	$ 4,911	$ 198	1,852	$ 256	$ 68	69	$ 9	$ 9	3	**$ 5,176**	**$ 275**	**1,924**
Total bonds												
0-6 months	$ 20,477	$ 227	3,427	$ 112	$ 37	33	$ -	$ -	1	**$ 20,589**	**$ 264**	**3,461**
7-11 months	7,358	183	919	47	15	11	8	6	3	**7,413**	**204**	**933**
12 months or more	14,151	677	1,661	562	175	54	23	17	6	**14,736**	**869**	**1,721**
Total[e]	$ 41,986	$ 1,087	6,007	$ 721	$ 227	98	$ 31	$ 23	10	**$ 42,738**	**$ 1,337**	**6,115**
Equity securities												
0-11 months	$ 158	$ 8	65	$ 6	$ 1	7	$ -	$ -	-	**$ 164**	**$ 9**	**72**
12 months or more	1	-	2	-	-	1	-	-	-	**1**	**-**	**3**
Total	$ 159	$ 8	67	$ 6	$ 1	8	$ -	$ -	-	**$ 165**	**$ 9**	**75**

(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, 2017.

(c) For bonds, represents amortized cost.

(d) The effect on Net income of unrealized losses after taxes will be mitigated upon realization because certain realized losses will result in current decreases in the amortization of certain DAC.

(e) Item count is by CUSIP by subsidiary.

Change in Unrealized Gains and Losses on Investments

The change in net unrealized gains and losses on investments in the three- and nine-month periods ended September 30, 2017 and 2016 was primarily attributable to increases in the fair value of fixed maturity securities. For the nine-month period ended September 30, 2017 and 2016, net unrealized gains related to fixed maturity and equity securities increased by $4.4 billion and $10.8 billion, respectively, due primarily to a decrease in rates and a narrowing of credit spreads.

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

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)	**2017**	2016	**2017**	2016
Sales of fixed maturity securities	**$ 54**	$ 135	**$ 374**	$ (103)
Sales of equity securities	**4**	53	**86**	1,051
Other-than-temporary impairments:				
Severity	**-**	(10)	**(2)**	(15)
Change in intent	**(1)**	(2)	**(9)**	(35)
Foreign currency declines	**(1)**	(7)	**(11)**	(14)
Issuer-specific credit events	**(85)**	(77)	**(197)**	(303)
Adverse projected cash flows	**(1)**	(6)	**(4)**	(47)
Provision for loan losses	**(38)**	8	**(56)**	8
Foreign exchange transactions	**66**	(639)	**299**	(1,197)
Variable annuity embedded derivatives, net of related hedges	**(430)**	(309)	**(1,023)**	(482)
All other derivatives and hedge accounting	**(136)**	83	**(217)**	353
Impairments on investments in life settlements	**(273)**	(80)	**(360)**	(329)
Other*	**(81)**	86	**14**	284
Net realized capital losses	**$ (922)**	$ (765)	**$ (1,106)**	$ (829)

* Includes $107 million of realized gains due to a purchase price adjustment on the sale of Class B shares of Prudential Financial, Inc. for the nine months ended September 30, 2016.

Net realized capital losses in the three-month period ended September 30, 2017 were higher than the net realized capital losses in the same period in the prior year due primarily to higher hedge accounting losses, higher impairments on investments in life settlements, and lower gains on the sales of securities, which more than offset foreign exchange gains versus losses in the prior year. Net realized capital losses in the three-month period ended September 30, 2017 were primarily related to hedge accounting losses and impairments. Net realized capital losses increased in the nine-month period ended September 30, 2017 compared to the same period in the prior year due primarily to higher hedge accounting losses and lower gains on the sales of securities, which more than offset foreign exchange gains versus losses in the prior year and lower other-than-temporary impairments. Net realized capital losses in the nine-month period ended September 30, 2017 consisted primarily of hedge accounting losses and impairments, which were partially offset by gains on the sales of securities and foreign exchange gains.

Derivative and hedge accounting losses were primarily a result of the fair value changes in derivative instruments used to economically hedge market risk from variable annuities with guaranteed minimum withdrawal benefits (GMWB), which were impacted by interest rates and equity market performance in the first nine months of 2017, and changes in actuarial assumptions in our variable annuity program.

For additional discussion of market risk management related to these product features see Part II, Item 7. MD&A – Enterprise Risk Management – Insurance Risks – Life Insurance Companies Key Insurance Risks – Variable Annuity Risk Management and Hedging Programs in the 2016 Annual Report. For more information on the economic hedging target and the impact to pre-tax income of this program see Insurance Reserves – Life and Annuity Reserves and DAC – Variable Annuity Guaranteed Benefits and Hedging Results in this MD&A.

Net realized capital losses in the three-month period ended September 30, 2016 were primarily due to foreign exchange losses related to British pound weakening following the Brexit vote, hedge accounting losses, and other-than-temporary-impairment charges, which more than offset gains on the sale of securities. Net realized capital losses in the nine-month period ended September 30, 2016 were primarily related to foreign exchange losses and impairments, which were higher than the gain recognized on the sale of a portion of our PICC Investment. Foreign exchange gains (losses) were primarily due to $528 million and $906 million of remeasurement losses in the three- and nine-month periods ended September 30, 2016, respectively, for a short term intercompany balance that was matched with available for sale investments in fixed maturity securities denominated in the same foreign currencies. Unrealized gains and losses on the available for sale investments were recorded in other comprehensive income resulting in an immaterial impact on our overall equity or book value per share from this arrangement.

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

Insurance Reserves

LIABILITY FOR UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES (LOSS RESERVES)

The following table presents the components of our gross and net loss reserves by segment and major lines of business:

	September 30, 2017			December 31, 2016		
(in millions)	Net liability for unpaid losses and loss adjustment expenses	Reinsurance recoverable on unpaid losses and loss adjustment expenses	Gross liability for unpaid losses and loss adjustment expenses	Net liability for unpaid losses and loss adjustment expenses	Reinsurance recoverable on unpaid losses and loss adjustment expenses	Gross liability for unpaid losses and loss adjustment expenses
Commercial Insurance:						
Liability and Financial Lines:						
U.S. Workers' Compensation* (net of discount)	$ 9,738	$ 3,077	$ 12,815	$ 10,486	$ 2,879	$ 13,365
U.S. Excess Casualty	8,405	1,188	9,593	8,749	1,115	9,864
U.S. Other Casualty	8,661	3,430	12,091	8,746	3,209	11,955
U.S. Financial Lines	6,097	1,275	7,372	6,102	1,195	7,297
Europe Casualty and Financial Lines	6,345	1,002	7,347	5,587	1,313	6,900
Other product lines	2,410	1,028	3,438	2,279	986	3,265
Retroactive reinsurance	(10,801)	10,800	(1)	-	-	-
Unallocated loss adjustment expenses	2,322	294	2,616	2,260	252	2,512
Total Liability and Financial Lines	33,177	22,094	55,271	44,209	10,949	55,158
Property and Special Risks:						
U.S. and Europe	7,855	1,546	9,401	5,913	1,596	7,509
Other product lines	2,011	510	2,521	1,139	536	1,675
Retroactive reinsurance	(717)	718	1	-	-	-
Unallocated loss adjustment expenses	270	52	322	279	47	326
Total Property and Special Risks	9,419	2,826	12,245	7,331	2,179	9,510
Total Commercial Insurance	42,596	24,920	67,516	51,540	13,128	64,668
Consumer Personal Insurance:						
U.S. Europe and Japan	3,875	574	4,449	3,454	377	3,831
Other product lines	876	188	1,064	744	184	928
Retroactive reinsurance	(115)	115	-	-	-	-
Unallocated loss adjustment expenses	106	4	110	202	4	206
Total Consumer Personal Insurance	4,742	881	5,623	4,400	565	4,965
Legacy Portfolio - Run-off Property and Casualty Insurance Lines:						
U.S. Long Tail Insurance lines (net of discount)	4,736	28	4,764	6,659	-	6,659
Other run-off product lines	1,651	50	1,701	160	46	206
Retroactive reinsurance	(1,608)	1,608	-	(1,679)	1,679	-
Unallocated loss adjusted expenses	325	122	447	347	114	461
Total Legacy Portfolio - Run-off Property and Casualty Insurance Lines	5,104	1,808	6,912	5,487	1,839	7,326
Other Operations	36	-	36	118	-	118
Total	$ 52,478	$ 27,609	$ 80,087	$ 61,545	$ 15,532	$ 77,077

* Includes loss reserve discount of $1.8 billion and $3.6 billion for the nine-month period ended September 30, 2017 and year ended December 31, 2016, respectively. *For discussion of loss reserve discount see Note 10 to the Condensed Consolidated Financial Statements.*

PRIOR YEAR DEVELOPMENT

The following table summarizes incurred (favorable) unfavorable prior year development net of reinsurance by segment and major lines of business:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2017**	2016	**2017**	2016
Commercial Insurance				
Liability and Financial Lines	**$ 760**	$ (5)	**$ 839**	$ 69
Property and Special Risks	**77**	322	**83**	268
Total Commercial Insurance	**837**	317	**922**	337
Consumer Personal Insurance	**-**	(33)	**(3)**	(120)
Legacy Portfolio - Property and Casualty Run off Insurance Lines	**(1)**	6	**(17)**	31
Other Operations	**-**	(16)	**-**	(34)
Total prior year unfavorable development*	**$ 836**	$ 274	**$ 902**	$ 214

* Includes the amortization attributed to the deferred gain at inception from the NICO reinsurance agreement of $62 million and $165 million in the three and nine-month periods ended September 30, 2017, respectively. Consistent with our definition of PTOI, the three- and nine-month periods ended September 30, 2017 exclude the portion of unfavorable prior year reserve development for which we have ceded the risk under the NICO reinsurance agreement of $3 million and $287 million, respectively, and related changes in amortization of the deferred gain of $13 million and $30 million, respectively.

Net Loss Development

In the three-month period ended September 30, 2017, we recognized unfavorable prior year loss reserve development of $836 million. This unfavorable development was primarily a result of the following:

- Higher than expected losses for European Casualty and Financial Lines – We observed a significant increase in large claims activity in our European long-tail business, primarily emanating from accident years 2015 and 2016;
- Unfavorable development in U.S. Other Casualty – Commercial auto loss experience for accident year 2016 has been emerging higher than expected, driven by an increase in the frequency of large claims. While we observed this trend in loss severity for several quarters, the rate of growth continues to exceed our revised expectations. We have similarly strengthened our estimate for primary general liability in consideration of similar underlying severity trends;
- Unfavorable development in U.S. Excess Casualty – This was driven by emerging loss experience in accident year 2016. The loss frequency and severity to date has exceeded initial expectations and is coinciding with increased loss severity in the underlying primary auto and general liability segments;
- Higher than expected losses in Property and Special Risks – We have observed unfavorable results in U.S. programs commercial auto business in accident years 2015 and 2016 primarily from terminated programs, along with some individual severe loss experience in aviation and surety. This was partially offset by favorable development in commercial property.

In the nine-month period ended September 30, 2017, we recognized unfavorable prior year loss reserve development of $902 million, primarily due to the impact of the factors noted above in the third quarter. In addition, during the second quarter we observed unfavorable claim experience in the U.S. primary general liability and U.S. excess casualty segments, notably due to construction defects and multi-year construction projects that cover all contractors on the site (“wrap business”). The majority of this activity came from accident years 2015 and prior, including a significant proportion from accident years 2006 and prior. We also observed higher than expected losses in property and special risks driven by unexpected development on several large international claims including aviation, marine and trade credit primarily from accident year 2016.

In addition, in the first quarter of 2017, we increased our loss reserves by $102 million as a result of the decision made by the UK Ministry of Justice to reduce the discount rate applied to lump-sum bodily injury payouts, known as the Ogden rate, to negative 0.75 percent. Our carried reserves at December 31, 2016 were estimated using our assumption that the Ogden rate would decline to 1.0 percent. This discount rate change primarily impacted the Europe casualty and financial lines.

These prior year loss reserve increases were partially offset by the recognition of the amortization of the deferred gain from the adverse development reinsurance agreement with NICO of $62 million and $165 million in the three and nine-month periods ended September 30, 2017, respectively.

Our analyses and conclusions about prior year reserves also help inform our judgments about the current accident year loss and loss adjustment expense ratios we select. We increased our selections in the second and third quarter resulting in approximately $188 million and $212 million increase in net losses incurred in the three- and nine month periods ended September, 30 2017.

In the three- and nine-month periods ended September 30, 2016, we recognized unfavorable prior year loss reserve development of $274 million and $214 million, respectively, primarily in U.S. programs business and U.S. worker's compensation. The U.S. programs unfavorable prior year development was driven by higher than expected loss emergence in the most recent calendar year emanating from terminated programs. The increase in our U.S. workers' compensation loss reserves of approximately $100 million resulted from two separate rulings issued by the Florida Supreme Court that increased the potential liability for workers' compensation claims in that state by reversing certain aspects of regulations in place since 2003. Also in the second quarter of 2016, the Florida Court of Appeals issued the Miles decision, declaring unconstitutional certain restrictions on claimant-paid attorney fees. We are continuing to monitor the impact of these decisions and may adjust our estimate as new facts and data emerge. This development was partially offset by favorable development from U.S. property, excluding catastrophes, and consumer personal insurance.

The following tables summarize incurred (favorable) or unfavorable prior year development net of reinsurance, by accident year groupings:

Three Months Ended September 30, 2017

(in millions)	Total	2016	2015-2011	2010-2006	2005 & Prior
Liability and Financial Lines	**$ 760**	**$ 666**	**$ 21**	**$ 28**	**$ 45**
Property and Special Risks	**77**	**31**	**19**	**5**	**22**
Consumer Personal Insurance	**-**	**8**	**(6)**	**-**	**(2)**
Legacy Portfolio - Property and Casualty Run-off Insurance Lines	**(1)**	**-**	**-**	**(15)**	**14**
Total	**$ 836**	**$ 705**	**$ 34**	**$ 18**	**$ 79**

Three Months Ended September 30, 2016

(in millions)	Total	2015	2014-2011	2010-2006	2005 & Prior
Liability and Financial Lines	$ (5)	$ 1	$ (38)	$ 36	$ (4)
Property and Special Risks	322	100	223	(12)	11
Consumer Personal Insurance	(33)	(18)	(14)	1	(2)
Legacy Portfolio - Property and Casualty Run-off Insurance Lines	6	-	-	-	6
Other Operations	(16)	(5)	(3)	(7)	(1)
Total	$ 274	$ 78	$ 168	$ 18	$ 10

Nine Months Ended September 30, 2017

(in millions)	Total	2016	2015-2011	2010-2006	2005 & Prior
Liability and Financial Lines	**$ 839**	**$ 681**	**$ (8)**	**$ 60**	**$ 106**
Property and Special Risks	**83**	**49**	**(2)**	**3**	**33**
Consumer Personal Insurance	**(3)**	**(15)**	**(2)**	**12**	**2**
Legacy Portfolio - Property and Casualty Run-off Insurance Lines	**(17)**	**29**	**(26)**	**(27)**	**7**
Total	**$ 902**	**$ 744**	**$ (38)**	**$ 48**	**$ 148**

Nine Months Ended September 30, 2016

(in millions)	Total	2015	2014-2011	2010-2006	2005 & Prior
Liability and Financial Lines	$ 69	$ 20	$ (61)	$ 99	$ 11
Property and Special Risks	268	(25)	309	(9)	(7)
Consumer Personal Insurance	(120)	(42)	(71)	(1)	(6)
Legacy Portfolio - Property and Casualty Run-off Insurance Lines	31	-	-	11	20
Other Operations	(34)	(9)	(17)	(7)	(1)
Total	$ 214	$ (56)	$ 160	$ 93	$ 17

For certain categories of claims (e.g., construction defect claims and environmental claims) and for reinsurance recoverable, losses may sometimes be reclassified to an earlier or later accident year as more information about the date of occurrence becomes available to us. These reclassifications are shown as development in the respective years in the tables above. This may affect the comparability of the data presented in our tables.

Significant Reinsurance Agreements

Effective January 1, 2016, we entered into a two-year reinsurance arrangement with the Swiss Reinsurance Company Ltd, under which we ceded a proportional share of our new and renewal U.S. Casualty portfolio in order to reduce the concentration of casualty business in our portfolio.

Our 2017 catastrophe reinsurance program includes coverage for natural catastrophes and some coverage for terrorism events. It consists of a large North American occurrence cover (without reinstatement) to protect against large North America losses and Japan cover to protect against losses in Japan. The attachment point for this reinsurance program is $1.5 billion for North America losses (down from $3.0 billion in 2016) and varies for the Japan cover, and through September 8, 2017 provided up to $3.2 billion of coverage on a per event basis, with approximately $525 million of coverage provided via reinsurance purchased from catastrophe bond issuers. Effective September 8, 2017, we added approximately an additional $1.3 billion of coverage to the North American cover, making our total coverage $4.5 billion for the remainder of 2017.

In the first quarter of 2017, we entered into an adverse development reinsurance agreement with NICO, a subsidiary of Berkshire, under which we transferred to NICO 80 percent of the reserve risk on substantially all of our U.S. Commercial long-tail exposures for accident years 2015 and prior. Under this agreement, we ceded to NICO 80 percent of the losses on subject business paid on or after January 1, 2016 in excess of $25 billion of net paid losses, up to an aggregate limit of $25 billion. At NICO's 80 percent share, NICO's limit of liability under the contract is $20 billion. The covered losses ceded to NICO were $13.1 billion and the unexpired limit was $6.9 billion at September 30, 2017. We account for this transaction as retroactive reinsurance. We paid total consideration, including interest, of $10.2 billion. The consideration was placed into a collateral trust account as security for NICO's claim payment obligations, and Berkshire has provided a parental guarantee to secure the obligations of NICO under the agreement. This transaction resulted in a gain, which under U.S. GAAP retroactive reinsurance accounting is deferred.

The table below shows the calculation of the inception to date deferred gain and the effect of discounting of loss reserves and amortization of the deferred gain. The deferred gain is amortized over the settlement period of the reinsured losses.

(in millions)	At Inception	Inception-To-Date First Quarter 2017	Inception-To-Date Second Quarter 2017	Inception-To-Date Third Quarter 2017	Third Quarter 2017 Change
Gross Covered Losses					
Covered reserves before discount	$ 33,510	$ 31,614	$ 30,399	$ 28,778	$ (1,621)
Losses paid	7,543	9,454	11,010	12,631	1,621
Attachment point	(25,000)	(25,000)	(25,000)	(25,000)	-
Covered losses above attachment point	$ 16,053	$ 16,068	$ 16,409	$ 16,409	$ -
Deferred Gain Development					
Covered losses above attachment ceded to NICO (80%)	$ 12,843	$ 12,854	$ 13,127	$ 13,127	$ -
Consideration paid including interest	(10,188)	(10,188)	(10,188)	(10,188)	-
Pre-tax deferred gain before discount and amortization	2,655	2,666	2,939	2,939	-
Discount on ceded losses	(1,539)	(1,655)	(1,547)	(1,494)	53
Pre-tax deferred gain before amortization	1,116	1,011	1,392	1,445	53
Amortization attributed to deferred gain at inception	-	(41)	(103)	(165)	(62)
Amortization attributed to changes in deferred gain*	-	(2)	(12)	(19)	(7)
Deferred gain liability reflected in AIG's balance sheet	$ 1,116	$ 968	$ 1,277	$ 1,261	$ (16)

* Excluded from our definition of PTOI.

The following table presents the rollforward of activity in the deferred gain:

	Three Months Ended September 30, 2017			Nine Months Ended September 30, 2017		
(in millions)	Before Discount	Discount	Net	Before Discount	Discount	Net
Balance at beginning of period	**$ 2,824**	**$ (1,547)**	**$ 1,277**	**$ -**	**$ -**	**$ -**
Gain at inception	**-**	**-**	**-**	**2,655**	**(1,539)**	**1,116**
Unfavorable prior year reserve development ceded to NICO[(a)]	**-**	**-**	**-**	**284**	**-**	**284**
Amortization attributed to deferred gain at inception[(b)]	**(62)**	**-**	**(62)**	**(165)**	**-**	**(165)**
Amortization attributed to changes in deferred gain	**(7)**	**-**	**(7)**	**(19)**	**-**	**(19)**
Changes in discount on ceded loss reserves	**-**	**53**	**53**	**-**	**45**	**45**
Balance at end of period	**$ 2,755**	**$ (1,494)**	**$ 1,261**	**$ 2,755**	**$ (1,494)**	**$ 1,261**

(a) Prior year reserve development ceded to NICO under the retroactive reinsurance agreement is deferred under U.S. GAAP.

(b) Represents amortization of the deferred gain recognized in PTOI.

The lines of business subject to this agreement have been the source of substantially all of the prior year adverse development charges over the past several years. The agreement resulted in lower capital charges for reserve risks at our U.S. insurance subsidiaries. Under U.S. GAAP, any potential future prior year development would be recognized immediately as losses are incurred; however, the related recoveries under the reinsurance agreement would be deferred and recognized over the expected recovery period. However, consistent with our definition of PTOI, we exclude 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. In addition, amortization of the deferred gain is recognized in PTOI based on the original amortization schedule at the time we entered into the agreement.

For a summary of significant reinsurers see Part II, Item 7. MD&A – Enterprise Risk Management – Insurance Risks – Reinsurance Activities – Reinsurance Recoverable in our 2016 Annual Report.

LIFE AND ANNUITY RESERVES AND DAC

The following section provides discussion of life and annuity reserves and deferred policy acquisition costs.

Update of Actuarial Assumptions

The Life Insurance Companies review and update estimated gross profit projections used to amortize DAC and related items for investment-oriented products at least annually. Estimated gross profit projections include assumptions for investment-related returns and spreads, product-related fees and expenses, mortality gains and losses, policyholder behavior and other factors. In estimating future gross profits, lapse assumptions require judgment and can have a material impact on DAC amortization. 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 projections, and any resulting adjustment is included in income. Updating such projections may result in acceleration of amortization in some products and deceleration of amortization in other products.

The Life Insurance Companies also review assumptions related to their respective GMWB living benefits which are accounted for as embedded derivatives and measured at fair value. The fair value of these embedded derivatives is based on actuarial assumptions, including policyholder behavior, as well as capital market assumptions.

Various assumptions were updated, including the following effective September 30, 2017:

- we reduced our separate account long-term asset growth rate assumption related to equity market performance by 50 basis points to 7.0 percent and increased our reversion to the mean rates (gross of fees) to 3.74 percent for the Variable Annuity product line in Individual Retirement and 3.78 percent for the Variable Annuity product line in Group Retirement; and
- we lowered our ultimate projected yields on invested assets by approximately five to 10 basis points. Projected yields are graded from a weighted average net GAAP book yield of existing assets supporting the business based on the value of the asset to a weighted average yield based on the duration of the assets excluding assets that mature during the grading period. The grading period is three years for annuity products and five years for life insurance products.

For long-duration traditional products, which include whole life insurance, term life insurance, accident and health insurance, long-term care insurance, and life-contingent single premium immediate annuities and structured settlements, a “lock-in” principle applies. The assumptions used to calculate the benefit liabilities and DAC are set when a policy is issued and do not change with changes in actual experience, unless a loss recognition event occurs. Loss recognition occurs if observed changes in actual experience or estimates result in projected future losses under loss recognition testing. Underlying assumptions are reviewed periodically and updated as appropriate.

The net increases (decreases) to pre-tax operating income and pre-tax income as a result of the update of actuarial assumptions for the three- and nine-month periods ended September 30, 2017 and 2016 are shown in the following tables.

The following table presents the increase (decrease) in pre-tax operating income resulting from the update of actuarial assumptions for the domestic life insurance companies, by segment and product line:

Three Months and Nine Months Ended September 30, *(in millions)*	**2017**	2016
Consumer Insurance:		
Individual Retirement		
Fixed Annuities	**$ 130**	$ 330
Variable and Indexed Annuities	**112**	39
Total Individual Retirement	**242**	369
Group Retirement	**13**	(47)
Life Insurance	**29**	(92)
Total Consumer Insurance	**284**	230
Other:		
Institutional Markets	**-**	-
Legacy Life Run-off	**(14)**	(614)
Total increase (decrease) in pre-tax operating income from update of assumptions	**$ 270**	$ (384)

The following table presents the increase (decrease) in pre-tax income resulting from the update of actuarial assumptions in the domestic life insurance companies, by line item as reported in Results of Operations:

Three Months and Nine Months Ended September 30, *(in millions)*	**2017**	2016
Policy fees	**$ (2)**	$ (54)
Interest credited to policyholder account balances	**49**	65
Amortization of deferred policy acquisition costs	**184**	325
Policyholder benefits and losses incurred	**39**	(720)
Increase (decrease) in pre-tax operating income	**270**	(384)
Change in DAC related to net realized capital gains (losses)	**44**	13
Net realized capital gains (losses)	**(246)**	(56)
Increase (decrease) in pre-tax income	**$ 68**	$ (427)

In the three- and nine-month periods ended September 30, 2017, pre-tax operating income included a net positive adjustment of $270 million, primarily driven by lower lapse assumptions in Fixed Annuities, improved mortality assumptions in Life Insurance, and an increase in the reversion to the mean rates in Variable Annuities. The positive adjustments were partially offset by lower spread assumptions in Fixed Annuities and a loss recognition expense on long-term care business in the Legacy Life Insurance Run-Off Lines.

In the three- and nine-month periods ended September 30, 2016, pre-tax operating income included a net negative adjustment of $384 million, primarily driven by $622 million of loss recognition reserves for pre-2010 payout annuities in the Legacy Portfolio, and an increase in Life Insurance reserves for universal life with secondary guarantees. These negative adjustments were partially offset by positive adjustments, primarily due to lower lapse assumptions in Fixed Annuities.

The adjustments related to the update of actuarial assumptions in each period are discussed by business module below.

Update of Actuarial Assumptions by Business Module

Individual Retirement

The update of actuarial assumptions resulted in net positive adjustments to pre-tax operating income of Individual Retirement of $242 million and $369 million in the three- and nine-month periods ended September 30, 2017 and 2016, respectively.

In Fixed Annuities, the update of estimated gross profit assumptions resulted in a net positive adjustment of $130 million in the three- and nine-month periods ended September 30, 2017, which reflected lower lapse assumptions, partially offset by lower spread assumptions. In the three- and nine-month periods ended September 30, 2016, a net positive adjustment of $330 million reflected lower lapse assumptions, primarily due to lower long-term interest rates, as well as updates to spread assumptions.

In Variable and Index Annuities, the update of estimated gross profit assumptions resulted in a net positive adjustment of $112 million in the three- and nine-month periods ended September 30, 2017, primarily due to an increase in the reversion to the mean rate used for projecting future estimated gross profit for variable annuity products and changes in volatility assumptions. The net positive adjustment was partially offset by a decrease in the separate account long-term asset growth rate assumption from 7.5 percent to 7.0 percent (before expenses that reduce the asset base from which future fees are projected) and a negative adjustment in connection with the conversion to a new modeling platform for Index Annuities.

In the three- and nine-month periods ended September 30, 2016, the update of estimated gross profit assumptions resulted in a net positive adjustment of $39 million primarily due to favorable updates to assumptions for volatility, lapses, mortality and policy expenses, partially offset by a decrease in the separate account long-term asset growth rate assumption from 8.5 percent to 7.5 percent (before expenses that reduce the asset base from which future fees are projected). The net positive adjustment included a net negative adjustment of approximately $24 million in connection with the conversion to a new modeling platform for variable annuities, primarily due to refinements to assumptions for guaranteed minimum interest rates and investment fees, partially offset by the impact of other refinements identified during the conversion.

Group Retirement

In Group Retirement, the update of estimated gross profit assumptions resulted in a net positive adjustment of $13 million in the three- and nine-month periods ended September 30, 2017, primarily due to an increase in the reversion to the mean rate used for projecting future estimated gross profit for variable annuity products and changes in maintenance expense assumptions. The net positive adjustment was partially offset by a decrease in the separate account long-term asset growth rate assumption from 7.5 percent to 7.0 percent (before expenses that reduce the asset base from which future fees are projected) and decreases in fixed annuity spread and separate account fee assumptions. In the three- and nine-month periods ended September 30, 2016, a net negative adjustment of $47 million was primarily due to refinements in lapse and partial withdrawal assumptions and a decrease in the separate account long-term asset growth rate assumption from 8.5 percent to 7.5 percent (before expenses that reduce the asset base from which future fees are projected).

Life Insurance

In Life Insurance, the update of actuarial assumptions resulted in a net positive adjustment of $29 million in the three- and nine-month periods ended September 30, 2017, primarily due to improved mortality assumptions, partially offset by lower spread assumptions. In the three- and nine-month periods ended September 30, 2016, a net negative adjustment of $92 million was primarily due to refinement to reserves for universal life insurance with secondary guarantees due to lower assumed surrender rates. The update to Life Insurance assumptions in the three- and nine-month periods ended September 30, 2016 also included lower spread assumptions.

Legacy Portfolio

The update of actuarial assumptions resulted in a net negative adjustment of $14 million in the three- and nine-month periods ended September 30, 2017, primarily due to $13 million of loss recognition expense on long-term care business in the Legacy Life Insurance Run-Off Lines resulting from model enhancements.

The update of actuarial assumptions resulted in $622 million of loss recognition expense in the three- and nine-month periods ended September 30, 2016 on payout annuities in the Legacy Life Insurance Run-Off Lines. The loss recognition reflected the establishment of additional reserves primarily as a result of mortality experience studies, which indicated increased longevity, particularly on disabled lives on a block of structured settlements underwritten prior to 2010.

Variable Annuity Guaranteed Benefits and Hedging Results

Our Individual Retirement and Group Retirement businesses offer variable annuity products with GMWB riders that provide guaranteed living benefit features. The liabilities for GMWB are accounted for as embedded derivatives measured at fair value. The fair value of the embedded derivatives may fluctuate significantly based on market interest rates, equity prices, credit spreads, market volatility, policyholder behavior and other factors.

In addition to risk-mitigating features in our variable annuity product design, we have an economic hedging program designed to manage market risk from GMWB, including exposures to changes in interest rates, equity prices, credit spreads and volatility. The hedging program utilizes derivative instruments, including but not limited to equity options, futures contracts and interest rate swap and swaption contracts, as well as fixed maturity securities with a fair value election.

For additional discussion of market risk management related to these product features see Part II, Item 7. MD&A – Enterprise Risk Management – Insurance Risks – Life Insurance Companies Key Insurance Risks – Variable Annuity Risk Management and Hedging Programs in our 2016 Annual Report.

Differences in Valuation of Embedded Derivatives and Economic Hedge Target

The variable annuity hedging program utilizes an economic hedge target, which represents an estimate of the underlying economic risks in our GMWB riders. The economic hedge target differs from the U.S. GAAP valuation of the GMWB embedded derivatives primarily due to the following:

- The economic hedge target includes 100 percent of rider fees in present value calculations; the U.S. GAAP valuation reflects only those fees attributed to the embedded derivative such that the initial value at contract issue equals zero;
- The economic hedge target uses best estimate actuarial assumptions and excludes explicit risk margins used for U.S. GAAP valuation, such as margins for policyholder behavior, mortality, and volatility; and
- The economic hedge target excludes the non-performance or “own credit” risk adjustment used in the U.S. GAAP valuation, which reflects a market participant’s view of our claims-paying ability by incorporating an additional spread (the NPA spread) to the swap curve used to discount projected benefit cash flows. *For more information on our valuation methodology for embedded derivatives within policyholder contract deposits see Note 5 to the Condensed Consolidated Financial Statements*. Because the discount rate includes the NPA spread and other explicit risk margins, the U.S. GAAP valuation is generally less sensitive to movements in interest rates and other market factors, and to changes from actuarial assumption updates, than the economic hedge target.

The market value of the hedge portfolio compared to the economic hedge target at any point in time may be different and is not expected to be fully offsetting. In addition to the derivatives held in conjunction with the variable annuity hedging program, the Life Insurance Companies have cash and invested assets available to cover future claims payable under these guarantees. The primary sources of difference between the change in the fair value of the hedging portfolio and the economic hedge target include:

- Basis risk due to the variance between expected and actual fund returns, which may be either positive or negative;
- Realized volatility versus implied volatility;
- Actual versus expected changes in the hedge target driven by assumptions not subject to hedging, particularly policyholder behavior; and
- Risk exposures that we have elected not to explicitly or fully hedge.

The following table presents a reconciliation between the fair value of the U.S. GAAP embedded derivatives and the value of our economic hedge target:

(in millions)	September 30, 2017	December 31, 2016
Reconciliation of embedded derivatives and economic hedge target:		
Embedded derivative liability	$ 2,104	$ 1,777
Exclude non-performance risk adjustment	(2,425)	(3,148)
Embedded derivative liability, excluding NPA	4,529	4,925
Adjustments for risk margins and differences in valuation	(1,904)	(2,251)
Economic hedge target liability	$ 2,625	$ 2,674

Impact on Pre-tax Income (Loss)

The impact on our pre-tax income (loss) of the variable annuity guaranteed living benefits and related hedging results includes changes in the fair value of the GMWB embedded derivatives, and changes in the fair value of related derivative hedging instruments, both of which are recorded in Other realized capital gains (losses). Realized capital gains (losses), as well as net investment income from changes in the fair value of fixed maturity securities used in the hedging program, are excluded from pre-tax operating income of Individual Retirement and Group Retirement.

The change in the fair value of the embedded derivatives and the change in the value of the hedging portfolio are not expected to be fully offsetting, primarily due to the differences in valuation between the economic hedge target, the U.S. GAAP embedded derivatives, and changes in the fair value of the hedging portfolio, as discussed above. When corporate credit spreads widen, the change in the NPA spread generally reduces the fair value of the embedded derivative liabilities, resulting in a gain, and when corporate credit spreads narrow or tighten, the change in the NPA spread generally increases the fair value of the embedded derivative liabilities, resulting in a loss. In addition to changes driven by credit market-related movements in the NPA spread, the NPA balance also reflects changes in business activity and in the net amount at risk from the underlying guaranteed living benefits.

The following table presents the net increase (decrease) to consolidated pre-tax income (loss) from changes in the fair value of the GMWB embedded derivatives and related hedges, excluding related DAC amortization:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2017**	2016	**2017**	2016*
Change in fair value of embedded derivatives, excluding update of actuarial assumptions and NPA	**$ 284**	$ 25	**$ 856**	$ (2,502)
Change in fair value of variable annuity hedging portfolio:				
Fixed maturity securities	**26**	17	**117**	270
Interest rate derivative contracts	**(20)**	27	**10**	1,411
Equity derivative contracts	**(310)**	(350)	**(978)**	(650)
Change in fair value of variable annuity hedging portfolio	**(304)**	(306)	**(851)**	1,031
Change in fair value of embedded derivatives excluding update of actuarial assumptions and NPA, net of hedging portfolio	**(20)**	(281)	**5**	(1,471)
Change in fair value of embedded derivatives due to NPA spread	**(82)**	(68)	**(485)**	55
Change in fair value of embedded derivatives due to change in NPA volume	**(114)**	158	**(238)**	1,305
Change in fair value of embedded derivatives due to update of actuarial assumptions	**(188)**	(101)	**(188)**	(101)
Total change due to update of actuarial assumptions and NPA	**(384)**	(11)	**(911)**	1,259
Net impact on pre-tax income (loss)	**$ (404)**	$ (292)	**$ (906)**	$ (212)

* The change in fair value of embedded derivatives, excluding update of actuarial assumptions and NPA includes revisions for the three-month periods ended March 31, 2016 from $(1,116) million to $(1,586) million and June 30, 2016 from $(885) million to $(941) million. The change in fair value of embedded derivatives, excluding update of actuarial assumptions and NPA, net of hedging portfolio includes revisions for the three-month periods ended March 31, 2016 from $(270) million to $(740) million and June 30, 2016 from $(394) million to $(450) million. The change in fair value of embedded derivatives due to change in NPA volume includes revisions for the three-month periods ended March 31, 2016 from $203 million to $673 million and June 30, 2016 from $418 million to $474 million. The total change due to update of actuarial assumptions and NPA includes revisions for the three-month periods ended March 31, 2016 from $358 million to $828 million and June 30, 2016 from $386 million to $442 million. These changes had no impact on pre-tax income (loss) and are not considered material to previously issued financial statements.

The net impact on pre-tax income from the GMWB and related hedges in the three- and nine-month periods ended September 30, 2017 (excluding related DAC amortization) was primarily driven by losses from actuarial assumption updates to lapse and volatility assumptions, tightening credit spreads on the NPA spread and the impact on the NPA (volume) of lower expected GMWB payments, driven by higher equity markets. In the three- and nine-month periods ended September 30, 2016, the net impact on pre-tax income was primarily driven by losses from actuarial assumption updates to lapse and mortality assumptions and changes in interest rates, partially offset by the impact on the NPA (volume) of higher expected GMWB claims.

The change in the fair value of embedded derivatives, excluding update of actuarial assumptions and NPA, in the three- and nine-month periods ended September 30, 2017 was substantially offset by the related hedging portfolio. However, in the three- and nine-month periods ended September 30, 2016, the change in fair value of the hedging portfolio were more than offset by losses from the change in fair value of embedded derivatives, excluding update of actuarial assumptions and NPA, primarily due to changes in interest rates, which impacted the embedded derivative liability excluding NPA more than the related impact to the hedging portfolio. Fair value gains or losses in the hedging portfolio are typically not fully offset by increases or decreases in liabilities on a U.S. GAAP basis, due to the NPA and other risk margins used for U.S. GAAP valuation that cause the embedded derivatives to be less sensitive to changes in market rates than the hedge portfolio. On an economic basis, the changes in the fair value of the hedge portfolio were partially offset by the decrease in the economic hedge target, as discussed below.

Change in Economic Hedge Target

The slight decrease in the economic hedge target liability at September 30, 2017 compared to December 31, 2016 was primarily due to positive equity markets and increases in market interest rates, partially offset by tighter credit spreads and lower equity volatility.

Change in Fair Value of the Hedging Portfolio

The changes in the fair value of the economic hedge target and, to a lesser extent, the embedded derivatives, were offset in part by the following changes in the fair value of the variable annuity hedging portfolio:

- Changes in the fair value of fixed maturity securities, primarily corporate bonds for which the fair value option has been elected, are used as a capital-efficient way to economically hedge interest rate and credit spread-related risk. The change in the fair value of the corporate bond hedging program in the nine-month period ended September 30, 2017 reflected gains primarily due to tightening of credit spreads, while the nine-months period ended September 30, 2016 reflected higher gains primarily due to decreases in market interest rates. Changes in the fair value of the hedging bonds in the three-month period ended September 30, 2017 and 2016 were not significant. The change in the fair value of the hedging bonds, which is excluded from the pre-tax operating income of the Individual Retirement and Group Retirement segments, is reported in net investment income on the Consolidated Statements of Income (Loss).
- Changes in the fair value of interest rate derivative contracts, which included swaps, swaptions and futures, resulted in a loss in the three-month period ended September 30, 2017 and smaller net gain in the nine-month period ended September 30, 2017 compared to significant gains from interest rate declines in the nine-month period ended September 30, 2016. The change in the fair value of interest rate derivative contracts in the three-month period ended September 30, 2016 was not significant.
- The change in the fair value of equity derivative contracts, which included futures and options, resulted in losses in the three- and nine-month periods ended September 30, 2017 and 2016, based on the relative change in equity market performance in the respective periods.

DAC

The following table summarizes the major components of the changes in DAC, including VOBA, within the life insurance companies, excluding DAC of Institutional Markets and Legacy Portfolio:

Nine Months Ended September 30, *(in millions)*	**2017**	2016
Balance, beginning of year	**$ 7,543**	$ 7,149
Acquisition costs deferred	**693**	782
Amortization expense:		
Update of assumptions included in pre-tax operating income	**194**	315
Related to realized capital gains and losses	**190**	5
All other operating amortization	**(649)**	(699)
Increase (decrease) in DAC due to foreign exchange	**49**	(28)
Change related to unrealized depreciation (appreciation) of investments	**(494)**	(948)
Other	**-**	-
Balance, end of period*	**$ 7,526**	$ 6,576

* DAC balance excluding the amount related to unrealized depreciation (appreciation) of investments was $8.8 billion and $8.1 billion at September 30, 2017 and 2016, respectively.

DAC and Reserves Related to Unrealized Appreciation of Investments

DAC for universal life and investment-type products (collectively, investment-oriented products) is adjusted at each balance sheet date to reflect the change in DAC as if securities available for sale had been sold at their stated aggregate fair value and the proceeds reinvested at current yields (shadow DAC). Shadow DAC generally moves in the opposite direction of the change in unrealized appreciation of the available for sale securities portfolio, reducing the reported DAC balance when market interest rates decline. Market interest rates decreased in the nine-month period ended September 30, 2017. As a result, the unrealized appreciation of fixed maturity securities held in the Life Insurance Companies that support the businesses at September 30, 2017 increased by $3.6 billion compared to December 31, 2016, which resulted in a decrease in DAC to reflect the shadow DAC adjustment.

Reserves

The following table presents a rollforward of insurance reserves for Individual Retirement, Group Retirement and Life Insurance modules, including future policy benefits, policyholder contract deposits, other policy funds, and separate account liabilities, as well as Retail Mutual Funds and Group Retirement mutual fund assets under administration:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2017**	2016	**2017**	2016
Individual Retirement				
Balance at beginning of period, gross	**$ 133,211**	$ 128,033	**$ 129,321**	$ 121,474
Premiums and deposits	**2,526**	3,363	**8,800**	12,984
Surrenders and withdrawals	**(2,499)**	(2,401)	**(8,135)**	(7,333)
Death and other contract benefits	**(745)**	(733)	**(2,369)**	(2,286)
Subtotal	**(718)**	229	**(1,704)**	3,365
Change in fair value of underlying assets and reserve accretion, net of policy fees	**2,735**	1,781	**6,999**	4,284
Cost of funds*	**384**	407	**1,147**	1,220
Other reserve changes	**(152)**	(104)	**(303)**	3
Balance at end of period	**135,460**	130,346	**135,460**	130,346
Reinsurance ceded	**(324)**	(352)	**(324)**	(352)
Total Individual Retirement insurance reserves and mutual fund assets	**$ 135,136**	$ 129,994	**$ 135,136**	$ 129,994
Group Retirement				
Balance at beginning of period, gross	**$ 92,649**	$ 85,943	**$ 88,622**	$ 84,145
Premiums and deposits	**1,860**	1,821	**5,702**	5,514
Surrenders and withdrawals	**(1,740)**	(1,796)	**(5,863)**	(5,141)
Death and other contract benefits	**(135)**	(122)	**(417)**	(395)
Subtotal	**(15)**	(97)	**(578)**	(22)
Change in fair value of underlying assets and reserve accretion, net of policy fees	**2,078**	2,074	**6,115**	3,247
Cost of funds*	**280**	280	**833**	830
Balance at end of period	**94,992**	88,200	**94,992**	88,200
Total Group Retirement insurance reserves and mutual fund assets	**$ 94,992**	$ 88,200	**$ 94,992**	$ 88,200

Life Insurance				
Balance at beginning of period, gross	$ 18,694	$ 18,050	$ 18,397	$ 18,006
Premiums and deposits	860	841	2,600	2,522
Surrenders and withdrawals	(143)	(149)	(437)	(481)
Death and other contract benefits	(151)	(144)	(441)	(394)
Subtotal	566	548	1,722	1,647
Change in fair value of underlying assets and reserve accretion, net of policy fees	(242)	(204)	(675)	(770)
Cost of funds*	93	96	281	290
Other reserve changes	(275)	(184)	(889)	(867)
Balance at end of period	18,836	18,306	18,836	18,306
Reinsurance ceded	(1,049)	(1,079)	(1,049)	(1,079)
Total Life Insurance reserves	$ 17,787	$ 17,227	$ 17,787	$ 17,227
Total insurance reserves and mutual fund assets				
Balance at beginning of period, gross	$ 244,554	$ 232,026	$ 236,340	$ 223,625
Premiums and deposits	5,246	6,025	17,102	21,020
Surrenders and withdrawals	(4,382)	(4,346)	(14,435)	(12,955)
Death and other contract benefits	(1,031)	(999)	(3,227)	(3,075)
Subtotal	(167)	680	(560)	4,990
Change in fair value of underlying assets and reserve accretion, net of policy fees	4,571	3,651	12,439	6,761
Cost of funds*	757	783	2,261	2,340
Other reserve changes	(427)	(288)	(1,192)	(864)
Balance at end of period	249,288	236,852	249,288	236,852
Reinsurance ceded	(1,373)	(1,431)	(1,373)	(1,431)
Total insurance reserves and mutual fund assets	$ 247,915	$ 235,421	$ 247,915	$ 235,421

* Excludes amortization of deferred sales inducements

Insurance reserves of Individual Retirement, Group Retirement and Life Insurance modules, and Retail Mutual Funds and Group Retirement mutual fund assets under administration, were comprised of the following balances:

(in millions)	September 30, 2017	December 31, 2016
Future policy benefits	$ 7,517	$ 7,380
Policyholder contract deposits	121,420	119,644
Other policy funds	334	378
Separate account liabilities	83,492	76,619
Total insurance reserves	212,763	204,021
Mutual fund assets	36,525	32,319
Total insurance reserves and mutual fund assets	$ 249,288	$ 236,340

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 risk framework established by our Treasury group with oversight by Enterprise Risk Management (ERM). Our liquidity risk framework is designed to manage liquidity at both AIG Parent and subsidiaries to meet our financial obligations for a minimum of six-months under a liquidity stress scenario.

For additional information see Part II, Item 7. MD&A – Enterprise Risk Management — Risk Appetite, Limits, Identification, and Measurement in the 2016 Annual Report and Enterprise Risk Management — Liquidity Risk Management below.

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, as was the case in 2008. Additional collateral calls, deterioration in investment portfolios or reserve strengthening affecting statutory surplus, higher surrenders of annuities and other policies, downgrades in credit ratings, or catastrophic losses may result in significant additional cash or capital needs and loss of sources of liquidity and capital. In addition, regulatory and other legal restrictions could limit our ability to transfer funds freely, either to or from our subsidiaries.

Depending on market conditions, regulatory and rating agency considerations and other factors, we may take various liability and capital management actions. Liability management actions may include, but are not limited to, repurchasing or redeeming outstanding debt, issuing new debt or engaging in debt exchange offers. Capital management actions may include, but are not limited to, paying dividends to our shareholders and share repurchases.

LIQUIDITY AND CAPITAL RESOURCES ACTIVITY FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2017

SOURCES

AIG Parent Funding from Subsidiaries

During the nine-month period ended September 30, 2017, AIG Parent received $1.6 billion in dividends from subsidiaries. Of this amount, $350 million was dividends in the form of cash and fixed maturity securities from our Property Casualty Insurance Companies, $1.3 billion was dividends and loan repayments in the form of cash and fixed maturity securities from our Life Insurance Companies and $2 million was cash dividends from AIG Federal Savings Bank.

AIG Parent also received $3.4 billion in tax sharing payments in the form of cash and fixed maturity securities from our insurance businesses in the nine-month period ended September 30, 2017, including $309 million of such payments in the third quarter of 2017. The tax sharing payments may be subject to adjustment in future periods.

The dividends, loan repayments and tax sharing payments from our Life Insurance Companies resulted from and were funded, in part, by excess statutory capital released by Life Insurance Reinsurance Transactions. *For information regarding the Life Insurance Reinsurance Transactions, see Business Segment Operations — Consumer Insurance.*

Debt Issuance

In June 2017, we issued €1.0 billion aggregate principal amount ($1.1 billion at closing) of 1.875% Notes Due 2027.

Legacy Investments

During the nine-month period ended September 30, 2017, we generated approximately $1.0 billion in return of capital from Legacy Investments.

Arch

In June 2017, AIG Parent and National Union received gross proceeds of approximately $391 million and $261 million, respectively, from the sale of approximately four million and three million shares, respectively, of common stock of Arch Capital Group Ltd. by means of an underwritten public offering.

USES

Debt Reduction

On July 17, 2017, we redeemed $290 million aggregate principal amount of our outstanding 4.90% Callable Notes Due July 17, 2045.

On September 25, 2017, we redeemed $420 million aggregate principal amount of our outstanding 4.90% Callable Notes Due September 25, 2045.

We also made other repurchases of and repayments on debt instruments of approximately $2.1 billion during the nine-month period ended September 30, 2017. AIG Parent made interest payments on our debt instruments totaling $789 million during the nine-month period ended September 30, 2017.

Dividend

We paid a cash dividend of $0.32 per share on AIG Common Stock during each of the first, second and third quarters of 2017 totaling $885 million.

Repurchase of Common Stock

We repurchased approximately 100 million shares of AIG Common Stock during the nine-month period ended September 30, 2017, for an aggregate purchase price of approximately $6.3 billion.

ANALYSIS OF SOURCES AND USES OF CASH

The following table presents selected data from AIG's Consolidated Statements of Cash Flows:

Nine Months Ended September 30, *(in millions)*	**2017**	2016
Sources:		
Net cash provided by operating activities	**$ -**	$ 1,753
Net cash provided by other investing activities	**14,797**	374
Changes in policyholder contract balances	**1,801**	3,598
Issuance of long-term debt	**2,405**	11,430
Net cash provided by other financing activities	**581**	1,178
Total sources	**19,584**	18,333
Uses:		
Net cash used in operating activities	**(9,195)**	-
Change in restricted cash	**(23)**	(49)
Repayments of long-term debt	**(2,751)**	(7,683)
Purchases of AIG Common Stock	**(6,275)**	(8,506)
Dividends paid	**(884)**	(1,051)
Purchases of warrants	**(3)**	(263)
Total uses	**(19,131)**	(17,552)
Effect of exchange rate changes on cash	**(21)**	88
Increase in cash	**$ 432**	$ 869

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

Nine Months Ended September 30, *(in millions)*	**2017**	2016
Summary:		
Net cash provided by (used in) operating activities	**$ (9,195)**	$ 1,753
Net cash provided by investing activities	**14,774**	325
Net cash used in financing activities	**(5,126)**	(1,297)
Effect of exchange rate changes on cash	**(21)**	88
Increase in cash	**432**	869
Cash at beginning of year	**1,868**	1,629
Change in cash of businesses held for sale	**133**	-
Cash at end of period	**$ 2,433**	$ 2,498

Operating Cash Flow Activities

Insurance companies generally receive most premiums in advance of the payment of claims or policy benefits. The ability of insurance companies to generate positive cash flow is affected by the frequency and severity of losses under their insurance policies, policy retention rates and operating expenses.

Interest payments totaled $1.0 billion in both the nine-month periods ended September 30, 2017 and 2016. Excluding interest payments, AIG had operating cash outflows of $8.2 billion in the nine-month period ended September 30, 2017 compared to positive operating cash of $2.8 billion in the nine-month period ended September 30, 2016. The operating cash outflow in the nine-month period ended September 30, 2017 was primarily due to payment for the adverse development reinsurance agreement entered into with NICO.

Investing Cash Flow Activities

Net cash provided by investing activities in the nine-month period ended September 30, 2017 was $14.8 billion compared to investing cash inflows of $325 million in the nine-month period ended September 30, 2016. The nine-month period ended September 30, 2017 included sales of certain investments to fund the adverse development reinsurance agreement entered into with NICO.

Financing Cash Flow Activities

Net cash used in financing activities in the nine-month period ended September 30, 2017 included:

- approximately $884 million in the aggregate to pay a dividend of $0.32 per share on AIG Common Stock in each of the first, second and third quarters of 2017;
- approximately $6.3 billion to repurchase approximately 100 million shares of AIG Common Stock; and
- approximately $346 million in net outflows from the issuance and repayment of long-term debt.

Net cash used in financing activities in the nine-month period ended September 30, 2016 included:

- approximately $1.1 billion in the aggregate to pay a dividend of $0.32 per share on AIG Common Stock in each of the first, second and third quarters of 2016;
- approximately $8.5 billion to repurchase approximately 153 million shares of AIG Common Stock; and
- $263 million to repurchase 15 million warrants to purchase shares of AIG Common Stock.

These items were partially offset by approximately $3.7 billion in net inflows from the issuance and repayment of long-term debt.

LIQUIDITY AND CAPITAL RESOURCES OF AIG PARENT AND SUBSIDIARIES

AIG Parent

As of September 30, 2017, AIG Parent had approximately $11.2 billion in liquidity sources. AIG Parent's liquidity sources are primarily held in the form of cash, short-term investments and publicly traded, investment grade rated fixed maturity securities. Fixed maturity securities primarily include U.S. government and government sponsored entity securities, U.S. agency mortgage-backed securities, corporate and municipal bonds and certain other highly rated securities. AIG Parent actively manages its assets and liabilities in terms of products, counterparties and duration. Based upon an assessment of funding needs, the liquidity sources can be readily monetized through sales, repurchase agreements or contributed as admitted assets to regulated insurance companies. AIG Parent liquidity is 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 and credit facilities. AIG Parent's primary uses of liquidity are for debt service, capital and liability management, and operating expenses.

We believe that we have sufficient liquidity and capital resources to satisfy our reasonably foreseeable future requirements and meet our obligations to our creditors, debt-holders and insurance company subsidiaries. We expect to access the debt markets from time to time to meet funding requirements as needed.

We utilize our capital resources to support our businesses, with the majority of capital allocated to our insurance operations. Should we have or generate more capital than is needed to support our business strategies (including organic growth or acquisition opportunities) or mitigate risks inherent to our business, we may develop plans to distribute such capital to shareholders via dividends or share repurchase authorizations or deploy such capital towards liability management.

In the normal course, it is expected that a portion of the capital released by our insurance operations, by our other operations or through the utilization of AIG's deferred tax assets may be available to support our business strategies, for distribution to shareholders or for liability management.

In developing plans to distribute capital, AIG considers a number of factors, including, but not limited to: AIG's business and strategic plans, expectations for capital generation and utilization, AIG's funding capacity and capital resources in comparison to internal benchmarks, as well as rating agency expectations, regulatory standards and internal stress tests for capital.

The following table presents AIG Parent's liquidity sources:

(In millions)	As of September 30, 2017	As of December 31, 2016
Cash and short-term investments[(a)]	$ 2,184	$ 3,950
Unencumbered fixed maturity securities[(b)]	4,560	4,470
Total AIG Parent liquidity	6,744	8,420
Available capacity under syndicated credit facility[(c)]	4,500	4,500
Total AIG Parent liquidity sources	$ 11,244	$ 12,920

(a) Cash and short-term investments include reverse repurchase agreements totaling $1.6 billion and $1.0 billion as of September 30, 2017 and December 31, 2016, respectively.

(b) Unencumbered securities consist of publicly traded, investment grade rated fixed maturity securities. Fixed maturity securities primarily include U.S. government and government sponsored entity securities, U.S. agency mortgage-backed securities, corporate and municipal bonds and certain other highly rated securities.

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

Insurance Companies

We expect that our insurance companies will be able to continue to satisfy reasonably foreseeable future liquidity requirements and meet their obligations, including those arising from reasonably foreseeable contingencies or events, through cash from operations and, to the extent necessary, monetization of invested assets. Our insurance companies' liquidity resources are primarily held in the form of cash, short-term investments and publicly traded, investment grade rated fixed maturity securities.

Each of our material insurance companies' liquidity is monitored through various internal liquidity risk measures. The primary sources of liquidity are premiums, fees, reinsurance recoverables and investment income. The primary uses of liquidity are paid losses, reinsurance payments, benefit claims, surrenders, withdrawals, interest payments, dividends, expenses, investments and collateral requirements.

Our Property Casualty Insurance Companies may require additional funding to meet capital or liquidity needs under certain circumstances. Large catastrophes may require us to provide additional support to our affected operations. Downgrades in our credit ratings could put pressure on the insurer financial strength ratings of our subsidiaries, which could result in non-renewals or cancellations by policyholders and adversely affect the subsidiary's ability to meet its own obligations. Increases in market interest rates may adversely affect the financial strength ratings of our subsidiaries, as rating agency capital models may reduce the amount of available capital relative to required capital. Other potential events that could cause a liquidity strain include an economic collapse of a nation or region significant to our operations, nationalization, catastrophic terrorist acts, pandemics or other events causing economic or political upheaval.

On January 20, 2017, certain of our Property Casualty Insurance Companies entered into an adverse development reinsurance agreement with NICO under which they transferred to NICO 80 percent of reserve risk on substantially all of their U.S. Commercial long-tail exposures for accident years 2015 and prior. Under this agreement, these Property Casualty Insurance Companies ceded to NICO 80 percent of the paid losses on subject business paid on or after January 1, 2016 in excess of $25 billion of net paid losses, up to an aggregate limit of $25 billion. The total consideration paid, including interest, was $10.2 billion.

Management believes that because of the size and liquidity of our Life Insurance Companies' investment portfolios, normal deviations from projected claim or surrender experience would not create significant liquidity risk. Furthermore, our Life Insurance Companies' products contain certain features that mitigate surrender risk, including surrender charges. However, as we saw in 2008, in times of extreme capital markets disruption, liquidity needs could outpace resources. As part of their risk management framework, our Life Insurance Companies continue to evaluate and, where appropriate, pursue strategies and programs to improve their liquidity position and facilitate their ability to maintain a fully invested asset portfolio.

Certain of our U.S. insurance companies are members of the Federal Home Loan Banks (FHLBs) in their respective districts. Borrowings from the FHLBs are used to supplement liquidity or for other uses deemed appropriate by management. Our U.S. Property Casualty Insurance Companies had outstanding borrowings from the FHLBs in an aggregate amount of approximately $556 million and $733 million at September 30, 2017 and December 31, 2016, respectively. The outstanding borrowings are being used primarily for interest rate risk management purposes in connection with certain reinsurance arrangements, and the related balances are expected to decline as underlying premiums are collected. Our U.S. Life Insurance Companies had no outstanding borrowings in the form of cash advances from the FHLBs at September 30, 2017, and aggregate borrowings in the form of cash advances of approximately $2 million at December 31, 2016. In addition, $606 million and $429 million were due to the FHLB of Dallas at September 30, 2017 and December 31, 2016, respectively, under funding agreements issued by our Institutional Markets business, which were reported in Policyholder contract deposits.

Certain of our U.S. Life Insurance Companies have programs, which began in 2012, that lend securities from their investment portfolio to supplement liquidity or for other uses as deemed appropriate by management. Under these programs, these U.S. Life Insurance Companies lend securities to financial institutions and receive cash as collateral equal to 102 percent of the fair value of the loaned securities. Cash collateral received is invested in short-term investments. Additionally, the aggregate amount of securities that a Life Insurance Company is able to lend under its program at any time is limited to five percent of its general account statutory-basis admitted assets. Our U.S. Life Insurance Companies had $2.9 billion and $2.4 billion of securities subject to these agreements at September 30, 2017 and December 31, 2016, respectively, and $3.0 billion and $2.5 billion of liabilities to borrowers for collateral received at September 30, 2017 and December 31, 2016, respectively.

AIG generally manages capital between AIG Parent and our insurance companies through internal, Board-approved policies and limits, as well as management standards. In addition, AIG Parent has unconditional capital maintenance agreements (CMAs) in place with certain subsidiaries. Nevertheless, regulatory and other legal restrictions could limit our ability to transfer capital freely, either to or from our subsidiaries.

AIG Parent is party to a CMA with AGC Life Insurance Company. Among other things, the CMA provides that AIG Parent will maintain the total adjusted capital of AGC Life Insurance Company at or above a specified minimum percentage of its projected NAIC Company Action Level Risk-Based Capital (RBC). As of September 30, 2017, the specified minimum percentage under this CMA was 250 percent.

During 2016, we created a new Switzerland-domiciled international holding company, AIG International Holdings, GmbH (AIGIH), which is intended to be the ultimate holding company for all of our international entities. This international holding company structure is part of our ongoing efforts to simplify our organizational structure, and is expected to facilitate the optimization of our international capital strategy from both a regulatory and tax perspective. Through November 2, 2017, the following international operations have been transferred to AIGIH: Europe, Canada, Asia Pacific and Latin America/Caribbean.

In the nine-month period ended September 30, 2017, our Property Casualty Insurance Companies paid approximately $350 million in dividends in the form of cash and fixed maturity securities to AIG Parent. The fixed maturity securities primarily included U.S. government and government-sponsored entity securities, U.S. agency mortgage-backed securities, corporate and municipal bonds and certain other highly rated securities.

In the nine-month period ended September 30, 2017, the Life Insurance Companies collectively declared a total of $2.1 billion of dividends, return of capital and loan repayments. Of this amount, $867 million was paid in the form of cash, $387 million was paid in the form of fixed maturity securities, and $890 million was retained at an intermediate life insurance holding company to fund tax sharing payments to AIG Parent. The Life Insurance Companies made tax sharing payments to AIG Parent in the nine-month period ended September 30, 2017 totaling $3.2 billion in the form of cash and fixed maturity securities, primarily as a result of the Life Insurance Reinsurance Transactions. Fixed maturity securities used to fund dividends and tax sharing payments included U.S. government and government sponsored entity securities, U.S. agency mortgage-backed securities, corporate and municipal bonds and certain other highly rated securities.

CREDIT FACILITIES

We maintain a committed, revolving syndicated credit facility (the Facility) as a potential source of liquidity for general corporate purposes. The Facility provides for aggregate commitments by the bank syndicate to provide unsecured revolving loans and/or standby letters of credit of up to $4.5 billion without any limits on the type of borrowings and is scheduled to expire in June 2022.

As of September 30, 2017, a total of $4.5 billion remains available under the Facility. Our ability to borrow under the Facility is not contingent on our credit ratings. However, our ability to borrow under the Facility is conditioned on the satisfaction of certain legal, operating, administrative and financial covenants and other requirements contained in the 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 Facility would restrict our access to the Facility and could have a material adverse effect on our financial condition, results of operations and liquidity. We expect to borrow under the Facility from time to time, and may use the proceeds for general corporate purposes.

CONTRACTUAL OBLIGATIONS

The following table summarizes contractual obligations in total, and by remaining maturity:

September 30, 2017		Payments due by Period				
(in millions)	Total Payments	Remainder of 2017	2018 - 2019	2020 - 2021	2022	Thereafter
Insurance operations						
Loss reserves	**$ 81,880**	$ 5,436	$ 29,400	$ 16,160	$ 5,294	$ 25,590
Insurance and investment contract liabilities	**244,657**	4,085	29,909	27,806	12,846	170,011
Borrowings	**984**	-	-	342	-	642
Interest payments on borrowings	**903**	1	99	99	50	654
Other long-term obligations	**7**	1	3	2	1	-
Total	**$ 328,431**	$ 9,523	$ 59,411	$ 44,409	$ 18,191	$ 196,897
Other						
Borrowings	**$ 24,478**	$ 396	$ 3,359	$ 3,113	$ 1,553	$ 16,057
Interest payments on borrowings	**13,460**	174	1,921	1,700	732	8,933
Other long-term obligations	**220**	12	125	41	-	42
Total	**$ 38,158**	$ 582	$ 5,405	$ 4,854	$ 2,285	$ 25,032
Consolidated						
Loss reserves	**$ 81,880**	$ 5,436	$ 29,400	$ 16,160	$ 5,294	$ 25,590
Insurance and investment contract liabilities	**244,657**	4,085	29,909	27,806	12,846	170,011
Borrowings	**25,462**	396	3,359	3,455	1,553	16,699
Interest payments on borrowings	**14,363**	175	2,020	1,799	782	9,587
Other long-term obligations[(a)]	**227**	13	128	43	1	42
Total[(b)]	**$ 366,589**	$ 10,105	$ 64,816	$ 49,263	$ 20,476	$ 221,929

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

(b) Does not reflect unrecognized tax benefits of $4.6 billion, the timing of which is uncertain.

Loss Reserves

Loss reserves relate to our Property Casualty Insurance Companies and represent estimates of 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 our Property Casualty Insurance Companies maintain adequate financial resources to meet the actual required payments under these obligations.

Insurance and Investment Contract Liabilities

Insurance and investment contract liabilities, including GIC liabilities, relate to our Life Insurance Companies. These liabilities include various investment-type products with contractually scheduled maturities, including periodic payments. These liabilities also include benefit and claim liabilities, of which a significant portion represents policies and contracts that do not have stated contractual maturity dates and may not result in any future payment obligations. For these policies and contracts (i) we are not currently making payments until the occurrence of an insurable event, such as death or disability, (ii) payments are conditional on survivorship or (iii) payment may occur due to a surrender or other non-scheduled event beyond our control.

We have made significant assumptions to determine the estimated undiscounted cash flows of these contractual policy benefits. These assumptions include mortality, morbidity, future lapse rates, expenses, investment returns and interest crediting rates, offset by expected future deposits and premiums on in-force policies. Due to the significance of the assumptions, the periodic amounts presented could be materially different from actual required payments. The amounts presented in this table are undiscounted and exceed the future policy benefits and policyholder contract deposits included in the Condensed Consolidated Balance Sheets.

We believe that our Life Insurance Companies have adequate financial resources to meet the payments actually required under these obligations. These subsidiaries have substantial liquidity in the form of cash and short-term investments. In addition, our Life Insurance Companies maintain significant levels of investment grade rated fixed maturity securities, including substantial holdings in government and corporate bonds, and could seek to monetize those holdings in the event operating cash flows are insufficient. We expect liquidity needs related to GIC liabilities to be funded through cash flows generated from maturities and sales of invested assets.

Borrowings

Our borrowings exclude those incurred by consolidated investments and include hybrid financial instrument liabilities recorded at fair value. We expect to repay the long-term debt maturities and interest accrued on borrowings by AIG through maturing investments and dispositions of invested assets, future cash flows from operations, cash flows generated from invested assets, future debt issuance and other financing arrangements. Borrowings supported by assets of AIG include various notes and bonds payable as well as GIAs that are supported by cash and investments held by AIG Parent and certain non-insurance subsidiaries for the repayment of those obligations.

OFF-BALANCE SHEET ARRANGEMENTS AND COMMERCIAL COMMITMENTS

The following table summarizes Off-Balance Sheet Arrangements and Commercial Commitments in total, and by remaining maturity:

September 30, 2017		Amount of Commitment Expiring				
(in millions)	Total Amounts Committed	Remainder of 2017	2018 - 2019	2020 - 2021	2022	Thereafter
Insurance operations						
Guarantees:						
Standby letters of credit	$ 67	$ 35	$ 21	$ -	$ -	$ 11
Guarantees of indebtedness	71	71	-	-	-	-
All other guarantees[(a)]	2	-	-	2	-	-
Commitments:						
Investment commitments[(b)]	2,915	1,737	820	313	-	45
Commitments to extend credit	2,603	1,276	887	424	7	9
Letters of credit	5	5	-	-	-	-
Total[(c)]	$ 5,663	$ 3,124	$ 1,728	$ 739	$ 7	$ 65
Other						
Guarantees:						
Liquidity facilities[(d)]	$ 74	$ -	$ -	$ -	$ -	$ 74
Standby letters of credit	139	139	-	-	-	-
All other guarantees	84	-	21	28	14	21
Commitments:						
Investment commitments[(b)]	198	6	32	40	69	51
Commitments to extend credit[(e)]	500	-	500	-	-	-
Letters of credit	24	6	18	-	-	-
Total[(c)(f)]	$ 1,019	$ 151	$ 571	$ 68	$ 83	$ 146
Consolidated						
Guarantees:						
Liquidity facilities[(d)]	$ 74	$ -	$ -	$ -	$ -	$ 74
Standby letters of credit	206	174	21	-	-	11
Guarantees of indebtedness	71	71	-	-	-	-
All other guarantees[(a)]	86	-	21	30	14	21
Commitments:						
Investment commitments[(b)]	3,113	1,743	852	353	69	96
Commitments to extend credit[(e)]	3,103	1,276	1,387	424	7	9
Letters of credit	29	11	18	-	-	-
Total[(c)(f)]	$ 6,682	$ 3,275	$ 2,299	$ 807	$ 90	$ 211

(a) Includes construction guarantees connected to affordable housing investments by our Life Insurance Companies. Excludes potential amounts for indemnification obligations included in asset sales agreements. *For further information on indemnification obligations see Note 11 to the Condensed Consolidated Financial Statements.*

(b) Includes commitments to invest in private equity funds, hedge funds and other funds and commitments to purchase and develop real estate in the United States and abroad. The commitments to invest in private equity funds, hedge funds and other funds are called at the discretion of each fund, as needed for funding new investments or expenses of the fund. The expiration of these commitments is estimated in the table above based on the expected life cycle of the related fund, consistent with past trends of requirements for funding. Investors under these commitments are primarily insurance and real estate subsidiaries.

(c) Does not include guarantees, CMAs or other support arrangements among AIG consolidated entities.

(d) Primarily represents liquidity facilities provided in connection with certain municipal swap transactions and collateralized bond obligations.

(e) Includes a five-year senior unsecured revolving credit facility of up to $500 million between AerCap Ireland Capital Limited, as borrower, and AIG Parent, as lender (the AerCap Credit Facility) scheduled to mature in May 2019. The AerCap Credit Facility permits loans for general corporate purposes. At September 30, 2017, no amounts were outstanding under the AerCap Credit Facility.

(f) Excludes commitments with respect to pension plans. There is no remaining annual pension contribution for 2017 for U.S. and non-U.S. plans.

Arrangements with Variable Interest Entities

We enter into various arrangements with variable interest entities (VIEs) in the normal course of business, and we consolidate a VIE when we are the primary beneficiary of the entity.

For a further discussion of our involvement with VIEs see Note 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 11 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, 2017 *(in millions)*	Balance at December 31, 2016	Issuances	Maturities and Repayments	Effect of Foreign Exchange	Other Changes	**Balance at September 30, 2017**
Debt issued or guaranteed by AIG:						
AIG general borrowings:						
Notes and bonds payable	$ 19,432	$ 1,108	$ (710)	$ 236	$ 12	**$ 20,078**
Junior subordinated debt	843	-	(38)	30	1	**836**
AIG Japan Holdings Kabushiki Kaisha	330	-	-	12	-	**342**
AIGLH notes and bonds payable	281	-	-	-	-	**281**
AIGLH junior subordinated debt	361	-	-	-	-	**361**
Total AIG general borrowings	21,247	1,108	(748)	278	13	**21,898**
AIG borrowings supported by assets:[(a)]						
MIP notes payable	1,099	-	(606)	44	(2)	**535**
Series AIGFP matched notes and bonds payable	32	-	-	-	(1)	**31**
GIAs, at fair value	2,934	319	(493)	-	57 [(b)]	**2,817**
Notes and bonds payable, at fair value	494	1	(356)	-	42 [(b)]	**181**
Total AIG borrowings supported by assets	4,559	320	(1,455)	44	96	**3,564**
Total debt issued or guaranteed by AIG	25,806	1,428	(2,203)	322	109	**25,462**
Debt not guaranteed by AIG:						
Other subsidiaries' notes, bonds, loans and mortgages payable[(c)]	735	-	(178)	-	(1)	**556**
Debt of consolidated investments[(d)]	4,371	977	(467)	(2)	142 [(e)]	**5,021**
Total debt not guaranteed by AIG	5,106	977	(645)	(2)	141	**5,577**
Total debt	$ 30,912	$ 2,405	$ (2,848)	$ 320	$ 250	**$ 31,039**

(a) AIG Parent guarantees all such debt, except for MIP notes payable and Series AIGFP matched notes and bonds payable, which are direct obligations of AIG Parent. Collateral posted to third parties was $2.0 billion and $2.2 billion at September 30, 2017 and December 31, 2016, respectively. This collateral primarily consists of securities of the U.S. government and government sponsored entities and generally cannot be repledged or resold by the counterparties.

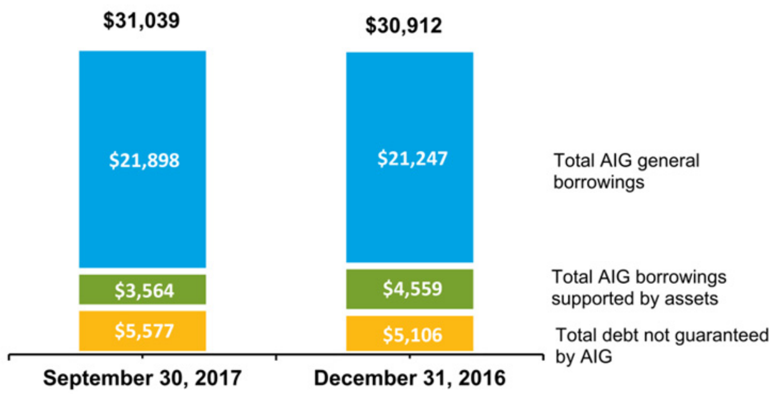
(b) Primarily represents adjustments to the fair value of debt.

(c) Includes primarily borrowings with Federal Home Loan Banks by our U.S. insurance companies. These borrowings are short term in nature and related activity is presented net of issuances and maturities and repayments.

(d) At September 30, 2017, includes debt of consolidated investment vehicles related to real estate investments of $2.0 billion, affordable housing partnership investments of $1.8 billion and other securitization vehicles of $1.2 billion. At December 31, 2016, includes debt of consolidated investment vehicles related to real estate investments of $1.9 billion, affordable housing partnership investments of $1.7 billion and other securitization vehicles of $771 million.

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

TOTAL DEBT OUTSTANDING
(in millions)



Debt Maturities

The following table summarizes maturing debt at September 30, 2017 of AIG (excluding $5.0 billion of borrowings of consolidated investments) for the next four quarters:

(in millions)	Fourth Quarter 2017	First Quarter 2018	Second Quarter 2018	Third Quarter 2018	Total
AIG general borrowings	$ 183	$ 1,107	$ -	$ -	**$ 1,290**
AIG borrowings supported by assets	213	34	348	473	**1,068**
Other subsidiaries' notes, bonds, loans and mortgages payable	366	190	-	-	**556**
Total	$ 762	$ 1,331	$ 348	$ 473	**$ 2,914**

The following table presents maturities of long-term debt (including unamortized original issue discount, hedge accounting valuation adjustments and fair value adjustments, when applicable), excluding $5.0 billion in borrowings of debt of consolidated investments:

September 30, 2017		Remainder	Year Ending					
(in millions)	Total	of 2017	2018	2019	2020	2021	2022	Thereafter
Debt issued or guaranteed by AIG:								
AIG general borrowings:								
Notes and bonds payable	$ 20,078	$ 183	$ 1,107	$ 998	$ 1,343	$ 1,495	$ 1,506	$ 13,446
Junior subordinated debt	836	-	-	-	-	-	-	836
AIG Japan Holdings Kabushiki Kaisha	342	-	-	-	118	224	-	-
AIGLH notes and bonds payable	281	-	-	-	-	-	-	281
AIGLH junior subordinated debt	361	-	-	-	-	-	-	361
Total AIG general borrowings	**21,898**	**183**	**1,107**	**998**	**1,461**	**1,719**	**1,506**	**14,924**
AIG borrowings supported by assets:								
MIP notes payable	535	178	357	-	-	-	-	-
Series AIGFP matched notes and bonds payable	31	10	-	-	-	-	-	21
GIAs, at fair value	2,817	22	507	265	31	244	47	1,701
Notes and bonds payable, at fair value	181	3	125	-	-	-	-	53
Total AIG borrowings supported by assets	**3,564**	**213**	**989**	**265**	**31**	**244**	**47**	**1,775**
Total debt issued or guaranteed by AIG	**25,462**	**396**	**2,096**	**1,263**	**1,492**	**1,963**	**1,553**	**16,699**
Other subsidiaries notes, bonds, loans and mortgages payable	556	366	190	-	-	-	-	-
Total	**$ 26,018**	**$ 762**	**$ 2,286**	**$ 1,263**	**$ 1,492**	**$ 1,963**	**$ 1,553**	**$ 16,699**

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 27, 2017. 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***	**BBB+ (4th of 9)** ***Negative Outlook***	**BBB+ (4th of 9)** ***Negative Outlook***
AIG Financial Products Corp.(d)	**P-2** ***Stable Outlook***	**A-2**	**Baa 1** ***Stable Outlook***	**BBB+** ***Negative Outlook***	**-**

(a) Moody's appends numerical modifiers 1, 2 and 3 to the generic rating categories to show relative position within the rating categories.

(b) S&P ratings may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

(c) Fitch ratings may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

(d) AIG guarantees all obligations of AIG Financial Products Corp.

These credit ratings are current opinions of the rating agencies. They may be changed, suspended or withdrawn at any time by the rating agencies as a result of changes in, or unavailability of, information or based on other circumstances. Ratings may also be withdrawn at our request.

We are party to some agreements that contain "ratings triggers." Depending on the ratings maintained by one or more rating agencies, these triggers could result in (i) the termination or limitation of credit availability or a requirement for accelerated repayment, (ii) the termination of business contracts or (iii) a requirement to post collateral for the benefit of counterparties.

In the event of adverse actions on our long-term debt ratings by the major rating agencies, AIGFP and certain other AIG entities would be required to post additional collateral under some derivative transactions or could experience termination of the transactions. Such requirements and terminations could adversely affect our business, our consolidated results of operations in a reporting period or our liquidity. In the event of a further downgrade of AIG's long-term senior debt ratings, AIGFP and certain other AIG entities would be required to post additional collateral, and certain of the counterparties of AIGFP or of such other AIG entities would be permitted to terminate their contracts early.

The actual amount of collateral that we would be required to post to counterparties in the event of such downgrades, or the aggregate amount of payments that we could be required to make, depends on market conditions, the fair value of outstanding affected transactions and other factors prevailing at the time of the downgrade.

For a discussion of the effects of downgrades in our credit ratings see Note 9 to the Condensed Consolidated Financial Statements herein and *Part I, Item 1A. Risk Factors – Liquidity, Capital and Credit in our 2016 Annual Report*.

FINANCIAL STRENGTH RATINGS

Financial Strength ratings estimate an insurance company's ability to pay its obligations under an insurance policy. The following table presents the ratings of our significant insurance subsidiaries as of October 27, 2017.

	A.M. Best	S&P	Fitch	Moody's
National Union Fire Insurance Company of Pittsburgh, Pa.	A	A+ / A-1+	A	A2
Lexington Insurance Company	A	A+	A	A2
American Home Assurance Company (US)	A	A+	A	A2
American General Life Insurance Company	A	A+	A+	A2
The Variable Annuity Life Insurance Company	A	A+	A+	A2
United States Life Insurance Company in the City of New York	A	A+	A+	A2
AIG Europe Limited	A	A+	A	A2
Fuji Fire and Marine Insurance Company	NR	A+	NR	NR
AIU Insurance Company, Ltd.	NR	A+	NR	NR

These financial strength 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.

For a discussion of the effects of downgrades in our financial strength ratings see Note 9 to the Condensed Consolidated Financial Statements herein and *Part I, Item 1A. Risk Factors – Liquidity, Capital and Credit in our 2016 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 2016 Annual Report, and Part I, Item 2. MD&A – Regulatory Environment in this Quarterly Report on Form 10-Q and the Quarterly Reports on Form 10-Q for the quarterly periods ended June 30, 2017 and March 31, 2017.

DIVIDENDS AND REPURCHASES OF AIG COMMON STOCK

On February 14, 2017, our Board of Directors declared a cash dividend on AIG Common Stock of $0.32 per share, payable on March 29, 2017 to shareholders of record on March 15, 2017. On May 3, 2017, our Board of Directors declared a cash dividend on AIG Common Stock of $0.32 per share, payable on June 28, 2017 to shareholders of record on June 14, 2017. On August 2, 2017, our Board of Directors declared a cash dividend on AIG Common Stock of $0.32 per share, payable on September 29, 2017 to shareholders of record on September 15, 2017. On November 2, 2017, our Board of Directors declared a cash dividend on AIG Common Stock of $0.32 per share, payable on December 22, 2017 to shareholders of record on December 8, 2017. The payment of any future dividends will be at the discretion of our Board of Directors and will depend on various factors, as discussed further in Note 12 to the Condensed Consolidated Financial Statements.

Our Board of Directors has authorized the repurchase of shares of AIG Common Stock through a series of actions. On May 3, 2017, our Board of Directors approved an additional increase of $2.5 billion to the share repurchase authorization. As of November 2, 2017, approximately $2.2 billion remained under the authorization. Shares may be repurchased from time to time in the open market, private purchases, through forward, derivative, accelerated repurchase or automatic repurchase transactions or otherwise (including through the purchase of warrants). Certain of our share repurchases have been and may from time to time be effected through Exchange Act Rule 10b5-1 repurchase plans. The timing of any future share repurchases will depend on market conditions, our business and strategic plans, financial condition, results of operations, liquidity and other factors.

During the nine-month period ended September 30, 2017, we repurchased approximately 100 million shares of AIG Common Stock for an aggregate purchase price of approximately $6.3 billion pursuant to this authorization.

DIVIDEND RESTRICTIONS

Payments of dividends to AIG by its insurance subsidiaries are subject to certain restrictions imposed by regulatory authorities.

For a discussion of restrictions on payments of dividends by our subsidiaries see Note 19 to the Consolidated Financial Statements in the 2016 Annual Report.

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 AIG'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 risk management in our key day-to-day business processes and in identifying, assessing, quantifying, managing, monitoring and reporting, 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 2016 Annual Report.

CREDIT RISK MANAGEMENT

Overview

Credit risk is defined as the risk that our customers or counterparties are unable or unwilling to repay their contractual obligations when they become due. Credit risk may also result from a downgrade of a counterparty's credit ratings or a widening of its credit spreads.

We devote considerable resources to managing our direct and indirect credit exposures. These exposures may arise from, but are not limited to, fixed income investments, equity securities, deposits, commercial paper investments, reverse repurchase agreements and repurchase agreements, corporate and consumer loans, leases, reinsurance recoverables, counterparty risk arising from derivatives activities, collateral extended to counterparties, insurance risk cessions to third parties, financial guarantees and letters of credit.

We monitor and control our company-wide credit risk concentrations and attempt to avoid unwanted or excessive risk accumulations, whether funded or unfunded. To minimize the level of credit risk in some circumstances, we may require mitigants, such as third-party guarantees, reinsurance or collateral, including commercial bank-issued letters of credit and trust collateral accounts. We treat these guarantees, reinsurance recoverables, and letters of credit as credit exposure and include them in our risk concentration exposure data. We also monitor closely the quality of any trust collateral accounts.

For further information on our credit concentrations and credit exposures see Investments – Available for Sale Securities.

Our credit risk management framework incorporates the following elements:

Risk Identification	including the ongoing capture and monitoring of all existing, contingent, potential and emerging credit risk exposures, whether funded or unfunded
Risk Measurement	comprising risk ratings, default probabilities, loss given default and expected loss parameters, exposure calculations, stress testing and other risk analytics
Risk Limits	including, but not limited to, a system of single obligor or risk group-based AIG-wide house limits and sub-limits for corporates, financial institutions, sovereigns and sub-sovereigns when appropriate and a defined process for identifying, evaluating, documenting and approving, if appropriate, breaches of and exceptions to such limits
Risk Delegations	a comprehensive credit risk delegation framework from the AIG Chief Credit Officer (CCO) to authorized credit professionals throughout the company
Risk Evaluation, Monitoring and Reporting	including the ongoing analysis and assessment of credit risks, trending of those risks and reporting of other key risk metrics and limits to the AIG CCO and senior management, as may be required
Credit Reserving	including but not limited to development of a proper framework, policies and procedures for establishing accurate identification of (i) Allowance for Loan and Lease Losses, and (ii) other-than-temporary impairments for securities portfolios

MARKET RISK MANAGEMENT

Market risk is defined as the risk of adverse impact due to systemic movements in one or more of the following market risk drivers: equity and commodity prices, residential and commercial real estate values, interest rates, credit spreads, foreign exchange, inflation, and their levels of volatility.

We are engaged in a variety of insurance, investment and other financial services businesses that expose us to market risk, directly and indirectly. We are exposed to market risks primarily within our insurance and capital markets activities, on both the asset and liability side of our balance sheet through on and off-balance sheet exposures. The chief risk officer within each business is responsible for creating a framework to properly identify these risks, then ensuring that they are appropriately measured, monitored and managed in accordance with the risk governance framework established by the Chief Market Risk Officer (CMRO).

The scope and magnitude of our market risk exposures is managed under a robust framework that contains defined risk limits and minimum standards for managing market risk in a manner consistent with our risk appetite statement. Our market risk management framework focuses on quantifying the financial repercussions of changes in these broad market observables, as opposed to the idiosyncratic risks associated with individual assets that are addressed through our credit risk management function.

Risk Identification

Market risk focuses on quantifying the financial repercussions of changes in broad, external, predominantly market observable risks. Financial repercussions can include an adverse impact on results of operations, financial condition, liquidity and capital.

Each of the following systemic risks is considered a market risk:

Equity prices	We are exposed to changes in equity market prices affecting a variety of instruments. Changes in equity prices can affect the valuation of publicly-traded equity shares, investments in private equity, hedge funds and mutual funds, exchange-traded funds, and other equity-linked capital market instruments as well as equity-linked insurance products, including but not limited to index annuities, variable annuities, universal life insurance and variable universal life insurance.
Residential and commercial real estate values	Our investment portfolios are exposed to the risk of changing values in a variety of residential and commercial real estate investments. Changes in residential/commercial real estate prices can affect the valuation of residential/commercial mortgages, residential/commercial mortgage-backed securities and other structured securities with underlying assets that include residential/commercial mortgages, trusts that include residential/commercial real estate and/or mortgages, residential mortgage insurance and reinsurance contracts and commercial real estate investments.
Interest rates	Interest rate risk can arise from a mismatch in the interest rate exposure of assets versus liabilities. Lower interest rates generally result in lower investment income and make some of our product offerings less attractive to investors. 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. Changes in interest rates can affect the valuation of fixed maturity securities, financial liabilities, insurance contracts including but not limited to fixed rate annuities, variable annuities and derivative contracts.
Credit spreads	Credit spreads measure an instrument's risk premium or yield relative to that of a comparable duration, default-free instrument. Changes in credit spreads can affect the valuation of fixed maturity securities, including but not limited to corporate bonds, ABS, mortgage-backed securities, AIG-issued debt obligations, credit derivatives and derivative credit valuation adjustments. Much like higher interest rates, wider credit spreads with unchanged default losses mean more investment income in the long-term. In the short term, quickly rising spreads will cause a loss in the value of existing fixed maturity securities, which is largely reported in Other comprehensive income. A precipitous widening of credit spreads may also signal a fundamental weakness in the credit-worthiness of bond obligors, potentially resulting in default losses.
Foreign exchange (FX) rates	We are a globally diversified enterprise with income, assets and liabilities denominated in, and capital deployed in, a variety of currencies. Changes in FX rates can affect the valuation of a broad range of balance sheet and income statement items as well as the settlement of cash flows exchanged in specific transactions.
Commodity Prices	Changes in commodity prices (the value of commodities) can affect the valuation of publicly-traded commodities, commodity indices and derivatives on commodities and commodity indices. We are exposed to commodity prices primarily through their impact on the prices and credit quality of commodity producers' debt and equity securities in our investment portfolio.
Inflation	Changes in inflation can affect the valuation of fixed maturity securities, including AIG-issued debt obligations, derivatives and other contracts explicitly linked to inflation indices, and insurance contracts where the claims are linked to inflation either explicitly, via indexing, or implicitly, through medical costs or wage levels.

Risk Measurement

Our market risk measurement framework was developed with the main objective of communicating the range and scale of our market risk exposures. At the firm-wide level market risk is measured in a manner that is consistent with AIG's risk appetite statement. This is designed to ensure that we remain within our stated risk tolerance levels and can determine how much additional market risk taking capacity is available within our framework. Our risk appetite is currently defined in terms of capital and liquidity levels. At the market risk level, the framework measures our overall exposure to each systemic market risk change on an economic basis.

In addition, we continue to use enhanced economic, 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:

		Examples include:
Sensitivity analysis	measures the impact from a unit change in a market risk input	• a one basis point increase in yield on fixed maturity securities, • a one basis point increase in credit spreads of fixed maturity securities, and • a one percent increase in prices of equity securities.
Scenario analysis	uses historical, hypothetical, or forward-looking macroeconomic scenarios to assess and report exposures	• a 100 basis point parallel shift in the yield curve, or • a 20 percent immediate and simultaneous decrease in world-wide equity markets. Scenarios may also utilize a stochastic framework to arrive at a probability distribution of losses.
Stress testing	a special form of scenario analysis in which the scenarios are designed to lead to a material adverse outcome	• the stock market crash of October 1987 or the widening of yields or spreads of RMBS or CMBS during 2008.

Market Risk Sensitivities

The following table provides estimates of our sensitivity to changes in yield curves, equity prices and foreign currency exchange rates:

	Balance Sheet Exposure		Balance Sheet Effect	
(dollars in millions)	**September 30, 2017**	December 31, 2016	**September 30, 2017**	December 31, 2016
Sensitivity factor			**100 bps parallel increase in all yield**	
Interest rate sensitive assets:				
Fixed maturity securities	**247,330**	251,784	**(14,776)**	(14,745)
Mortgage and other loans receivable	**27,382**	25,113	**(1,479)**	(1,352)
Preferred stock	**14**	17	**(1)**	(1)
Total interest rate sensitive assets	**$ 274,726** (a)	$ 276,914 (a)	**$ (16,256)**	$ (16,098)
Sensitivity factor			**20% decline in stock prices and value of alternative investments**	
Equity and alternative investments				
Real estate investments	**7,465**	6,900	**(1,493)**	(1,380)
Hedge funds	**6,321**	7,249	**(1,264)**	(1,450)
Private equity	**5,721**	6,130	**(1,144)**	(1,226)
Common equity	**1,170**	1,369	**(234)**	(274)
PICC Investment	**497**	439	**(99)**	(88)
Aircraft asset investments	**218**	321	**(44)**	(64)
Other investments	**554**	946	**(111)**	(189)
Total equity and alternative investments exposure	**$ 21,946**	$ 23,354	**$ (4,389)**	$ (4,671)
Sensitivity factor			**10% depreciation of all foreign currency exchange rates against the U.S. dollar**	
Foreign currency-denominated net asset position:				
Great Britain pound	**2,382**	2,274	**(238)**	(227)
Japanese yen	**952**	2,345	**(95)**	(235)
Euro	**945**	2,000	**(95)**	(200)
All other foreign currencies	**2,122**	3,210	**(212)**	(321)
Total foreign currency-denominated net asset position(b)	**$ 6,401**	$ 9,829	**$ (640)**	$ (983)

(a) At September 30, 2017, the analysis covered \$274.7 billion of \$289.4 billion interest-rate sensitive assets. Excluded were \$8.7 billion of loans and \$1.8 billion of investments in life settlements. In addition, \$4.2 billion of assets across various asset categories were excluded due to modeling limitations. At December 31, 2016, the analysis covered \$276.9 billion of \$292.5 billion interest-rate sensitive assets. Excluded were \$8.1 billion of loans and \$2.5 billion of investments in life settlements. In addition, \$5.0 billion of assets across various asset categories were excluded due to modeling limitations.

(b) 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 GAAP basis, with certain adjustments. 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. At the AIG Parent level, we monitor our foreign currency exposures against single currency and aggregate currency portfolio limits.

Our foreign currency-denominated net asset position at September 30, 2017, decreased by $3.4 billion compared to December 31, 2016. The decrease was primarily due to a $1.4 billion decrease in our Japanese yen position primarily due to the sale of Fuji Life and a $1.1 billion decrease in our euro position primarily due to the issuance of €1.0 billion euro denominated debt.

For illustrative purposes, we modeled our sensitivities based on a 100 basis point increase in yield curves, a 20 percent decline in equities and alternative assets, and a 10 percent depreciation of all foreign currency exchange rates against the U.S. dollar. The estimated results presented in the table above should not be taken as a prediction, but only as a demonstration of the potential effects of such events.

LIQUIDITY RISK MANAGEMENT

Liquidity risk is defined as the risk that our financial condition will be adversely affected by the inability or perceived inability to meet our short-term cash, collateral or other financial obligations. Failure to appropriately manage liquidity risk can result in insolvency, reduced operating flexibility, increased costs, reputational harm and regulatory action.

AIG and its legal entities seek to maintain sufficient liquidity during both the normal course of business and under defined liquidity stress scenarios to ensure that sufficient cash will be available to meet the obligations as they come due.

AIG Parent liquidity risk tolerance levels are designed to allow us to meet our financial obligations for a minimum of six months under a liquidity stress scenario. We maintain liquidity limits and minimum coverage ratios designed to ensure that funding needs are met under varying market conditions. If we project that we will breach these tolerances, we will assess and determine appropriate liquidity management actions. However, the market conditions in effect at that time may not permit us to achieve an increase in liquidity sources or a reduction in liquidity requirements.

Risk Identification

The following sources of liquidity and funding risks could impact our ability to meet short-term financial obligations as they come due.

Market/Monetization Risk	Assets may not be readily transformed into cash due to unfavorable market conditions. Market liquidity risk may limit our ability to sell assets at reasonable values to meet liquidity needs.
Cash Flow Mismatch Risk	Discrete and cumulative cash flow mismatches or gaps over short-term horizons under both expected and adverse business conditions may create future liquidity shortfalls.
Event Funding Risk	Additional funding may be required as the result of a trigger event. Event funding risk comes in many forms and may result from a downgrade in credit ratings, a market event, or some other event that creates a funding obligation or limits existing funding options.
Financing Risk	We may be unable to raise additional cash on a secured or unsecured basis due to unfavorable market conditions, AIG-specific issues, or any other issue that impedes access to additional funding.

Risk Measurement

Comprehensive cash flow projections under normal conditions are the primary component for identifying and measuring liquidity risk. We produce comprehensive liquidity projections over varying time horizons that incorporate all relevant liquidity sources and uses and include known and likely cash inflows and outflows. In addition, we perform stress testing by identifying liquidity stress scenarios and assessing the effects of these scenarios on our cash flow and liquidity.

We use a number of approaches to measure our liquidity risk exposure, including:

Minimum Liquidity Limits	Minimum Liquidity Limits specify the amount of assets required to be maintained in specific liquidity portfolios to meet obligations as they arise over a specified time horizon under stressed liquidity conditions.
Coverage Ratios	Coverage Ratios measure the adequacy of available liquidity sources, including the ability to monetize assets to meet the forecasted cash flows over a specified time horizon. The portfolio of assets is selected based on our ability to convert those assets into cash under the assumed market conditions and within the specified time horizon.
Cash Flow Forecasts	Cash Flow Forecasts measure the liquidity needed for a specific legal entity over a specified time horizon.
Stress Testing	Asset liquidity and Coverage Ratios are re-measured under defined liquidity stress scenarios that will impact net cash flows, liquid assets and/or other funding sources.

Relevant liquidity reporting is produced and reported regularly to AIG Parent and business unit risk committees. The frequency, content, and nature of reporting will vary for each business unit and legal entity, based on its complexity, risk profile, activities and size.

Regulatory Environment

OVERVIEW

Our operations around the world are subject to regulation by many different types of regulatory authorities, including insurance, securities, derivatives, investment advisory and thrift regulators in the United States and abroad. The insurance and financial services industries generally have been subject to heightened regulatory scrutiny and supervision in recent years.

Our insurance subsidiaries are subject to regulation and supervision by the states and other jurisdictions in which they do business.

REGULATORY DEVELOPMENTS

On September 29, 2017, the Financial Stability Oversight Council (Council) rescinded its determination that material financial distress at AIG could pose a threat to U.S. financial stability and as a result, AIG is no longer designated as a nonbank systemically important financial institution (nonbank SIFI). With the rescission of its designation as a nonbank SIFI, AIG is no longer subject to the consolidated supervision of the Board of Governors of the Federal Reserve System (FRB) or subject to the enhanced prudential standards set forth in the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) and its implementing regulations.

U.S. REGULATION

Dodd-Frank

On July 21, 2010, Dodd-Frank, which brought about the most extensive changes to financial regulation in the United States in many years, was signed into law. Although the Council has rescinded its designation of AIG as a nonbank SIFI, certain provisions of Dodd-Frank remain relevant to insurance groups generally.

- The Council has authority to determine, subject to certain statutory and regulatory standards, that any nonbank financial company be designated as a nonbank SIFI subject to supervision by the FRB and enhanced prudential standards. The Council may also recommend that state insurance regulators or other regulators apply new or heightened standards and safeguards for activities or practices that we and other insurers or other financial services companies engage in.
- Title II of Dodd-Frank (Orderly Liquidation Authority) provides that a financial company whose largest United States subsidiary is an insurer may be subject to a special orderly liquidation process outside the Bankruptcy Code. That process is to be administered by the FDIC upon a determination that the company is: (i) in default or in danger of default, (ii) would have serious adverse effects on U.S. financial stability were it to fail and be resolved, (iii) is not likely to attract private sector alternatives to default and (iv) is not suitable for resolution under the Bankruptcy Code. Dodd-Frank authorizes possible assessments to cover the costs of any special resolution of a financial company conducted under Title II. U.S. insurance subsidiaries of any such financial company, however, would be subject to rehabilitation and liquidation proceedings under state insurance law.
- Title VII of Dodd-Frank provides for significantly increased regulation of and restrictions on derivatives markets and transactions that have affected and, as additional regulations come into effect, could affect various activities of insurance and other financial services companies, including (i) regulatory reporting for swaps and security-based swaps, (ii) mandated clearing through central counterparties and execution through regulated swap execution facilities for certain swaps and security-based swaps and (iii) margin and collateral requirements. Although the Commodities Futures Trading Commission (CFTC), which oversees and regulates the U.S. swap, commodities and futures markets, has finalized most of its requirements, the SEC has yet to finalize the majority of rules comprising its security-based swap regulatory regime. Increased regulation of and restrictions on derivatives markets and transactions could increase the cost of our trading and hedging activities, reduce liquidity and reduce the availability of customized hedging solutions and derivatives.
- Dodd-Frank mandated a study to determine whether stable value contracts should be included in the definition of "swap." If that study concludes that stable value contracts are swaps, Dodd-Frank authorizes certain federal regulators to determine whether an exemption from the definition of a swap for stable value contracts is appropriate and in the public interest. Certain of our affiliates participate in the stable value contract business. We cannot predict what regulations might emanate from the aforementioned study or be promulgated applicable to this business in the future.
- Title V of Dodd-Frank authorizes the United States to enter into covered agreements with foreign governments or entities regarding the business of insurance and reinsurance and on September 22, 2017, the U.S. and EU entered into such an agreement. *For additional information, see —International Regulation*.
- Dodd-Frank established the Consumer Financial Protection Bureau (CFPB) within the FRB to regulate consumer financial products and services offered primarily for personal, family or household purposes. Insurance products and services are not within the CFPB's general jurisdiction. Broker-dealers and investment advisers are not subject to the CFPB's jurisdiction when acting in their registered capacity. The CFPB does have authority to regulate certain non-insurance consumer services.
- The Federal Insurance Office (FIO), an office within the Department of the Treasury, itself is not a regulator but performs certain duties related to the business of insurance. Among other things, FIO is a non-voting member of the Council and has authority to collect information on the insurance industry, recommend prudential standards, participate in negotiations of international agreements affecting insurance, determine, after consulting with the relevant State and the United States Trade Representative, if certain regulations are preempted by covered agreements, and assist the Secretary in administering the Terrorism Insurance Program under the Terrorism Risk Insurance Act of 2002.

On February 3, 2017, the President of the United States signed an Executive Order that directed the Secretary of the Treasury, in consultation with federal financial regulators, to assess all laws, rules and policies that regulate the U.S. financial system, including requirements put into place under Dodd-Frank since 2010, and to recommend necessary changes to make sure they conform to certain core principles. Treasury divided its review into four parts and has published three reports to date: Banks and Credit Unions (June 12, 2017), Capital Markets (October 6, 2017), and Asset Management and Insurance (October 26, 2017). A fourth report on other nonbank financial institutions, financial technology, and financial innovation is to appear later. In its report on insurance regulation, Treasury identified several areas for improvement at the federal and state levels and defined the role it intends for federal agencies. Among its recommendations, Treasury expressed support for an activities-based approach to regulating systemic risk in the insurance industry rather than designating individual entities; it recommended continued U.S. engagement in international standard setting forums and charged FIO with coordinating the efforts of the federal government, state regulators, the National Association of Insurance Commissioners (NAIC), and other stakeholders on the issues within its scope, such as covered agreements, matters related to the Terrorism Risk Insurance Program, and standard setting at the International Association of Insurance Supervisors (IAIS), including discussions regarding capital and liquidity requirements; Treasury expressed support for robust liquidity risk management programs for insurers and encouraged regulators to continue work on addressing potential liquidity risk in the insurance sector; Treasury also supported the DOL in delaying full implementation of the DOL Fiduciary Rule until relevant issues are further evaluated and addressed by the DOL, SEC, and state insurance regulators working together. *For additional information regarding the DOL Fiduciary Rule, see Executive Summary — AIG's Outlook — Industry and Economic Factors — Department of Labor Fiduciary Rule*. We will monitor developments resulting from these recommendations closely.

Insurance Regulation

Certain states and other jurisdictions require registration and periodic reporting by insurance companies that are licensed in such jurisdictions and are controlled by other entities. Applicable legislation typically requires periodic disclosure concerning the entity that controls the registered insurer and the other companies in the holding company system and prior approval of intercompany transactions and transfers of assets, including in some instances payment of dividends by the insurance subsidiary, within the holding company system. This legislation also requires any person or entity desiring to purchase more than a specified percentage (commonly 10 percent) of our outstanding voting securities to obtain regulatory approval prior to such purchase. Our subsidiaries are registered under such legislation in those jurisdictions that have such requirements.

Our U.S. insurance subsidiaries are subject to regulation and supervision by the states and other jurisdictions in which they do business. The method of such regulation varies but generally has its source in statutes that delegate regulatory and supervisory powers to a state insurance official. The regulation and supervision relate primarily to the financial condition of the insurers and their corporate conduct and market conduct activities. This includes approval of policy forms and rates, the standards of solvency that must be met and maintained, including with respect to risk-based capital, the standards on transactions between insurance company subsidiaries and their affiliates, including restrictions and limitations on the amount of dividends or other distributions payable by insurance company subsidiaries to their parent companies, the licensing of insurers and their agents, the nature of and limitations on investments, restrictions on the size of risks that may be insured under a single policy, deposits of securities for the benefit of policyholders, requirements for acceptability of reinsurers, periodic examinations of the affairs of insurance companies, the form and content of reports of financial condition required to be filed, reserves for unearned premiums, losses and other purposes and enterprise risk management and corporate governance requirements. Our insurance subsidiaries are also subject to requirements on investments, which prescribe the kind, quality and concentration of investments they can make. In general, such regulation is for the protection of policyholders rather than the creditors or equity owners of these companies.

U.S. states have state insurance guaranty associations in which insurers doing business in the state are required by law to be members. Member insurers may be assessed by the associations for certain obligations of insolvent insurance companies to policyholders and claimants. Typically, states assess member insurers in amounts related to the member's proportionate share of the business written by all members in the state. The protection afforded by a state's guaranty association to policyholders of insolvent insurers varies from state to state.

In the U.S., the NAIC is a standard-setting and regulatory support organization created and governed by the chief insurance regulators from the 50 states, the District of Columbia and five U.S. territories. The NAIC itself is not a regulator, but, with assistance from the NAIC, state insurance regulators establish standards and best practices, conduct peer review and coordinate regulatory oversight. Virtually every state has adopted, in substantial part, the Risk-Based Capital (RBC) Model Law promulgated by the NAIC, which allows states to act upon the results of RBC calculations, and provides four incremental levels of regulatory action regarding insurers whose RBC calculations fall below specific thresholds. Those levels of action range from the requirement to submit a plan describing how an insurer would regain a specified RBC ratio to a mandatory regulatory takeover of the company. The RBC formula is designed to measure the adequacy of an insurer's statutory surplus in relation to the risks inherent in its business and computes a risk-adjusted surplus level by applying discrete factors to various asset, premium, reserve and other financial statement items. These factors are developed to be risk-sensitive so that higher factors are applied to items exposed to greater risk. The statutory surplus of each of our U.S. based insurance companies exceeded RBC minimum required levels as of December 31, 2016.

If any of our insurance entities fell below prescribed levels of statutory surplus, it would be our intention to provide appropriate capital or other types of support to that entity. *For additional information, see Liquidity and Capital Resources — Liquidity and Capital Resources of AIG Parent and Subsidiaries — Insurance Companies.*

The NAIC's Model Regulation "Valuation of Life Insurance Policies" (Regulation XXX) requires insurers to establish additional statutory reserves for term life insurance policies with long-term premium guarantees and universal life policies with secondary guarantees (ULSGs). NAIC Actuarial Guideline 38 (Guideline AXXX) clarifies the application of Regulation XXX as to these guarantees, including certain ULSGs. *See Part I, Item 1A – Risk Factors and Note 18 to the Consolidated Financial Statements in our 2016 Annual Report for risks and additional information related to these statutory reserving requirements.* In December 2012, the NAIC approved a new valuation manual containing a principle-based approach to life insurance company reserves. Principle-based reserving (PBR) is designed to tailor the reserving process to specific products in an effort to create a principle-based modeling approach to reserving rather than the factor-based approach historically employed. PBR became effective on January 1, 2017, after NAIC's model Standard Valuation Law was enacted by the requisite number of states representing the required premium volume, replacing Regulation XXX and Guideline AXXX with respect to new life insurance business issued after that date. Two of our domiciliary states (Missouri and Texas) have adopted the regulations necessary to implement PBR. We have up to three years after January 1, 2017 to implement PBR, and have currently elected to defer implementation.

The NAIC has adopted revisions to the NAIC Insurance Holding Company System Regulatory Act (the Model Holding Company Act) and the Insurance Holding Company System Model Regulation. The revised models include provisions authorizing NAIC commissioners to act as global group-wide supervisors for internationally active insurance groups and participate in international supervisory colleges, and the requirement that the ultimate controlling person of a U.S. insurer file an annual enterprise risk report with its lead state regulator identifying risks likely to have a material adverse effect upon the financial condition or liquidity of its licensed insurers or the insurance holding company system as a whole. All of the states where AIG has domestic insurers have enacted a version of the revised Model Holding Company Act, including the enterprise risk reporting requirement. The NAIC has also adopted the Risk Management and Own Risk and Solvency Assessment Model Act (ORSA). ORSA requires that insurers maintain a risk management framework and conduct an internal own risk and solvency assessment of the insurer's material risks in normal and stressed environments. All of the states where AIG has domestic insurers have enacted a version of ORSA.

ERISA Considerations

We provide products and services to certain employee benefit plans that are subject to the Employee Retirement Income Security Act of 1974, as amended (ERISA), or the Internal Revenue Code of 1986, as amended (the Internal Revenue Code). Plans subject to ERISA include pension and profit sharing plans and welfare plans, including health, life and disability plans. As a result, our activities are subject to the restrictions imposed by ERISA and the Internal Revenue Code, including the requirement under ERISA that fiduciaries must perform their duties solely in the interests of ERISA plan participants and beneficiaries, and that fiduciaries may not cause a covered plan to engage in certain prohibited transactions. ERISA also provides for civil and criminal penalties and enforcement.

For additional information regarding the DOL Fiduciary Rule, see Executive Summary — AIG's Outlook — Industry and Economic Factors — Department of Labor Fiduciary Rule.

Investment Adviser, Broker-Dealer and Investment Company Regulation

Our investment products and services are subject to federal and state securities, fiduciary, including ERISA, and other laws and regulations. The SEC, Financial Industry Regulatory Authority, CFTC, state securities commissions, state insurance departments and the DOL are the principal U.S. regulators of these operations.

The subsidiaries that manage the operations of our investment products are registered as investment advisers with the SEC under the Investment Advisers Act of 1940 and are required to supervise the activities of their personnel. Our affiliates that offer interests in insurance company separate accounts, mutual funds and other pooled investment products, and that provide other financial services to customers, are registered as broker-dealers with the SEC under the Exchange Act and with certain states, and are also members of the Financial Industry Regulatory Authority (FINRA). Our broker-dealer subsidiaries and their personnel are subject to examination by the SEC, FINRA, and the states for compliance with law, and certain personnel of these broker-dealers are also required to pass qualification examinations. Sales to retirement accounts are subject to the DOL Fiduciary Rule. The investment products that are offered by our affiliates may be registered under the Securities Act, which regulates disclosure regarding the products, and/or the Investment Company of 1940, which imposes substantive regulation on the structure and governance of the products, as well as being subject to insurance regulation in the case of separate accounts. Some products may also be qualified for sale in various states, the District of Columbia and Puerto Rico.

Consumer Protection and Cybersecurity

We are subject to laws and regulations that require financial institutions and other businesses to protect the security and confidentiality of sensitive consumer information and to notify their customers and other stakeholders of their policies and practices relating to the collection and disclosure of health-related and customer information. In addition, we must comply with international privacy laws and regulations concerning the cross border transfer or use of employee and customer personal information. These laws and regulations also (i) require specific safeguards around the use of sensitive information such as social security numbers and require notice to affected individuals and regulators in the case of a breach of security, (ii) require the adoption of processes to prevent and mitigate the effects of identity theft and (iii) establish permissible uses of protected personal and consumer information.

The NAIC has been developing an Insurance Data Security Model Law, which would require insurers, insurance producers and other entities required to be licensed under state insurance laws to develop and maintain a written information security program, conduct risk assessments, and oversee the data security practices of third-party vendors. It is not clear whether or not, or in what form, the Insurance Data Security Model Law will be adopted by states in which we have licensed insurers and other licensed subsidiaries.

In February 2017, the NY DFS announced the adoption of a new cybersecurity regulation requiring financial services institutions to implement a cybersecurity program designed to protect consumers' private data. The regulation includes specific technical safeguards as well as governance, incident planning, data management, system testing and regulator notification requirements. The regulation went into effect on March 1, 2017, providing for a 180 day transitional period with compliance required in stages thereafter.

Thrift Regulator

AIG Federal Savings Bank, our trust-only federal thrift subsidiary, is supervised and regulated by the Office of the Comptroller of the Currency.

INTERNATIONAL REGULATION

Insurance Regulation

A substantial portion of our business is conducted in foreign countries. The degree of regulation and supervision in foreign jurisdictions varies. Generally, our subsidiaries operating in foreign jurisdictions must satisfy local regulatory requirements; licenses issued by foreign authorities to our subsidiaries are subject to modification or revocation by such authorities, and therefore these subsidiaries could be prevented from conducting business in certain of the jurisdictions where they currently operate.

Certain jurisdictions require registration and periodic reporting by insurance companies that are licensed in such jurisdictions and are controlled by other entities. Applicable legislation typically requires periodic disclosure concerning the entity that controls the registered insurer and the other companies in the holding company system and prior approval of intercompany transactions and transfers of assets, including in some instances payment of dividends by the insurance subsidiary within the holding company system. Our subsidiaries are registered under such legislation in those jurisdictions that have such requirements.

In addition to these licensing and other requirements, our foreign operations are also regulated in various jurisdictions with respect to currency, policy language and terms, advertising, amount and type of security deposits, amount and type of reserves, amount and type of capital to be held, amount and type of local investment and the share of profits to be returned to policyholders on participating policies. Some foreign countries regulate rates on various types of policies. Certain countries have established reinsurance institutions, wholly or partially owned by the local government, to which admitted insurers are obligated to cede a portion of their business on terms that may not always allow foreign insurers, including our subsidiaries, full compensation. In some countries, regulations governing constitution of technical reserves and remittance balances may hinder remittance of profits and repatriation of assets.

Legislation in the EU could also affect our international insurance operations. The European Parliament issues Directives on a wide range of topics that impact financial services. Insurance companies operating in the EU are subject to the Solvency II framework. The Prudential Regulatory Authority, the United Kingdom's (UK's) prudential regulator, is our lead EU prudential supervisor. *For information on the UK's pending withdrawal of its membership in the EU, see —Brexit*. The UK's Financial Conduct Authority has oversight of AIG's operations for consumer protection and competition matters within the UK. In addition, financial companies that operate in the EU are subject to a range of regulations enforced by the national regulators in each member state in which that firm operates. The EU has also established a set of regulatory requirements under the European Market Infrastructure Regulation (EMIR) that include, among other things, risk mitigation, risk management, regulatory reporting and clearing requirements. Solvency II governs the insurance industry's solvency framework, including minimum capital and solvency requirements, governance requirements, risk management and public reporting standards. In accordance with Solvency II, the European Commission is required to make a determination as to whether a supervisory regime outside of the EU is "equivalent."

On September 22, 2017, the U.S. Treasury Department and the Office of the U.S. Trade Representative, on behalf of the U.S., and the European Union signed the bilateral Covered Agreement, which is intended to address issues regarding the application of Solvency II requirements to U.S.-based insurance groups as well as other (re)insurance regulatory issues. While the signatures by both parties will allow for the provisional application of the agreement, the agreement is still subject to approval by the European Parliament before it enters into force. Other aspects of the agreement remain subject to an implementation timetable in the U.S. and the European Union, which may delay or even prevent the agreement from being fully implemented. In particular, the U.S. states will be given a period of five years to comply with the agreement's reinsurance collateral provisions. After 42 months, FIO must begin evaluating a potential preemption determination with respect to any state law not in compliance with the aim of assuring full compliance within the five-year timeframe. The agreement may be terminated (following mandatory consultation) by notice from one party to the other effective in 180 days, or at such time as the parties may agree.

The agreement provides that AIG will be supervised at the worldwide group level only by its relevant U.S. insurance supervisors, and that it will not have to satisfy EU Solvency II group capital, reporting and governance requirements for its worldwide group. The agreement, however, would permit the imposition of EU Solvency II group capital requirements if, after five years from the signing of the agreement, a U.S. insurer is not subject to a group capital assessment by its applicable state regulator. The NAIC is in the process of developing a group capital calculation that, once adopted by the states, is expected to satisfy this condition. The agreement further provides that if the summary risk reports submitted to the supervisory authority of a host jurisdiction expose any serious threat to policyholder protection or financial stability in such host state, the host supervisor may request further information from the insurance group and/or impose preventive or corrective measures with respect to the (re)insurer in its jurisdiction. The agreement also seeks to impose equal treatment of U.S. and EU-based reinsurers that meet certain qualifications. In the U.S., once fully implemented, the agreement requires U.S. states to lift reinsurance collateral requirements on qualifying EU-based reinsurers and provide them equal treatment with U.S. reinsurers or be subject to federal preemption. While this provision does not preclude AIG from continuing to request collateral from an EU reinsurer that is party to a bilateral reinsurance transaction, it is unclear how much collateral AIG will be able to obtain from EU reinsurers going forward.

FSB and IAIS

The Financial Stability Board (FSB) consists of representatives of national financial authorities of the G20 countries. The FSB itself is not a regulator but is focused primarily on promoting international financial stability. It does so by coordinating the work of national financial authorities and international standard-setting bodies as well as developing and promoting the implementation of regulatory, supervisory and other financial policies. The FSB has issued a series of frameworks and recommendations intended to produce significant changes in how financial companies, particularly global systemically important financial institutions, should be regulated. These frameworks and recommendations address such issues as systemic financial risk, financial group supervision, capital and solvency standards, corporate governance including compensation, and a number of related issues associated with responses to the financial crisis.

The IAIS represents insurance regulators and supervisors of more than 200 jurisdictions (including regions and states) in nearly 140 countries and seeks to promote globally consistent insurance industry supervision. The IAIS itself is not a regulator, but one of its activities is to develop insurance regulatory standards for use by local authorities across the globe. The FSB has charged the IAIS with developing a framework for measuring systemic risks posed by insurance groups and has directed the IAIS to create standards relative to many of the areas of focus of the FSB, which go beyond the IAIS' basic Insurance Core Principles (ICPs). The IAIS is developing ComFrame, a Common Framework for the Supervision of Internationally Active Insurance Groups (IAIGs). ComFrame sets out qualitative and quantitative standards in order to assist supervisors in collectively addressing an IAIG's activities and risks, identifying and avoiding regulatory gaps and coordinating supervisory activities. ComFrame is expected to include standards for group supervision, governance and internal controls, enterprise risk management, and recovery and resolution planning. Also in connection with ComFrame, the IAIS is in the process of developing a risk-based global insurance capital standard (ICS) applicable to IAIGs. We currently meet the parameters set forth to define an IAIG. ComFrame standards are expected to be finalized in 2019, and the IAIS is conducting field testing of ComFrame, including the ICS, ahead of that deadline. It is expected that the ComFrame and ICS standards finally adopted by the IAIS would be ready for adoption by implementing member jurisdictions beginning in 2020.

Based on the IAIS' assessment methodology for identifying global systemically important insurers (G-SIIs), the FSB has identified nine G-SIIs, including us. The IAIS intends G-SIIs to be subject to a policy framework that includes recovery and resolution planning, enhanced group-wide supervision, enhanced liquidity and systemic risk management planning; and group-wide capital standards, including higher loss absorbency (HLA) capital. The IAIS' basic capital requirement (BCR) was endorsed by the FSB in October 2014 and by the G20 countries in November 2014. The BCR covers all group activities, and we report our BCR ratios to supervisory authorities annually on a confidential basis. The BCR serves as the initial foundation for the application of HLA requirements. In October 2015, the IAIS announced that it had concluded initial development of the HLA requirements, according to which we reported on a confidential basis to supervisors in 2016. In February 2017, the IAIS announced the adoption of a three-year systemic risk assessment and policy workplan due to be finalized by year-end 2019. This initiative is comprised of a new macroprudential activities-based approach to regulating systemic risk which will be developed in conjunction with the IAIS' previously announced work in finalizing ComFrame, including the global insurance capital standard, as well as any improvements to the existing G-SII methodology. Expected revisions to the HLA requirements will occur once the systemic risk assessment and policy workplan have been finalized and adopted. It is not known what effect the removal of AIG's designation as a nonbank SIFI will have on its status as a G-SII or how any standards that might result from the IAIS' initiatives might be implemented in the U.S. and other jurisdictions around the world, or how they might apply to AIG.

The standards issued by the FSB and/or the IAIS are not binding on the United States or other jurisdictions around the world unless and until the appropriate local governmental bodies or regulators adopt appropriate laws and regulations. At this time, it is not known how the IAIS' frameworks and/or standards might be implemented in the United States and other jurisdictions around the world, or how they might apply to us.

Brexit

On June 23, 2016, the UK held a referendum in which a majority voted for the UK to withdraw its membership in the EU, commonly referred to as Brexit. The terms of withdrawal are subject to a formal negotiation period which was initiated on March 29, 2017 through the invocation of Article 50 of the Treaty on European Union. Negotiations on Brexit could, by treaty, last up to two years. It is not clear at this stage (and may not be for some time) what form the UK's future relationship with the remaining EU member states will take. We have significant operations and employees in the UK and other EU member states, including AIG Europe Ltd., which enjoys certain benefits based on the UK's membership in the EU. In order to adapt to Brexit, on March 8, 2017, we announced plans to reorganize our operations and legal entity structure in the UK and the EU through the establishment of a new European subsidiary in Luxembourg. The reorganization is expected to be completed in the fourth quarter of 2018, subject to regulatory approvals.

Derivatives

Regulation of and restrictions on derivatives markets and transactions have been proposed or adopted outside the United States. For instance, the EU has also established a set of new regulatory requirements for EU derivatives activities under EMIR. These requirements include, among other things, various risk mitigation, risk management, margin posting and regulatory reporting requirements that have already become effective and clearing requirements that were outlined in EU delegated legislation at the end of 2015 and are phased in over three years. These requirements could result in increased administrative costs with respect to our EU derivatives activities and overlapping or inconsistent regulation depending on the ultimate application of cross-border regulatory requirements between and among U.S. and non-U.S. jurisdictions.

We expect that the domestic and international regulations applicable to us and our regulated entities will continue to evolve for the foreseeable future.

Glossary

Accident year The annual calendar accounting period in which loss events occurred, regardless of when the losses are actually reported, booked or paid.

Accident year combined ratio, as adjusted The combined ratio excluding catastrophe losses and related reinstatement premiums, prior year development, net of premium adjustments, and the impact of reserve discounting.

Accident year loss ratio, as adjusted The loss ratio excluding catastrophe losses and related reinstatement premiums, prior year development, net of premium adjustments, and the impact of reserve discounting.

Acquisition ratio Acquisition costs divided by net premiums earned. Acquisition costs are those costs incurred to acquire new and renewal insurance contracts and also include the amortization of VOBA and DAC. Acquisition costs vary with sales and include, but are not limited to, commissions, premium taxes, direct marketing costs and certain costs of personnel engaged in sales support activities such as underwriting.

Additional premium Represents a premium on an insurance policy over and above the initial premium imposed at the beginning of the policy. An additional premium may be assessed if the insured's risk is found to have increased significantly.

Assets under administration include assets under management and Retail Mutual Funds and Group Retirement mutual fund assets that we sell or administer. Assets under management include assets in the general and separate accounts of our subsidiaries that support liabilities and surplus related to our life and annuity insurance products and the notional value of stable value wrap contracts.

Base Spread Net investment income excluding income from alternative investments and other enhancements, less interest credited excluding amortization of sales inducement assets.

Base Yield Net investment income excluding income from alternative investments and other enhancements, as a percentage of average base invested asset portfolio, which excludes alternative investments, other bond securities and certain other investments for which the fair value option has been elected.

Book value per common share, excluding accumulated other comprehensive income (AOCI) and Book value per common share, excluding AOCI and deferred tax assets (DTA) (Adjusted book value per common share) are non-GAAP measures and are used to show the amount of our net worth on a per-share basis. Book value per common share excluding AOCI is derived by dividing total AIG shareholders' equity, excluding AOCI, by total common shares outstanding. Adjusted book value per common share is derived by dividing total AIG shareholders' equity, excluding AOCI and DTA (Adjusted Shareholders' Equity), 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.

Combined ratio Sum of the loss ratio and the acquisition and general operating expense ratios.

CSA *Credit Support Annex* A legal document generally associated with an ISDA Master Agreement that provides for collateral postings which could vary depending on ratings and threshold levels.

CVA *Credit Valuation Adjustment* The CVA adjusts the valuation of derivatives to account for nonperformance risk of our counterparty with respect to all net derivative assets positions. Also, the CVA reflects the fair value movement in AIGFP's asset portfolio that is attributable to credit movements only, without the impact of other market factors such as interest rates and foreign exchange rates. Finally, the CVA also accounts for our own credit risk in the fair value measurement of all derivative net liability 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").

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.

General operating expense ratio General operating expenses divided by net premiums earned. General operating expenses are those costs that are generally attributed to the support infrastructure of the organization and include but are not limited to personnel costs, projects and bad debt expenses. General operating expenses exclude losses and loss adjustment expenses incurred, acquisition expenses, and investment expenses.

GIC/GIA *Guaranteed Investment Contract/Guaranteed Investment Agreement* A contract whereby the seller provides a guaranteed repayment of principal and a fixed or floating interest rate for a predetermined period of time.

G-SII *Global Systemically Important Insurer* An insurer that is deemed globally systemically important (that is, of such size, market importance and global interconnectedness that the distress or failure of the insurer would cause significant dislocation in the global financial system and adverse economic consequences across a range of countries) by the Financial Stability Board, in consultation with and based on a methodology developed by the International Association of Insurance Supervisors.

IBNR *Incurred But Not Reported* Estimates of claims that have been incurred but not reported to us.

ISDA Master Agreement An agreement between two counterparties, which may have multiple derivative transactions with each other governed by such agreement, that generally provides for the net settlement of all or a specified group of these derivative transactions, as well as pledged collateral, through a single payment, in a single currency, in the event of a default on, or affecting any, one derivative transaction or a termination event affecting all, or a specified group of, derivative transactions.

LAE *Loss Adjustment Expenses* The expenses directly attributed to settling and paying claims of insureds and include, but are not limited to, legal fees, adjuster's fees and the portion of general expenses allocated to claim settlement costs.

Life Insurance Companies include the following major operating companies: American General, VALIC and U.S. Life.

Loss Ratio Losses and loss adjustment expenses incurred divided by net premiums earned.

Loss reserve development The increase or decrease in incurred losses and loss adjustment expenses related to prior years as a result of the re-estimation of loss reserves at successive valuation dates for a given group of claims.

Loss reserves Liability for unpaid losses and loss adjustment expenses. The estimated ultimate cost of settling claims relating to insured events that have occurred on or before the balance sheet date, whether or not reported to the insurer at that date.

Loan-to-Value Ratio Principal amount of loan amount divided by appraised value of collateral securing the loan.

Master netting agreement An agreement between two counterparties who have multiple derivative contracts with each other that provides for the net settlement of all contracts covered by such agreement, as well as pledged collateral, through a single payment, in a single currency, in the event of default on or upon termination of any one such contract.

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.

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.

Noncontrolling interest The portion of equity ownership in a consolidated subsidiary not attributable to the controlling parent company.

Operating revenue excludes 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).

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.

Premiums and deposits – Individual Retirement, Group Retirement and Life Insurance include direct and assumed amounts received on traditional life insurance policies and group benefit policies, and deposits on life-contingent payout annuities, as well as deposits received on universal life, investment-type annuity contracts and mutual funds.

Prior year development *See Loss reserve development*.

Property Casualty Insurance Companies include the following major operating companies: National Union; American Home; Lexington; Fuji Fire; American Home Japan; AIG Asia Pacific Insurance, Pte, Ltd.; and AIG Europe Limited.

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.

Retroactive Reinsurance *See Deferred Gain on Retroactive Reinsurance*.

Return on equity – After-tax operating income excluding AOCI and DTA (Adjusted Return on Equity) is a non-GAAP measure and is used to show the rate of return on shareholders' equity. Adjusted Return on Equity is derived by dividing actual or annualized after-tax operating income attributable to AIG by average Adjusted Shareholders' Equity.

Return premium represents amounts given back to the insured in the case of a cancellation, an adjustment to the rate or an overpayment of an advance premium.

Salvage The amount that can be recovered by an insurer for the sale of damaged goods for which a policyholder has been indemnified (and to which title was transferred).

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 enhanced crediting rates or bonus payments to contract holders on certain annuity and investment contract products that meet the criteria to be deferred and amortized over the life of the contract.

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 became effective on January 1, 2016.

Subrogation The amount of recovery for claims we have paid our policyholders, generally from a negligent third party or such party's insurer.

Surrender charge A charge levied against an investor for the early withdrawal of funds from a life insurance or annuity contract, or for the cancellation of the agreement.

Surrender rate represents annualized surrenders and withdrawals as a percentage of average reserves and Group Retirement mutual fund assets under administration.

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 of acquired businesses.

Acronyms

A&H Accident and Health Insurance

ABS Asset-Backed Securities

CDO Collateralized Debt Obligations

CDS Credit Default Swap

CMA Capital Maintenance Agreement

CMBS Commercial Mortgage-Backed Securities

EGPs Estimated gross profits

FASB Financial Accounting Standards Board

FRBNY Federal Reserve Bank of New York

GAAP Accounting principles generally accepted in the United States of America

GMDB Guaranteed Minimum Death Benefits

GMIB Guaranteed Minimum Income Benefits

GMWB Guaranteed Minimum Withdrawal Benefits

ISDA International Swaps and Derivatives Association, Inc.

Moody's Moody's Investors' Service 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

URR Unearned revenue reserve

VIE Variable Interest Entity

ITEM 3 | Quantitative and Qualitative Disclosures About Market Risk

Included in Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations – Enterprise Risk Management.

ITEM 4 | Controls and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed in reports filed or submitted under the Securities Exchange Act of 1934 (the Exchange Act) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures. In connection with the preparation of this Quarterly Report on Form 10-Q, an evaluation was carried out by AIG's management, with the participation of AIG's Chief Executive Officer and Chief Financial Officer, of the effectiveness of AIG's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on that evaluation, AIG's Chief Executive Officer and Chief Financial Officer have concluded that AIG's disclosure controls and procedures were effective as of September 30, 2017.

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, 2017, 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 11 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 risk factors discussed in Part I, Item 1A. Risk Factors in our 2016 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 and warrants to purchase AIG Common Stock during the three months ended September 30, 2017:

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	-	$ -	-	$ 2,540
August 1 – 31[(a)]	3,255,000	60.59	3,255,000	2,341 [(b)]
September 1 – 30[(a)]	1,290,000	60.22	1,290,000	2,241 [(b)]
Total[(c)]	**4,545,000**	**$ 60.49**	**4,545,000**	**$ 2,241**

(a) During the August 1-31 period, we also repurchased 115,000 warrants to purchase shares of AIG Common Stock, at an average purchase price per warrant of $18.43, for an aggregate purchase price of $2 million. During the September 1-30 period, we also repurchased 70,000 warrants to purchase shares of AIG Common Stock, at an average purchase price per warrant of $18.24, for an aggregate purchase price of $1 million.

(b) Reflects the purchase of 115,000 and 70,000 warrants to purchase shares of AIG Common Stock in the August 1-31 and September 1-30 periods, respectively, which reduced the dollar value of the remaining repurchase authorization.

(c) On May 3, 2017, our Board of Directors authorized an additional increase of $2.5 billion to the share repurchase authorization. As of November 2, 2017, approximately $2.2 billion remained under the authorization. Shares may be repurchased from time to time in the open market, private purchases, through forward, derivative, accelerated repurchase or automatic repurchase transactions or otherwise (including through the purchase of warrants). Certain of our share repurchases have been and may from time to time be effected through Exchange Act Rule 10b5-1 repurchase plans. The timing of any future share repurchases will depend on market conditions, our business and strategic plans, financial condition, results of operations, liquidity and other factors, including the regulatory framework applicable to us.

During the three-month period ended September 30, 2017, we repurchased approximately 5 million shares of AIG Common Stock under this authorization for an aggregate purchase price of approximately $275 million. We also repurchased 185,000 warrants to purchase shares of AIG Common Stock during the three-month period ended September 30, 2017 for an aggregate purchase price of $3 million.

ITEM 4 | Mine Safety Disclosures

Not applicable.

Exhibit Index

Exhibit Number	Description	Location
10	(1) Letter Agreement, dated July 3, 2017, between American International Group, Inc. and Peter Zaffino*	Incorporated by reference to Exhibit 10.1 to AIG's Current Report on Form 8-K filed with the SEC on July 6, 2017 (File No. 1-8787).
	(2) Non-Solicitation and Non-Disclosure Agreement, dated July 5, 2017, between American International Group, Inc. and Peter Zaffino*	Incorporated by reference to Exhibit 10.1 to AIG's Current Report on Form 8-K filed with the SEC on July 6, 2017 (File No. 1-8787).
	(3) Form of Stock Option Award Agreement, between American International Group, Inc. and Peter Zaffino*	Incorporated by reference to Exhibit 10.2 to AIG's Current Report on Form 8-K filed with the SEC on July 6, 2017 (File No. 1-8787).
	(4) Letter Agreement, dated June 28, 2017, between American International Group, Inc. and Seraina Macia*	Incorporated by reference to Exhibit 10.1 to AIG's Current Report on Form 8-K filed with the SEC on July 18, 2017 (File No. 1-8787).
	(5) Non-Solicitation and Non-Disclosure Agreement, dated July 12, 2017, between American International Group, Inc. and Seraina Macia*	Incorporated by reference to Exhibit 10.2 to AIG's Current Report on Form 8-K filed with the SEC on July 18, 2017 (File No. 1-8787).
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, 2017 and December 31, 2016, (ii) the Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2017 and 2016, (iii) the Condensed Consolidated Statements of Equity for the nine months ended September 30, 2017 and 2016, (iv) the Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2017 and 2016, (v) the Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2017 and 2016 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.

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/ SIDDHARTHA SANKARAN

Siddhartha Sankaran

Executive Vice President

Chief Financial Officer

(Principal Financial Officer)

/S/ ELIAS F. HABAYEB

Elias F. Habayeb

Senior Vice President,

Deputy Chief Financial Officer and

Group Controller

(Principal Accounting Officer)

Dated: November 3, 2017

COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES

Exhibit 12

(in millions, except ratios)	Three Months Ended September 30, **2017**	Three Months Ended September 30, 2016	Nine Months Ended September 30, **2017**	Nine Months Ended September 30, 2016
Earnings:				
Pre-tax income (loss)[a]:	**$ (2,881)**	$ 666	**$ 293**	$ 3,437
Add - Fixed charges	**388**	432	**1,170**	1,250
Adjusted Pre-tax income (loss)	**$ (2,493)**	$ 1,098	**$ 1,463**	$ 4,687
Fixed charges:				
Interest expense	**$ 289**	$ 319	**$ 864**	$ 925
Portion of rent expense representing interest	**28**	27	**83**	82
Interest credited to policy and contract holders	**71**	86	**223**	243
Total fixed charges	**$ 388**	$ 432	**$ 1,170**	$ 1,250
Total fixed charges, excluding interest credited to policy and contract holders	**$ 317**	$ 346	**$ 947**	$ 1,007
Ratio of earnings to fixed charges:				
Ratio	**n/a**	2.54	**1.25**	3.75
Coverage deficiency	**$ (2,881)**	n/a	**n/a**	n/a
Ratio of earnings to fixed charges, excluding interest credited to policy and contract holders[b]:				
Ratio	**n/a**	3.17	**1.54**	4.65
Coverage deficiency	**$ (2,810)**	n/a	**n/a**	n/a

(a) From continuing operations, excluding undistributed earnings (loss) from equity method investments and capitalized interest.

(b) The ratio of earnings to fixed charges, excluding interest credited to policy and contract holders, removes interest credited to guaranteed investment contract (GIC) policyholders and guaranteed investment agreement (GIA) contract holders. Such interest expenses are also removed from earnings used in this calculation. GICs and GIAs are entered into by our subsidiaries. The proceeds from GICs and GIAs are invested in a diversified portfolio of securities, primarily investment grade bonds. The assets acquired yield rates greater than the rates on the related policyholders obligation or contract, with the intent of earning a profit from the spread.

CERTIFICATIONS

I, Brian Duperreault, 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, 2017

/S/ BRIAN DUPERREAULT

Brian Duperreault

President and Chief Executive Officer

CERTIFICATIONS

I, Siddhartha Sankaran, 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, 2017

/S/ SIDDHARTHA SANKARAN

Siddhartha Sankaran

Executive Vice President and

Chief Financial Officer

CERTIFICATION

In connection with this Quarterly Report on Form 10-Q of American International Group, Inc. (the “Company”) for the quarter ended September 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Brian Duperreault, 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, 2017

/S/ BRIAN DUPERREAULT

Brian Duperreault

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, 2017, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Siddhartha Sankaran, 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, 2017

/S/ SIDDHARTHA SANKARAN

Siddhartha Sankaran

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.