AMERICAN INTERNATIONAL GROUP INC
Form 10-Q
November 02, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2015	**Commission File Number 1-8787**

American International Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**13-2592361**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
175 Water Street, New York, New York	**10038**
(Address of principal executive offices)	(Zip Code)

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

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

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

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

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

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

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

AMERICAN INTERNATIONAL GROUP, INC.

QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTERLY PERIOD ENDED

September 30, 2015

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

American International Group, Inc.

CONDENSED Consolidated Balance Sheets *(unaudited)*

	Sep
(in millions, except for share data)	
Assets:	
Investments:	
Fixed maturity securities:	
Bonds available for sale, at fair value (amortized cost: 2015 - $241,985; 2014 - $243,307)	$
Other bond securities, at fair value (See Note 5)	
Equity Securities:	
Common and preferred stock available for sale, at fair value (cost: 2015 - $1,806; 2014 - $1,930)	
Other common and preferred stock, at fair value (See Note 5)	
Mortgage and other loans receivable, net of allowance (portion measured at fair value: 2015 - $11; 2014 - $6)	
Other invested assets (portion measured at fair value: 2015 - $9,333; 2014 - $9,394)	
Short-term investments (portion measured at fair value: 2015 - $2,733; 2014 - $1,684)	
Total investments	
Cash	
Accrued investment income	
Premiums and other receivables, net of allowance	
Reinsurance assets, net of allowance	
Deferred income taxes	
Deferred policy acquisition costs	
Other assets, including restricted cash of $247 in 2015 and $2,025 in 2014	
Separate account assets, at fair value	
Total assets	$
Liabilities:	
Liability for unpaid losses and loss adjustment expenses	$
Unearned premiums	
Future policy benefits for life and accident and health insurance contracts	
Policyholder contract deposits (portion measured at fair value: 2015 - $2,287; 2014 - $1,561)	

Other policyholder funds (portion measured at fair value: 2015 - $8; 2014 - $8)	
Other liabilities (portion measured at fair value: 2015 - $298; 2014 - $350)	
Long-term debt (portion measured at fair value: 2015 - $3,985; 2014 - $5,466)	
Separate account liabilities	
Total liabilities	
Contingencies, commitments and guarantees (see Note 9)	
AIG shareholders' equity:	
Common stock, $2.50 par value; 5,000,000,000 shares authorized; shares issued: 2015 - 1,906,671,492 and 2014 - 1,906,671,492	
Treasury stock, at cost; 2015 - 659,876,877 shares; 2014 - 530,744,521 shares	
Additional paid-in capital	
Retained earnings	
Accumulated other comprehensive income	
Total AIG shareholders' equity	
Non-redeemable noncontrolling interests	
Total equity	
Total liabilities and equity	**$**

See accompanying Notes to Condensed Consolidated Financial Statements.

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Item 1 / Financial statements

American International Group, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS) *(unaudited)*

(dollars in millions, except per share data)		Three Months Ended September 30, 2015		2014	
Revenues:					
Premiums	$	**8,862**	$	9,486	$
Policy fees		**701**		677	
Net investment income		**3,206**		4,028	
Net realized capital gains (losses):					
Total other-than-temporary impairments on available for sale securities		**(225)**		(34)	
Portion of other-than-temporary impairments on available for sale fixed maturity securities recognized in Other comprehensive income (loss)		**(17)**		(1)	
Net other-than-temporary impairments on available for sale securities recognized in net income (loss)		**(242)**		(35)	
Other realized capital gains (losses)		**(100)**		571	
Total net realized capital gains (losses)		**(342)**		536	
Aircraft leasing revenue		**-**		-	
Other income		**395**		1,970	
Total revenues		**12,822**		16,697	
Benefits, losses and expenses:					
Policyholder benefits and losses incurred		**6,936**		7,203	
Interest credited to policyholder account balances		**881**		882	
Amortization of deferred policy acquisition costs		**1,275**		1,288	
General operating and other expenses		**3,175**		3,151	
Interest expense		**321**		430	
Aircraft leasing expenses		**-**		-	
Loss on extinguishment of debt		**346**		742	
Net (gain) loss on sale of divested businesses		**3**		(18)	
Total benefits, claims and expenses		**12,937**		13,678	
Income (loss) from continuing operations before income tax expense		**(115)**		3,019	
Income tax expense		**65**		820	
Income (loss) from continuing operations		**(180)**		2,199	
Income (loss) from discontinued operations, net of income tax expense		**(17)**		2	
Net income (loss)		**(197)**		2,201	
Less:					
Net income (loss) from continuing operations attributable to noncontrolling interests		**34**		9	

Net income (loss) attributable to AIG	**$**	**(231)**	$	2,192	**$**
Income (loss) per common share attributable to AIG:					
Basic:					
Income (loss) from continuing operations	**$**	**(0.17)**	$	1.54	**$**
Income (loss) from discontinued operations	**$**	**(0.01)**	$	-	**$**
Net income (loss) attributable to AIG	**$**	**(0.18)**	$	1.54	**$**
Diluted:					
Income (loss) from continuing operations	**$**	**(0.17)**	$	1.52	**$**
Income (loss) from discontinued operations	**$**	**(0.01)**	$	-	**$**
Net income (loss) attributable to AIG	**$**	**(0.18)**	$	1.52	**$**
Weighted average shares outstanding:					
Basic		**1,279,072,748**		1,419,239,774	
Diluted		**1,279,072,748**		1,442,067,842	
Dividends declared per common share	**$**	**0.280**	$	0.125	**$**

See accompanying Notes to Condensed Consolidated Financial Statements.

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Item 1 / Financial statements

American International Group, Inc.

CONDENSED Consolidated Statements of Comprehensive Income (Loss) *(unaudited)*

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

See accompanying Notes to Consolidated Financial Statements.

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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	To
Nine Months Ended September 30, 2015						
Balance, beginning of year	**$ 4,766**	**$ (19,218)**	**$ 80,958**	**$ 29,775**	**$ 10,617**	**$**
Purchase of common stock	**-**	**(7,663)**	**-**	**-**	**-**	
Net income attributable to AIG or noncontrolling interests	**-**	**-**	**-**	**4,037**	**-**	
Dividends	**-**	**-**	**-**	**(687)**	**-**	
Other comprehensive loss	**-**	**-**	**-**	**-**	**(4,060)**	
Deferred income taxes	**-**	**-**	**(7)**	**-**	**-**	
Net increase due to acquisitions and consolidations	**-**	**-**	**-**	**-**	**-**	
Contributions from noncontrolling interests	**-**	**-**	**-**	**-**	**-**	
Distributions to noncontrolling interests	**-**	**-**	**-**	**-**	**-**	
Other	**-**	**-**	**484**	**(3)**	**-**	
Balance, end of period	**$ 4,766**	**$ (26,881)**	**$ 81,435**	**$ 33,122**	**$ 6,557**	**$**
Nine Months Ended September 30, 2014						
Balance, beginning of year	$ 4,766	$ (14,520)	$ 80,899	$ 22,965	$ 6,360	$
Purchase of common stock	-	(3,200)	-	-	-	
Net income (loss) attributable to AIG or noncontrolling interests	-	-	-	6,874	-	
Dividends	-	-	-	(539)	-	
Other comprehensive income (loss)	-	-	-	-	4,971	
Net decrease due to dispositions	-	-	-	-	-	
Contributions from noncontrolling interests	-	-	-	-	-	
Distributions to noncontrolling interests	-	-	-	-	-	
Other	-	-	5	-	-	
Balance, end of period	$ 4,766	$ (17,720)	$ 80,904	$ 29,300	$ 11,331	$

See accompanying Notes to Condensed Consolidated Financial Statements.

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Item 1 / Financial statements

American International Group, Inc.

CONDENSED Consolidated Statements of Cash Flows *(unaudited)*

Nine Months Ended September 30, *(in millions)*	**2015**	201
Cash flows from operating activities:		
Net income	$ 4,071	$ 6,84
Loss from discontinued operations	-	[illegible]
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Noncash revenues, expenses, gains and losses included in income (loss):		
Net gains on sales of securities available for sale and other assets	(660)	(60
Net (gain) loss on sale of divested businesses	10	(2,19
Losses on extinguishment of debt	756	1,01
Unrealized gains in earnings - net	(550)	(79
Equity in income from equity method investments, net of dividends or distributions	(684)	(1,10
Depreciation and other amortization	3,502	3,37
Impairments of assets	886	41
Changes in operating assets and liabilities:		
Insurance reserves	(1,618)	18
Premiums and other receivables and payables - net	(389)	4
Reinsurance assets and funds held under reinsurance treaties	1,396	(6
Capitalization of deferred policy acquisition costs	(4,376)	(4,54
Current and deferred income taxes - net	1,736	2,29
Other, net	(1,846)	(51
Total adjustments	(1,837)	(2,50
Net cash provided by operating activities	2,234	4,35
Cash flows from investing activities:		
Proceeds from (payments for)		
Sales or distributions of:		
Available for sale investments	20,846	16,06
Other securities	4,895	3,93
Other invested assets	7,015	3,03
Divested businesses, net	-	2,34
Maturities of fixed maturity securities available for sale	18,427	18,62
Principal payments received on and sales of mortgage and other loans receivable	3,298	2,55
Purchases of:		
Available for sale investments	(36,333)	(34,63
Other securities	(1,622)	(30
Other invested assets	(2,675)	(3,20

Mortgage and other loans receivable	**(6,845)**	(4,94
Net change in restricted cash	**1,476**	(66
Net change in short-term investments	**(1,028)**	2,34
Other, net	**(774)**	(29
Net cash provided by investing activities	**6,680**	4,86
Cash flows from financing activities:		
Proceeds from (payments for)		
Policyholder contract deposits	**12,216**	12,31
Policyholder contract withdrawals	**(10,801)**	(11,03
Issuance of long-term debt	**6,449**	5,82
Repayments of long-term debt	**(8,343)**	(11,56
Purchase of Common Stock	**(7,473)**	(3,40
Dividends paid	**(687)**	(53
Other, net	**(425)**	(1,20
Net cash (used in) financing activities	**(9,064)**	(9,60
Effect of exchange rate changes on cash	**(39)**	(1
Net decrease in cash	**(189)**	(39
Cash at beginning of year	**1,758**	2,24
Change in cash of businesses held-for-sale	**-**	8
Cash at end of period	**$ 1,569**	$ 1,93

Supplementary Disclosure of Condensed Consolidated Cash Flow Information

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

See accompanying Notes to Condensed Consolidated Financial Statements.

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Item 1 / NOTE 1. BASIS OF PRESENTATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

1. BASIS OF PRESENTATION

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

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

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

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

Sale of ILFC and shares of AerCap

On May 14, 2014, we completed the sale of 100 percent of the common stock of International Lease

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

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

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Item 1 / NOTE 1. BASIS OF PRESENTATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Use of Estimates

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Standards Adopted During 2015

Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure

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

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

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Item 1 / NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Reporting Discontinued Operations

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

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

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

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

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

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

Future Application of Accounting Standards

Revenue Recognition

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

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

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Item 1 / NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Accounting for Share-Based Payments with Performance Targets

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

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

Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity

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

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

Consolidation: Amendments to the Consolidation Analysis

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

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

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Item 1 / NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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

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

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

Short Duration Insurance Contracts

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

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

3. SEGMENT INFORMATION

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

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

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Item 1 / NOTE 3. SEGMENT INFORMATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The following tables present our operations by reportable segment:

	2015		
Three Months Ended September 30,	Total	Pre-Tax Operating	
(in millions)	Revenues	Income (Loss)	Reve
Commercial Insurance			
Property Casualty	$ 5,715	$ 569	$
Mortgage Guaranty	266	162	
Institutional Markets	578	84	
Total Commercial Insurance	6,559	815	
Consumer Insurance			
Retirement	2,203	635	
Life	1,578	(40)	
Personal Insurance	2,871	62	
Total Consumer Insurance	6,652	657	
Corporate and Other*	109	(613)	
AIG consolidation and elimination	(141)	(11)	
Total AIG consolidated revenues and pre-tax operating income	13,179	848	1
Reconciling items from Total revenues and Pre-tax operating income (loss) to revenues and pre-tax income (loss):			
Changes in fair values of fixed maturity securities designated to hedge living benefit liabilities, net of interest expense	4	4	
Changes in benefit reserves and DAC, VOBA and SIA related to net realized capital gains	-	(2)	
Loss on extinguishment of debt	-	(346)	
Net realized capital gains (loss)	(342)	(342)	
Net gain (loss) on sale of divested businesses	-	(3)	
Non-operating litigation reserves and settlements	-	30	
Reserve development related to non-operating run-off insurance business	-	(30)	
Restructuring and other costs	-	(274)	
Other	(19)	-	
Revenues and pre-tax income (loss)	$ 12,822	$ (115)	$ 1

	2015	
		Pre-Tax

Nine Months Ended September 30,	Total	Operating	
(in millions)	Revenues	Income (Loss)	Reve
Commercial Insurance			
Property Casualty	$ 17,904	$ 2,931	$ 1
Mortgage Guaranty	791	464	
Institutional Markets	2,374	382	
Total Commercial Insurance	21,069	3,777	2
Consumer Insurance			
Retirement	7,056	2,239	
Life	4,823	280	
Personal Insurance	8,602	106	
Total Consumer Insurance	20,481	2,625	2
Corporate and Other*	2,270	(79)	
AIG consolidation and elimination	(416)	(80)	
Total AIG consolidated revenues and pre-tax operating income	43,404	6,243	4

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Item 1 / NOTE 3. SEGMENT INFORMATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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

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

4. FAIR VALUE MEASUREMENTS

Fair Value Measurements on a Recurring Basis

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

- **Level 1:** Fair value measurements based on quoted prices (unadjusted) in active markets that we have the ability to access for identical assets or liabilities. Market price data generally is obtained from exchange or dealer markets. We do not adjust the quoted price for such instruments.

- **Level 2:** Fair value measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals.

- **Level 3:** Fair value measurements based on valuation techniques that use significant inputs that are unobservable. Both observable and unobservable inputs may be used to determine the fair values of positions classified in Level 3. The circumstances for using these measurements include those in which there is little, if any, market activity for the asset or liability. Therefore, we must make certain assumptions about the inputs a hypothetical market participant would use to value that asset or liability. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

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Item 1 / NOTE 4. FAIR VALUE MEASUREMENTS

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Assets and Liabilities Measured at Fair Value on a Recurring Basis

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

September 30, 2015				Counterparty	Cash	
(in millions)	Level 1	Level 2	Level 3	Netting	Collateral	T
Assets:						
Bonds available for sale:						
U.S. government and government sponsored entities	$ 8	$ 1,874	$ -	$ -	$ -	$ 1
Obligations of states, municipalities and political subdivisions	-	25,406	2,140	-	-	27
Non-U.S. governments	709	17,688	31	-	-	18
Corporate debt	-	137,646	2,476	-	-	140
RMBS	-	18,766	16,859	-	-	35
CMBS	-	10,988	2,729	-	-	13
CDO/ABS	-	9,526	6,108	-	-	15
Total bonds available for sale	717	221,894	30,343	-	-	252
Other bond securities:						
U.S. government and government sponsored entities	155	3,658	-	-	-	3
Obligations of states, municipalities and political subdivisions	-	75	-	-	-	
Non-U.S. governments	-	2	-	-	-	
Corporate debt	-	1,233	16	-	-	1
RMBS	-	784	1,501	-	-	2
CMBS	-	600	219	-	-	
CDO/ABS	-	1,432	7,147	-	-	8
Total other bond securities	155	7,784	8,883	-	-	16
Equity securities available for sale:						
Common stock	2,961	-	-	-	-	2
Preferred stock	23	-	-	-	-	
Mutual funds	806	2	-	-	-	
Total equity securities available for sale	3,790	2	-	-	-	3
Other equity securities	1,044	-	22	-	-	1
Mortgage and other loans receivable	-	-	11	-	-	
Other invested assets	2	4,371	4,960	-	-	9
Derivative assets:						

Interest rate contracts	-	4,070	13	-	-	4
Foreign exchange contracts	-	836	-	-	-	
Equity contracts	121	14	40	-	-	
Commodity contracts	-	-	-	-	-	
Credit contracts	-	-	3	-	-	
Other contracts	-	-	27	-	-	
Counterparty netting and cash collateral	-	-	-	(1,691)	(2,129)	(3,
Total derivative assets	121	4,920	83	(1,691)	(2,129)	1
Short-term investments	1,032	1,701	-	-	-	2
Separate account assets	72,370	4,766	-	-	-	77
Total	$ 79,231	$245,438	$ 44,302	$ (1,691)	$(2,129)	$365
Liabilities:						
Policyholder contract deposits	$ -	$ 38	$ 2,249	$ -	$ -	$ 2
Other policyholder funds	-	8	-	-	-	

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Item 1 / NOTE 4. FAIR VALUE MEASUREMENTS

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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

December 31, 2014 *(in millions)*	Level 1	Level 2	Level 3	Counterparty Netting	Cash Collateral	T
Assets:						
Bonds available for sale:						
U.S. government and government sponsored entities	$ 322	$ 2,670	$ -	$ -	$ -	$ 2
Obligations of states, municipalities and political subdivisions	-	25,500	2,159	-	-	27
Non-U.S. governments	742	20,323	30	-	-	21
Corporate debt	-	142,550	1,883	-	-	144
RMBS	-	20,715	16,805	-	-	37
CMBS	-	10,189	2,696	-	-	12
CDO/ABS	-	7,165	6,110	-	-	13
Total bonds available for sale	1,064	229,112	29,683	-	-	259
Other bond securities:						
U.S. government and government sponsored entities	130	5,368	-	-	-	5
Obligations of states, municipalities and political subdivisions	-	122	-	-	-	
Non-U.S. governments	-	2	-	-	-	
Corporate debt	-	719	-	-	-	
RMBS	-	989	1,105	-	-	2
CMBS	-	708	369	-	-	1
CDO/ABS	-	2,751	7,449	-	-	10
Total other bond securities	130	10,659	8,923	-	-	19
Equity securities available for sale:						
Common stock	3,626	2	1	-	-	3
Preferred stock	25	-	-	-	-	
Mutual funds	738	3	-	-	-	

Total equity securities available for sale	4,389	5	1	-	-	4
Other equity securities	1,024	25	-	-	-	1
Mortgage and other loans receivable	-	-	6	-	-	
Other invested assets	2	3,742	5,650	-	-	9
Derivative assets:						
Interest rate contracts	2	3,729	12	-	-	3
Foreign exchange contracts	-	839	1	-	-	
Equity contracts	98	58	51	-	-	
Commodity contracts	-	-	-	-	-	
Credit contracts	-	-	4	-	-	
Other contracts	-	-	31	-	-	
Counterparty netting and cash collateral	-	-	-	(2,102)	(1,119)	(3,
Total derivative assets	100	4,626	99	(2,102)	(1,119)	1

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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

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

Transfers of Level 1 and Level 2 Assets and Liabilities

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

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

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

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Changes in Level 3 Recurring Fair Value Measurements

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

(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	Gro Transfe
Three Months Ended September 30, 2015					
Assets:					
Bonds available for sale:					
Obligations of states, municipalities and political subdivisions	$ 2,180	$ (1)	$ (15)	$ 16	[illegible]
Non-U.S. governments	33	-	(1)	(1)	
Corporate debt	2,118	5	2	(63)	98
RMBS	17,097	265	(151)	(352)	
CMBS	2,677	17	(15)	50	
CDO/ABS	6,071	8	57	(21)	
Total bonds available for sale	30,176	294	(123)	(371)	99
Other bond securities:					
Corporate debt	16	-	-	-	
RMBS	1,337	(4)	-	169	
CMBS	223	(1)	-	(8)	
CDO/ABS	7,426	85	-	(415)	[illegible]
Total other bond securities	9,002	80	-	(254)	[illegible]
Equity securities available for sale:					
Common stock	-	-	-	-	
Total equity securities available for sale	-	-	-	-	
Other equity securities	22	-	-	-	
Mortgage and other loans receivable	6	-	-	5	
Other invested assets	5,075	(52)	(90)	64	[illegible]

Total	$ 44,281	$ 322	$ (213)	$ (556)	$ 1,0
Liabilities:					
Policyholder contract deposits	$ (1,232)	$ (871)	$ -	$ (146)	$
Derivative liabilities, net:					
Interest rate contracts	(62)	(3)	-	7	
Foreign exchange contracts	(7)	(1)	-	1	
Equity contracts	63	(21)	-	(3)	
Commodity contracts	-	-	-	-	
Credit contracts	(551)	11	-	12	
Other contracts	(16)	(12)	-	(23)	
Total derivative liabilities, net[(a)]	(573)	(26)	-	(6)	
Long-term debt[(b)]	(193)	3	-	-	
Total	$ (1,998)	$ (894)	$ -	$ (152)	$

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Item 1 / NOTE 4. FAIR VALUE MEASUREMENTS

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

(in millions)	Fair Value Beginning of Period[(a)]	Net Realized and Unrealized Gains (Losses) Included in Income	Other Comprehensive Income (Loss)	Purchases, Sales, Issues and Settlements, Net	Gr Transf
Nine Months Ended September 30, 2015					
Assets:					
Bonds available for sale:					
Obligations of states, municipalities and political subdivisions	$ 2,159	$ -	$ (94)	$ 174	$
Non-U.S. governments	30	-	(2)	3	
Corporate debt	1,883	19	(31)	(209)	1,4
RMBS	16,805	804	(322)	(428)	
CMBS	2,696	63	(45)	97	
CDO/ABS	6,110	138	(110)	98	
Total bonds available for sale	29,683	1,024	(604)	(265)	1,4
Other bond securities:					
Corporate debt	-	-	-	-	
RMBS	1,105	22	-	389	
CMBS	369	7	-	(162)	
CDO/ABS	7,449	482	-	(1,341)	6
Total other bond securities	8,923	511	-	(1,114)	6
Equity securities available for sale:					
Common stock	1	2	-	(3)	
Total equity securities available for sale	1	2	-	(3)	
Other equity securities	-	-	-	-	
Mortgage and other loans receivable	6	-	-	5	
Other invested assets	5,650	475	(639)	(522)	1
Total	$ 44,263	$ 2,012	$ (1,243)	$ (1,899)	$ 2,2
Liabilities:					
Policyholder contract deposits	$ (1,509)	$ (410)	$ -	$ (330)	$
Derivative liabilities, net:					
Interest rate contracts	(74)	(3)	-	19	
Foreign exchange contracts	(8)	2	-	(1)	
Equity contracts	47	(15)	-	7	
Commodity contracts	-	-	-	-	

Credit contracts	(978)	171	-	279
Other contracts	(59)	61	-	(53)
Total derivative liabilities, net[(a)]	(1,072)	216	-	251
Long-term debt[(b)]	(213)	5	-	18
Total	$ (2,794) $	(189) $	- $	(61) $

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Item 1 / NOTE 4. FAIR VALUE MEASUREMENTS

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

(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	G Trans
Three Months Ended September 30, 2014					
Assets:					
Bonds available for sale:					
Obligations of states, municipalities and political subdivisions	$ 1,991	$ (1)	$ (11)	$ 43	$
Non-U.S. governments	25	-	-	1	
Corporate debt	2,196	2	(22)	(73)	
RMBS	16,328	264	(49)	375	
CMBS	5,917	27	(39)	14	
CDO/ABS	7,431	18	(2)	692	
Total bonds available for sale	33,888	310	(123)	1,052	
Other bond securities:					
RMBS	1,062	-	-	(39)	
CMBS	757	(24)	-	(20)	
CDO/ABS	8,397	257	-	(451)	
Total other bond securities	10,216	233	-	(510)	
Equity securities available for sale:					
Common stock	-	-	1	-	
Preferred stock	-	-	-	-	
Mutual funds	-	-	-	-	
Total equity securities available for sale	-	-	1	-	
Mortgage and other loans receivable	6	-	-	-	
Other invested assets	5,824	(7)	90	65	
Total	$ 49,934	$ 536	$ (32)	$ 607	$
Liabilities:					
Policyholder contract deposits	$ (842)	$ (155)	$ 8	$ (2)	$
Derivative liabilities, net:					
Interest rate contracts	(67)	(3)	-	1	
Foreign exchange contracts	(9)	-	-	2	
Equity contracts	91	6	-	2	
Commodity contracts	1	(1)	-	-	

Credit contracts	(1,085)	75	-	(8)	
Other contracts	(53)	14	4	(20)	
Total derivatives liabilities, net[a]	(1,122)	91	4	(23)	
Long-term debt[b]	(394)	21	-	1	
Total	$ (2,358)	$ (43)	$ 12	$ (24)	$

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Item 1 / NOTE 4. FAIR VALUE MEASUREMENTS

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

(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	Gr Transf
Nine Months Ended September 30, 2014					
Assets:					
Bonds available for sale:					
Obligations of states, municipalities and political subdivisions[c]	$ 1,080	$ (1)	$ 180	$ 896	$
Non-U.S. governments	16	-	(1)	7	
Corporate debt	1,255	8	31	(140)	1,3
RMBS	14,941	759	211	999	1
CMBS	5,735	50	201	(43)	
CDO/ABS	6,974	70	1	1,426	2
Total bonds available for sale	30,001	886	623	3,145	1,7
Other bond securities:					
RMBS	937	51	-	33	
CMBS	844	14	-	(151)	
CDO/ABS	8,834	926	-	(1,338)	
Total other bond securities	10,615	991	-	(1,456)	
Equity securities available for sale:					
Common stock	1	-	1	-	
Preferred stock	-	-	-	-	
Mutual funds	-	-	-	-	
Total equity securities available for sale	1	-	1	-	
Mortgage and other loans receivable	-	-	-	6	
Other invested assets	5,930	80	139	99	1
Total	$ 46,547	$ 1,957	$ 763	$ 1,794	$ 1,9
Liabilities:					
Policyholder contract deposits	$ (312)	$ (687)	$ (16)	$ 24	$
Derivative liabilities, net:					
Interest rate contracts	(100)	(2)	-	33	
Foreign exchange contracts	-	3	-	(10)	
Equity contracts	49	14	-	(12)	
Commodity contracts	1	-	-	-	

Credit contracts	(1,280)	229	-	33	
Other contracts	(109)	49	51	(46)	
Total derivatives liabilities, net[(a)]	(1,439)	293	51	(2)	
Long-term debt[(b)]	(370)	13	-	34	(
Total	$ (2,121)	$ (381)	$ 35	$ 56	$ (

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

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

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

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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

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

Long-term debt	-	-	13	13

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

(in millions)	Purchases	Sales	Settlements	Purchase Sales, Issues ar Settlements, Net
Three Months Ended September 30, 2015				
Assets:				
Bonds available for sale:				
Obligations of states, municipalities and political subdivisions	**$ 35**	**$ -**	**$ (19)**	**$ 1**
Non-U.S. governments	**3**	**(1)**	**(3)**	**(**
Corporate debt	**32**	**-**	**(95)**	**(6**

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Item 1 / NOTE 4. FAIR VALUE MEASUREMENTS

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

RMBS		**449**	**(29)**	**(772)**	**(35**
CMBS		**50**	**-**	**-**	**5**
CDO/ABS		**160**	**(9)**	**(172)**	**(2**
Total bonds available for sale		**729**	**(39)**	**(1,061)**	**(37**
Other bond securities:					
RMBS		**218**	**(6)**	**(43)**	**1(**
CMBS		**-**	**-**	**(8)**	**(**
CDO/ABS		**10**	**(5)**	**(420)**	**(41**
Total other bond securities		**228**	**(11)**	**(471)**	**(25**
Equity securities available for sale		**-**	**-**	**-**	
Mortgage and other loans receivable		**5**	**-**	**-**	
Other invested assets		**193**	**-**	**(129)**	**(**
Total assets	**$**	**1,155 $**	**(50) $**	**(1,661) $**	**(55**
Liabilities:					
Policyholder contract deposits	**$**	**- $**	**(122) $**	**(24) $**	**(14**
Derivative liabilities, net		**1**	**-**	**(7)**	**(**
Long-term debt[(b)]		**-**	**-**	**-**	
Total liabilities	**$**	**1 $**	**(122) $**	**(31) $**	**(15**
Three Months Ended September 30, 2014					
Assets:					
Bonds available for sale:					
Obligations of states, municipalities and political subdivisions	$	66 $	(3) $	(20) $	4
Non-U.S. governments		1	-	-	
Corporate debt		22	-	(95)	(7
RMBS		1,062	(62)	(625)	37
CMBS		276	(167)	(95)	1
CDO/ABS		1,085	(68)	(325)	69
Total bonds available for sale		2,512	(300)	(1,160)	1,05
Other bond securities:					
RMBS		-	(3)	(36)	(3
CMBS		-	(9)	(11)	(2
CDO/ABS		6	(4)	(453)	(45
Total other bond securities		6	(16)	(500)	(51
Equity securities available for sale		-	-	-	
Other invested assets		276	-	(211)	(

	Purchases	Sales	Settlements	Purchase Sales, Issues ar Settlements, Net
Total assets	$ 2,794	$ (316)	$ (1,871)	$ 60
Liabilities:				
Policyholder contract deposits	$ -	$ (36)	$ 34	$ (
Derivative liabilities, net	-	(2)	(21)	(2
Long-term debt[(b)]	-	-	1	
Total liabilities	$ -	$ (38)	$ 14	$ (2
(in millions)	Purchases	Sales	Settlements	Settlements, Net
Nine Months Ended September 30, 2015				
Assets:				
Bonds available for sale:				
Obligations of states, municipalities and political subdivisions	**$ 258**	**$ (22)**	**$ (62)**	**$ 17**
Non-U.S. governments	**11**	**(1)**	**(7)**	
Corporate debt	**220**	**(60)**	**(369)**	**(20**

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RMBS	**1,856**	**(194)**	**(2,090)**	**(428)**
CMBS	**192**	**(27)**	**(68)**	**97**
CDO/ABS	**1,021**	**(210)**	**(713)**	**98**
Total bonds available for sale	**3,558**	**(514)**	**(3,309)**	**(265)**
Other bond securities:				
RMBS	**527**	**(16)**	**(122)**	**389**
CMBS	**-**	**(79)**	**(83)**	**(162)**
CDO/ABS	**236**	**(376)**	**(1,201)**	**(1,341)**
Total other bond securities	**763**	**(471)**	**(1,406)**	**(1,114)**
Equity securities available for sale	**-**	**(2)**	**(1)**	**(3)**
Mortgage and other loans receivable	**5**	**-**	**-**	**5**
Other invested assets	**497**	**(587)**	**(432)**	**(522)**
Total assets	**$ 4,823**	**$ (1,574)**	**$ (5,148)**	**$ (1,899)**
Liabilities:				
Policyholder contract deposits	**$ -**	**$ (307)**	**$ (23)**	**$ (330)**
Derivative liabilities, net	**18**	**-**	**233**	**251**
Long-term debt[b]	**-**	**-**	**18**	**18**
Total liabilities	**$ 18**	**$ (307)**	**$ 228**	**$ (61)**
Nine Months Ended September 30, 2014				
Assets:				
Bonds available for sale:				
Obligations of states, municipalities and political subdivisions[c]	$ 1,002	$ (35)	$ (71)	$ 896
Non-U.S. governments	8	-	(1)	7
Corporate debt	141	(8)	(273)	(140)
RMBS	2,814	(88)	(1,727)	999
CMBS	368	(224)	(187)	(43)
CDO/ABS	2,307	(70)	(811)	1,426
Total bonds available for sale	6,640	(425)	(3,070)	3,145
Other bond securities:				
RMBS	162	(22)	(107)	33
CMBS	-	(15)	(136)	(151)
CDO/ABS	50	(19)	(1,369)	(1,338)
Total other bond securities	212	(56)	(1,612)	(1,456)
Equity securities available for sale	-	-	-	-
Mortgage and other loans receivable	6	-	-	6

Other invested assets	709	(1)	(609)	99
Total assets	$ 7,567	$ (482)	$ (5,291)	$ 1,794
Liabilities:				
Policyholder contract deposits	$ -	$ (94)	$ 118	$ 24
Derivative liabilities, net	1	(2)	(1)	(2)
Long-term debt[(b)]	-	-	34	34
Total liabilities	$ 1	$ (96)	$ 151	$ 56

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

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

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

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

Transfers of Level 3 Assets and Liabilities

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

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

Transfers of Level 3 Assets

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

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

Transfers of Level 3 Liabilities

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

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Quantitative Information About Level 3 Fair Value Measurements

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

(in millions)		**Fair Value at September 30, 2015**	Valuation Technique	Unobservable Input	Range (Weighted Average)
Assets:					
Obligations of states, municipalities and political subdivisions	**$**	**1,199**	Discounted cash flow	Yield[(b)]	4.34% - 5.16% (4.75%)
Corporate debt		**1,506**	Discounted cash flow	Yield[(b)]	3.91% - 5.80% (4.85%)
RMBS		**17,609**	Discounted cash flow	Constant prepayment rate[(a)(c)]	0.93% - 8.91% (4.92%)
				Loss severity[(a)(c)]	45.29% - 77.96% (61.63%)
				Constant default rate[(a)(c)]	3.47% - 9.01% (6.24%)
				Yield[(c)]	3.02% - 5.96% (4.49%)
CDO/ABS		**3,217**	Discounted cash flow	Yield[(c)]	2.79% - 4.33% (3.56%)

CMBS	**2,656**	Discounted cash flow	Yield[b]	0.00% - 18.45% (6.07%)
Liabilities:				
Policyholder contract deposits				
GMWB	**1,392**	Discounted cash flow	Equity implied volatility[b]	6.00% - 39.00%[d]
			Base lapse rate[b]	0.50% - 30.00%[d]
			Dynamic lapse rate[b]	0.07% - 45.00%[d]
			Mortality rate[b]	0.05% - 35.00%[d]
			Utilization rate[b]	1.00% - 65.00%[d]
Index Annuities	**556**	Discounted cash flow	Lapse rate	0.75% - 66.00%[d]
			Mortality rate	0.02% - 44.06%[d]
Indexed Life	**295**	Discounted cash flow	Equity implied volatility	10.00% to 25.00%[d]
			Base lapse rate	2.00% to 19.00%[d]
			Mortality rate	0.00% to 20.00%[d]

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(in millions)		Fair Value at December 31, 2014	Valuation Technique	Unobservable Input	Range (Weighted Average)
Assets:					
Obligations of states, municipalities and political subdivisions	$	1,178	Discounted cash flow	Yield[b]	3.9% - 4.62% (4.26%)
Corporate debt		1,145	Discounted cash flow	Yield[b]	3.46% - 8.75% (6.10%)
RMBS		17,353	Discounted cash flow	Constant prepayment rate[a][c]	0.59% - 9.35% (4.97%)
				Loss severity[a][c]	46.04% - 79.56% (62.80%)
				Constant default rate[a][c]	3.67% - 9.96% (6.82%)
				Yield[c]	2.67% - 6.64% (4.65%)
CDO/ABS		5,282	Discounted cash flow	Yield[c]	4.70% - 9.70% (7.10%)
CMBS		2,687	Discounted cash flow	Yield[b]	0.00% - 17.29% (6.06%)
Liabilities:					
Policyholder contract deposits					
GMWB		890	Discounted cash flow	Equity implied volatility[b]	6.00% - 39.00%[d]
				Base lapse rate[b]	1.00% - 40.00%[d]
				Dynamic lapse rate[b]	0.20% - 60.00%[d]
				Mortality rate[b]	0.10% - 35.00%[d]

			Utilization rate(b)	0.50% - 30.00%(d)
Index Annuities	294	Discounted cash flow	Lapse rate	0.75% - 66.00%(d)
			Mortality rate	0.02% - 44.06%(d)
Indexed Life	259	Discounted cash flow	Equity implied volatility	10.00% to 25.00%(d)
			Base lapse rate	2.00% to 19.00%(d)
			Mortality rate	0.00% to 20.00%(d)
Total derivative liabilities, net(e)	791	BET	Recovery rate(b)	5.00% - 23.00% (13.00%)
			Diversity score(b)	8 - 25 (13)
			Weighted average life(b)	2.67 - 10.49 years (4.65 years)

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

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

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

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

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

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

Sensitivity to Changes in Unobservable Inputs

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

Obligations of States, Municipalities and Political Subdivisions

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

Corporate Debt

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

RMBS and CDO/ABS

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

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CMBS

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

Policyholder contract deposits

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

Derivative liabilities – credit contracts

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

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

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

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

		September 30, 2015		December 31, 2014	
(in millions)	Investment Category Includes	Fair Value Using Net Asset Value Per Share (or its equivalent)	Unfunded Commitments	Fair Value Using Net Asset Value Per Share (or its equivalent)	Unfunded Commitments
Investment Category					
Private equity funds:					
Leveraged buyout	Debt and/or equity investments made as part of a transaction in which assets of mature companies are acquired from the current shareholders, typically with the use of financial leverage	**$ 1,941**	**$ 423**	$ 2,275	$ 450
Real Estate / Infrastructure	Investments in real estate properties and infrastructure positions, including power plants and other energy generating facilities	**328**	**202**	384	227
Venture capital	Early-stage, high-potential, growth companies expected to generate a return through an eventual realization event, such as an initial public	**118**	**53**	121	26

	offering or sale of the company				
Distressed	Securities of companies that are in default, under bankruptcy protection, or troubled	**158**	**42**	164	43
Other	Includes multi-strategy, mezzanine and other strategies	**288**	**260**	216	234
Total private equity funds		**2,833**	**980**	3,160	980
Hedge funds:					
Event-driven	Securities of companies undergoing material structural changes, including mergers, acquisitions and other reorganizations	**1,242**	**-**	1,109	-
Long-short	Securities that the manager believes are undervalued, with corresponding short positions to hedge market risk	**2,998**	**8**	2,428	1
Macro	Investments that take long and short positions in financial instruments based on a top-down view of certain economic and capital market conditions	**552**	**-**	498	-
Distressed	Securities of companies that are in default, under bankruptcy protection or troubled	**736**	**10**	731	5
Emerging markets	Investments in the financial markets of developing countries	**358**	**-**	308	-
Other	Includes multi-strategy, relative value and other strategies	**162**	**-**	125	-
Total hedge funds		**6,048**	**18**	5,199	6
Total		**$ 8,881**	**$ 998**	$ 8,359	$ 986

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

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

Fair Value Option

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

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

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

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

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

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

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

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

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Fair Value Measurements on a Non-Recurring Basis

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

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

Fair Value Information About Financial Instruments Not Measured at Fair Value

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

	Estimated Fair Value				Carrying
(in millions)	Level 1	Level 2	Level 3	Total	Value
September 30, 2015					
Assets:					
Mortgage and other loans receivable	**$ -**	**$ 202**	**$ 29,134**	**$ 29,336**	**$ 28,225**
Other invested assets	**-**	**486**	**3,000**	**3,486**	**4,338**

Short-term investments	**-**	**9,675**	**-**	**9,675**	**9,675**
Cash	**1,569**	**-**	**-**	**1,569**	**1,569**
Liabilities:					
Policyholder contract deposits associated with investment-type contracts	**-**	**268**	**115,672**	**115,940**	**107,422**
Other liabilities	**-**	**1,756**	**-**	**1,756**	**1,756**
Long-term debt	**-**	**22,993**	**4,742**	**27,735**	**26,734**
December 31, 2014					
Assets:					
Mortgage and other loans receivable	$ -	$ 449	$ 26,157	$ 26,606	$ 24,984
Other invested assets	-	593	2,882	3,475	4,352
Short-term investments	-	9,559	-	9,559	9,559
Cash	1,758	-	-	1,758	1,758
Liabilities:					
Policyholder contract deposits associated with investment-type contracts	-	244	119,268	119,512	106,395
Other liabilities	-	1,120	-	1,120	1,120
Long-term debt	-	24,749	2,932	27,681	25,751

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Item 1 / NOTE 5. INVESTMENTS

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5. 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	Othe Te Impa in
September 30, 2015					
Bonds available for sale:					
U.S. government and government sponsored entities	$ 1,705	$ 179	$ (2)	$ 1,882	$
Obligations of states, municipalities and political subdivisions	26,305	1,361	(120)	27,546	
Non-U.S. governments	17,940	818	(330)	18,428	
Corporate debt	134,852	8,032	(2,762)	140,122	
Mortgage-backed, asset-backed and collateralized:					
RMBS	32,891	3,046	(312)	35,625	
CMBS	13,014	775	(72)	13,717	
CDO/ABS	15,278	505	(149)	15,634	
Total mortgage-backed, asset-backed and collateralized	61,183	4,326	(533)	64,976	
Total bonds available for sale[(b)]	241,985	14,716	(3,747)	252,954	
Equity securities available for sale:					
Common stock	986	1,993	(18)	2,961	
Preferred stock	19	4	-	23	
Mutual funds	801	43	(36)	808	
Total equity securities available for sale	1,806	2,040	(54)	3,792	
Total	$ 243,791	$ 16,756	$ (3,801)	$ 256,746	$
December 31, 2014					
Bonds available for sale:					
U.S. government and government sponsored entities	$ 2,806	$ 204	$ (18)	$ 2,992	$
Obligations of states, municipalities and political subdivisions	25,979	1,729	(49)	27,659	
Non-U.S. governments	20,280	966	(151)	21,095	

Corporate debt		134,961	10,594	(1,122)	144,433
Mortgage-backed, asset-backed and collateralized:					
RMBS		34,377	3,435	(292)	37,520
CMBS		12,129	815	(59)	12,885
CDO/ABS		12,775	628	(128)	13,275
Total mortgage-backed, asset-backed and collateralized		59,281	4,878	(479)	63,680
Total bonds available for sale[(b)]		243,307	18,371	(1,819)	259,859
Equity securities available for sale:					
Common stock		1,185	2,461	(17)	3,629
Preferred stock		21	4	-	25
Mutual funds		724	54	(37)	741
Total equity securities available for sale		1,930	2,519	(54)	4,395
Total	$	245,237$	20,890$	(1,873)$	264,254$

(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.

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

Securities Available for Sale in a Loss Position

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

	Less than 12 Months		12 Months or More		Total	
(in millions)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gr Unreali Los
September 30, 2015						
Bonds available for sale:						
U.S. government and government sponsored entities	**$ 121**	**$ 2**	**$ 1**	**$ -**	**$ 122**	**$**
Obligations of states, municipalities and political subdivisions	**3,190**	**103**	**259**	**17**	**3,449**	
Non-U.S. governments	**4,140**	**194**	**725**	**136**	**4,865**	
Corporate debt	**32,818**	**1,858**	**4,664**	**904**	**37,482**	**2,**
RMBS	**5,056**	**82**	**4,146**	**230**	**9,202**	
CMBS	**2,239**	**46**	**571**	**26**	**2,810**	
CDO/ABS	**4,686**	**44**	**2,018**	**105**	**6,704**	
Total bonds available for sale	**52,250**	**2,329**	**12,384**	**1,418**	**64,634**	**3,**
Equity securities available for sale:						
Common stock	**96**	**18**	**6**	**-**	**102**	
Mutual funds	**297**	**28**	**16**	**8**	**313**	
Total equity securities available for sale	**393**	**46**	**22**	**8**	**415**	
Total	**$52,643**	**$ 2,375**	**$12,406**	**$ 1,426**	**$65,049**	**$ 3,**
December 31, 2014						
Bonds available for sale:						
U.S. government and government sponsored entities	$ 526	$ 5	$ 281	$ 13	$ 807	$
Obligations of states, municipalities and political subdivisions	495	9	794	40	1,289	
Non-U.S. governments	1,606	42	1,690	109	3,296	
Corporate debt	12,132	450	11,570	672	23,702	1,

RMBS	4,621	109	3,996	183	8,617	
CMBS	220	1	2,087	58	2,307	
CDO/ABS	3,857	50	1,860	78	5,717	
Total bonds available for sale	23,457	666	22,278	1,153	45,735	1,
Equity securities available for sale:						
Common stock	88	16	2	1	90	
Mutual funds	280	37	64	-	344	
Total equity securities available for sale	368	53	66	1	434	
Total	$23,825	$ 719	$22,344	$ 1,154	$46,169	$ 1,

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

Contractual Maturities of Fixed Maturity Securities Available for Sale

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

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

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

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

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2015		2014		**2015**		2014	
(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	**$ 96**	**$ 112**	$ 118	$ 21	**$ 439**	**$ 289**	$ 528	$ 65
Equity securities	**24**	**8**	33	4	**544**	**16**	102	10
Total	**$ 120**	**$ 120**	$ 151	$ 25	**$ 983**	**$ 305**	$ 630	$ 75

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

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

Other Securities Measured at Fair Value

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

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

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

Net Investment Income

The following table presents the components of Net investment income:

	Three Months Ended	Nine Months Ended

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

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

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

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

Change in Unrealized Appreciation (Depreciation) of Investments

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2015**	2014	**2015**	2014
Increase (decrease) in unrealized appreciation (depreciation) of investments:				

Fixed maturity securities	**$ (1,180)**	$ (1,515)	**$ (5,583)**	$ 6,123
Equity securities	**(384)**	303	**(479)**	348
Other investments	**(85)**	94	**(625)**	127
Total Increase (decrease) in unrealized appreciation (depreciation) of investments	**$ (1,649)**	$ (1,118)	**$ (6,687)**	$ 6,598

Evaluating Investments for Other-Than-Temporary Impairments

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

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

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

Purchased Credit Impaired (PCI) Securities

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

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

Transfers of Level 3 Liabilities

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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)	**$ 32,656**
Cash flows expected to be collected*	**26,444**
Recorded investment in acquired securities	**17,662**

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

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

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

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

Pledged Investments

Secured Financing and Similar Arrangements

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

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

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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, 2015	December 31, 2014
Fixed maturity securities available for sale	$ 996	$ -
Other bond securities, at fair value	$ 994	$ 2,122

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

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

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

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

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

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

Insurance - Statutory and Other Deposits

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

Other Pledges and Restrictions

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

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

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

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

6. LENDING ACTIVITIES

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

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

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

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

	Number of			Class					Percent of
(dollars in millions)	Loans	Apartments	Offices	Retail	Industrial	Hotel	Others	Total[(c)]	Total $
September 30, 2015									
Credit Quality Indicator:									
In good standing	956	$ 3,628	$ 7,375	$ 4,435	$ 1,980	$ 1,972	$ 1,030	$ 20,420	98 %
Restructured[(a)]	9	-	150	25	18	16	6	215	1
90 days or less delinquent	5	-	-	-	6	-	-	6	-
>90 days delinquent or in									

process of foreclosure	**5**	**-**	**177**	**-**	**-**	**-**	**-**	**177**	**1**
Total[b]	**975**	**$ 3,628**	**$ 7,702**	**$ 4,460**	**$ 2,004**	**$ 1,988**	**$ 1,036**	**$ 20,818**	**100%**
Allowance for loan losses		**$ 29**	**$ 62**	**$ 35**	**$ 14**	**$ 13**	**$ 9**	**$ 162**	**1%**
December 31, 2014									
Credit Quality Indicator:									
In good standing	1,007	$ 3,384	$ 6,100	$ 3,807	$ 1,689	$ 1,660	$ 1,812	$ 18,452	98%
Restructured[a]	7	-	343	7	-	17	-	367	2
90 days or less delinquent	6	-	-	10	-	-	5	15	-
>90 days delinquent or in process of foreclosure	4	-	75	-	-	-	-	75	-
Total[b]	1,024	$ 3,384	$ 6,518	$ 3,824	$ 1,689	$ 1,677	$ 1,817	$ 18,909	100%
Allowance for loan losses		$ 3	$ 86	$ 28	$ 22	$ 6	$ 14	$ 159	1%

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

(b) Does not reflect Allowance for loan losses.

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

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Allowance for Loan Losses

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

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

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

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

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

7. VARIABLE INTEREST ENTITIES

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

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

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

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Balance Sheet Classification and Exposure to Loss

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

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

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

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

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

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

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

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

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

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

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

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

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

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8. DERIVATIVES AND HEDGE ACCOUNTING

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

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

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

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

	September 30, 2015				December 31, 2014			
	Gross Derivative Assets		Gross Derivative Liabilities		Gross Derivative Assets		Gross Derivativ Liabilities	
(in millions)	Notional Amount	Fair Value	Notional Amount	Fair Value	Notional Amount	Fair Value	Notional Amount	F Val
Derivatives designated as hedging instruments:[(a)]								
Interest rate contracts	**$ 915**	**$ 5**	**$ 25**	**$ 2**	$ 155	$ -	$ 25	$

Foreign exchange contracts	**2,380**	**196**	**1,401**	**68**	611	25	1,794	2
Equity contracts	**15**	**2**	**113**	**5**	7	1	104	
Derivatives not designated as hedging instruments:[a]								
Interest rate contracts	**60,521**	**4,078**	**51,865**	**2,893**	65,070	3,743	45,251	3,1
Foreign exchange contracts	**11,904**	**640**	**9,111**	**1,147**	13,667	815	8,516	1,2
Equity contracts[b]	**6,598**	**173**	**48,033**	**2,341**	7,565	206	42,387	1,6
Commodity contracts	**-**	**-**	**-**	**-**	15	-	11	
Credit contracts[c]	**4**	**3**	**1,323**	**531**	5	4	5,288	9
Other contracts[d]	**35,974**	**27**	**250**	**79**	36,155	31	538	
Total derivatives, gross	**$ 118,311**	**$ 5,124**	**$ 112,121**	**$ 7,066**	$ 123,250	$ 4,825	$ 103,914	$ 7,3
Counterparty netting[e]		**(1,691)**		**(1,691)**		(2,102)		(2,10
Cash collateral[f]		**(2,129)**		**(910)**		(1,119)		(1,42
Total derivatives, net		**1,304**		**4,465**		1,604		3,8
Less: Bifurcated embedded derivatives		**-**		**2,300**		-		1,5
Total derivatives on condensed consolidated balance sheets[g]		**$ 1,304**		**$ 2,165**		$ 1,604		$ 2,2

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

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

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

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

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

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

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

Collateral

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

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

Offsetting

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

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Hedge Accounting

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

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

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

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

	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, 2015					
Interest rate contracts:					
Realized capital gains/(losses)	$ 1	$ (1)	$ -	$ -	$ -
Interest credited to policyholder account balances	-	-	-	-	-
Other income	-	2	-	-	2

Gain/(Loss) on extinguishment of debt	-	1	-	-	1
Foreign exchange contracts:					
Realized capital gains/(losses)	81	(67)	-	14	-
Interest credited to policyholder account balances	-	-	-	-	-
Other income	-	4	-	-	4
Gain/(Loss) on extinguishment of debt	-	-	-	-	-
Equity contracts:					
Realized capital gains/(losses)	(4)	3	-	(1)	-
Three Months Ended September 30, 2014					
Interest rate contracts:					
Realized capital gains/(losses)	$ -	$ -	$ -	$ -	$ -
Interest credited to policyholder account balances	-	-	-	-	-
Other income	-	10	-	-	10
Gain/(Loss) on extinguishment of debt	-	-	-	-	-

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Foreign exchange contracts:					
Realized capital gains/(losses)	(76)	91	-	9	6
Interest credited to policyholder account balances	-	(1)	-	-	(1)
Other income	-	7	-	-	7
Gain/(Loss) on extinguishment of debt	-	-	-	-	-
Equity contracts					
Realized capital gains/(losses)	4	(6)	-	(2)	-
Nine Months Ended September 30, 2015					
Interest rate contracts:					
Realized capital gains/(losses)	$ 1	$ (1)	$ -	$ -	$ -
Interest credited to policyholder account balances	-	-	-	-	-
Other income	-	7	-	-	7
Gain/(Loss) on extinguishment of debt	-	14	-	-	14
Foreign exchange contracts:					
Realized capital gains/(losses)	152	(123)	-	27	2
Interest credited to policyholder account balances	-	(1)	-	-	(1)
Other income	-	14	-	-	14
Gain/(Loss) on extinguishment of debt	-	17	-	-	17
Equity contracts:					
Realized capital gains/(losses)	(23)	21	-	(2)	-
Nine Months Ended September 30, 2014					
Interest rate contracts:					
Realized capital gains/(losses)	$ 1	$ (2)	$ -	$ -	$ (1)
Interest credited to policyholder account balances	1	(1)	-	-	-
Other income	-	38	-	-	38
Gain/(Loss) on extinguishment of debt	-	50	-	-	50
Foreign exchange contracts:					
Realized capital gains/(losses)	(20)	32	-	(3)	15
Interest credited to policyholder account balances	-	(2)	-	-	(2)
Other income	-	7	-	-	7
Gain/(Loss) on extinguishment of debt	-	-	-	-	-
Equity contracts					

Realized capital gains/(losses)	(10)	8	-	(2)	-

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

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

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Derivatives Not Designated as Hedging Instruments

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

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

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

Credit Risk-Related Contingent Features

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

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

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

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

Hybrid Securities with Embedded Credit Derivatives

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

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

9. CONTINGENCIES, COMMITMENTS AND GUARANTEES

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

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

Legal Contingencies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Starr International Litigation

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

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

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

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

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

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

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

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

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

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

False Claims Act Complaint

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

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

Litigation Matters Relating to AIG's Insurance Operations

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

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

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

Regulatory and Related Matters

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

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

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

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

Other Commitments

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

Guarantees

Subsidiaries

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

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

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Asset Dispositions

General

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

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

Other

- See Note 7 to the Condensed Consolidated Financial Statements for additional discussion on commitments and guarantees associated with VIEs.

- See Note 8 to the Condensed Consolidated Financial Statements for additional disclosures about derivatives.

- See Note 14 to the Condensed Consolidated Financial Statements for additional disclosures about guarantees of outstanding debt.

10. EQUITY

Shares Outstanding

The following table presents a rollforward of outstanding shares:

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

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Dividends

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

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

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

Repurchase of AIG Common Stock

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

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

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

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

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Accumulated Other Comprehensive Income

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

(in millions)		Unrealized Appreciation (Depreciation) of Fixed Maturity Investments on Which Other-Than-Temporary Credit Impairments Were Taken		Unrealized Appreciation (Depreciation) of All Other Investments		Foreign Currency Translation Adjustments		Retir... Lia... Adju...
Balance, December 31, 2014, net of tax	$	**1,043**	$	**12,327**	$	**(1,784)**	$	
Change in unrealized depreciation of investments		**(315)**		**(6,372)**		**-**		
Change in deferred acquisition costs adjustment and other		**-**		**763**		**-**		
Change in future policy benefits		**92**		**807**		**-**		
Change in foreign currency translation adjustments		**-**		**-**		**(901)**		
Net actuarial gain		**-**		**-**		**-**		
Prior service cost		**-**		**-**		**-**		
Change in deferred tax asset (liability)		**54**		**1,493**		**167**		
Total other comprehensive income (loss)		**(169)**		**(3,309)**		**(734)**		
Noncontrolling interests		**-**		**-**		**(4)**		
Balance, September 30, 2015, net of tax	**$**	**874**	**$**	**9,018**	**$**	**(2,514)**	**$**	
Balance, December 31, 2013, net of tax	$	936	$	6,789	$	(952)	$	
Change in unrealized appreciation of investments		268		6,330		-		
Change in deferred acquisition costs adjustment and other		61		(433)		-		
Change in future policy benefits		(114)		(781)		-		
Change in foreign currency translation adjustments		-		-		(149)		
Net actuarial gain		-		-		-		
Prior service cost		-		-		-		
Change in deferred tax asset (liability)		(41)		(144)		(40)		

Total other comprehensive income (loss)		174		4,972		(189)
Noncontrolling interests		-		(1)		-
Balance, September 30, 2014, net of tax	$	1,110	$	11,762	$	(1,141)	$

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

(in millions)	Unrealized Appreciation (Depreciation) of Fixed Maturity Investments on Which Other-Than-Temporary Credit Impairments Were Taken	Unrealized Appreciation (Depreciation) of All Other Investments	Foreign Currency Translation Adjustments	Retirement Plan Liabilities Adjustment	Total
Three Months Ended September 30, 2015					
Unrealized change arising during period	**$ (98)**	**$ (1,275)**	**$ (217)**	**$ 303**	**$ (1,287)**
Less: Reclassification adjustments included in net income	**13**	**(17)**	**-**	**164**	**160**
Total other comprehensive income (loss), before income tax expense (benefit)	**(111)**	**(1,258)**	**(217)**	**139**	**(1,447)**
Less: Income tax expense (benefit)	**(50)**	**(401)**	**21**	**47**	**(383)**
Total other comprehensive income (loss), net of income tax expense (benefit)	**$ (61)**	**$ (857)**	**$ (238)**	**$ 92**	**$ (1,064)**
Three Months Ended September 30, 2014					
Unrealized change arising during period	$ 132	$ (575)	$ (120)	$ (8)	$ (571)
Less: Reclassification adjustments included in net income	9	12	-	1	22
Total other comprehensive income (loss), before income tax expense (benefit)	123	(587)	(120)	(9)	(593)
Less: Income tax expense (benefit)	64	(419)	(42)	(15)	(412)
Total other comprehensive income (loss), net of income tax expense (benefit)	$ 59	$ (168)	$ (78)	$ 6	$ (181)
Nine Months Ended September 30, 2015					
Unrealized change arising during period	**$ (155)**	**$ (4,243)**	**$ (901)**	**$ 324**	**$ (4,975)**
Less: Reclassification adjustments included in net income	**68**	**559**	**-**	**117**	**744**

Total other comprehensive income (loss), before income tax expense (benefit)		**(223)**	**(4,802)**	**(901)**	**207**	**(5,719)**
Less: Income tax expense (benefit)		**(54)**	**(1,493)**	**(167)**	**59**	**(1,655)**
Total other comprehensive income (loss), net of income tax expense (benefit)	**$**	**(169)$**	**(3,309)$**	**(734)$**	**148$**	**(4,064)**
Nine Months Ended September 30, 2014						
Unrealized change arising during period	$	242$	5,522$	(149)$	3$	5,618
Less: Reclassification adjustments included in net income		27	406	-	(1)	432
Total other comprehensive income (loss), before income tax expense (benefit)		215	5,116	(149)	4	5,186
Less: Income tax expense (benefit)		41	144	40	(9)	216
Total other comprehensive income (loss), net of income tax expense (benefit)	$	174$	4,972$	(189)$	13$	4,970

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

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

Amount Reclassified from

Affected Line Item in the Condensed Consolidated Statements of Income (Loss)

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

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

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Item 1 / NOTE 11. EARNINGS PER SHARE (EPS)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

11. EARNINGS PER SHARE (EPS)

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

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

		Three Months Ended September 30,		
(dollars in millions, except per share data)		**2015**		20
Numerator for EPS:				
Income (loss) from continuing operations	$	**(180)**	$	2,1
Less: Net income (loss) from continuing operations attributable to noncontrolling interests		**34**		
Income (loss) attributable to AIG common shareholders from continuing operations		**(214)**		2,1
Income (loss) from discontinued operations, net of income tax expense		**(17)**		
Net income (loss) attributable to AIG common shareholders		**(231)**		2,1
Denominator for EPS:				
Weighted average shares outstanding - basic		**1,279,072,748**		1,419,239,7
Dilutive shares[(a)]		**-**		22,828,0
Weighted average shares outstanding - diluted[(b)]		**1,279,072,748**		1,442,067,8
Income per common share attributable to AIG:				
Basic:				
Income (loss) from continuing operations	$	**(0.17)**	$	1.
Income (loss) from discontinued operations	$	**(0.01)**	$	
Income (loss) attributable to AIG	$	**(0.18)**	$	1.
Diluted:				
Income (loss) from continuing operations	$	**(0.17)**	$	1.
Income (loss) from discontinued operations	$	**(0.01)**	$	
Income (loss) attributable to AIG	$	**(0.18)**	$	1.

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

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

12. EMPLOYEE BENEFITS

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

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

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

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

	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, 2015						
Components of net periodic benefit cost:						
Service cost	**$ 41**	**$ 10**	**$ 51**	**$ 1**	**$ -**	**$ 1**
Interest cost	**54**	**6**	**60**	**2**	**1**	**3**
Expected return on assets	**(74)**	**(5)**	**(79)**	**-**	**-**	**-**
Amortization of prior service credit	**(6)**	**(1)**	**(7)**	**(3)**	**-**	**(3)**
Amortization of net loss	**21**	**2**	**23**	**-**	**-**	**-**
Curtailment gain	**(179)**	**-**	**(179)**	**-**	**-**	**-**
Net periodic benefit (income) cost	**$ (143)**	**$ 12**	**$ (131)**	**$ -**	**$ 1**	**$ 1**
Three Months Ended September 30, 2014						
Components of net periodic benefit cost:						
Service cost	$ 42	$ 11	$ 53	$ 1	$ -	$ 1
Interest cost	57	7	64	2	1	3
Expected return on assets	(73)	(6)	(79)	-	-	-
Amortization of prior service credit	(8)	(1)	(9)	(3)	-	(3)
Amortization of net loss	9	2	11	-	-	-
Net periodic benefit cost	$ 27	$ 13	$ 40	$ -	$ 1	$ 1
Nine Months Ended September 30, 2015						
Components of net periodic benefit cost:						
Service cost	**$ 144**	**$ 31**	**$ 175**	**$ 4**	**$ 2**	**$ 6**

Interest cost		**164**		**18**		**182**		**6**		**2**		**8**
Expected return on assets		**(218)**		**(17)**		**(235)**		**-**		**-**		**-**
Amortization of prior service credit		**(22)**		**(2)**		**(24)**		**(8)**		**-**		**(8)**
Amortization of net loss		**86**		**7**		**93**		**-**		**-**		**-**
Curtailment gain		**(179)**		**(1)**		**(180)**		**-**		**-**		**-**
Net periodic benefit (income) cost	**$**	**(25)**	**$**	**36**	**$**	**11**	**$**	**2**	**$**	**4**	**$**	**6**
Nine Months Ended September 30, 2014												
Components of net periodic benefit cost:												
Service cost	$	130	$	32	$	162	$	3	$	1	$	4
Interest cost		171		22		193		7		2		9
Expected return on assets		(215)		(17)		(232)		-		-		-
Amortization of prior service credit		(25)		(2)		(27)		(8)		-		(8)
Amortization of net loss		31		6		37		-		-		-
Net periodic benefit cost	$	92	$	41	$	133	$	2	$	3	$	5

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

13. INCOME TAXES

Interim Tax Calculation Method

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

Interim Tax Expense (Benefit)

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

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

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

Assessment of Deferred Tax Asset Valuation Allowance

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

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

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

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

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

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

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

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

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

Tax Examinations and Litigation

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

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

Accounting for Uncertainty in Income Taxes

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

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

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

14. INFORMATION PROVIDED IN CONNECTION WITH OUTSTANDING DEBT

The following Condensed Consolidating Financial Statements reflect the results of AIGLH, a

holding company and a wholly owned subsidiary of AIG. AIG provides a full and unconditional guarantee of all outstanding debt of AIGLH.

Condensed Consolidating Balance Sheets

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

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Liabilities:					
Insurance liabilities	$ -	$ -	$ 267,946	$ -	$ 267,946
Long-term debt	20,794	707	9,218	-	30,719
Other liabilities, including intercompany balances[a]	10,439	185	96,104	(3,027)	103,701
Loans from subsidiaries[b]	540	-	31,357	(31,897)	-
Total liabilities	31,773	892	404,625	(34,924)	402,366
Total AIG shareholders' equity	98,999	31,857	59,995	(91,852)	98,999
Non-redeemable noncontrolling interests	-	-	620	-	620
Total equity	98,999	31,857	60,615	(91,852)	99,619
Total liabilities and equity	$ 130,772	$ 32,749	$ 465,240	$ (126,776)	$ 501,985
December 31, 2014					
Assets:					
Short-term investments	$ 6,078	$ -	$ 6,231	$ (1,066)	$ 11,243
Other investments[a]	11,415	-	333,108	-	344,523
Total investments	17,493	-	339,339	(1,066)	355,766
Cash	26	91	1,641	-	1,758
Loans to subsidiaries[b]	31,070	-	779	(31,849)	-
Investment in consolidated subsidiaries[b]	62,811	35,850	-	(98,661)	-
Other assets, including deferred income taxes	23,835	2,305	141,826	(9,909)	158,057
Total assets	$ 135,235	$ 38,246	$ 483,585	$ (141,485)	$ 515,581
Liabilities:					
Insurance liabilities	$ -	$ -	$ 270,615	$ -	$ 270,615
Long-term debt	21,190	820	9,207	-	31,217
Other liabilities, including intercompany balances[a]	6,196	2,314	108,189	(10,222)	106,477
Loans from subsidiaries[b]	951	-	30,898	(31,849)	-
Total liabilities	28,337	3,134	418,909	(42,071)	408,309
Total AIG shareholders' equity	106,898	35,112	64,302	(99,414)	106,898
Non-redeemable noncontrolling interests	-	-	374	-	374
Total equity	106,898	35,112	64,676	(99,414)	107,272
Total liabilities and equity	$ 135,235	$ 38,246	$ 483,585	$ (141,485)	$ 515,581

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

(b) Eliminated in consolidation.

Transfers of Level 3 Liabilities

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Condensed Consolidating Statements of Income

(in millions)	American International Group, Inc. (As Guarantor)	AIGLH	Other Subsidiaries	Re
Three Months Ended September 30, 2015				
Revenues:				
Equity in earnings of consolidated subsidiaries*	$ 717	$ 222	$ -	$
Other income	(221)	-	13,220	
Total revenues	496	222	13,220	
Expenses:				
Interest expense	254	14	83	
Loss on extinguishment of debt	345	-	1	
Other expenses	352	-	12,064	
Total expenses	951	14	12,148	
Income (loss) from continuing operations before income tax expense (benefit)	(455)	208	1,072	
Income tax expense (benefit)	(224)	(6)	295	
Income (loss) from continuing operations	(231)	214	777	
Loss from discontinued operations, net of income taxes	-	-	(17)	
Net income (loss)	(231)	214	760	
Less:				
Net income from continuing operations attributable to noncontrolling interests	-	-	34	
Net income (loss) attributable to AIG	$ (231)	$ 214	$ 726	$
Three Months Ended September 30, 2014				
Revenues:				
Equity in earnings of consolidated subsidiaries*	$ 2,661	$ 1,315	$ -	$
Other income	615	-	16,161	
Total revenues	3,276	1,315	16,161	
Expenses:				
Interest expense	378	22	62	

Loss on extinguishment of debt		682		-		60
Other expenses		284		61		12,196
Total expenses		1,344		83		12,318
Income (loss) from continuing operations before income tax expense (benefit)		1,932		1,232		3,843
Income tax expense (benefit)		(261)		(33)		1,117
Income (loss) from continuing operations		2,193		1,265		2,726
Income (loss) from discontinued operations, net of income taxes		(1)		-		3
Net income (loss)		2,192		1,265		2,729
Less:						
Net income from continuing operations attributable to noncontrolling interests		-		-		9
Net income (loss) attributable to AIG	$	2,192	$	1,265	$	2,720 $

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

(in millions)	American International Group, Inc. (As Guarantor)	AIGLH	Other Subsidiaries	Re
Nine Months Ended September 30, 2015				
Revenues:				
Equity in earnings of consolidated subsidiaries*	**$ 5,793**	**$ 1,744**	**$ -**	**$**
Other income	**(57)**	**-**	**45,050**	
Total revenues	**5,736**	**1,744**	**45,050**	
Expenses:				
Interest expense	**810**	**44**	**213**	
Loss on extinguishment of debt	**703**	**-**	**46**	
Other expenses	**899**	**42**	**36,016**	
Total expenses	**2,412**	**86**	**36,275**	
Income (loss) from continuing operations before income tax expense (benefit)	**3,324**	**1,658**	**8,775**	
Income tax expense (benefit)	**(714)**	**(69)**	**2,925**	
Income (loss) from continuing operations	**4,038**	**1,727**	**5,850**	
Income (loss) from discontinued operations, net of income taxes	**(1)**	**-**	**1**	
Net income (loss)	**4,037**	**1,727**	**5,851**	
Less:				
Net income from continuing operations attributable to noncontrolling interests	**-**	**-**	**34**	
Net income (loss) attributable to AIG	**$ 4,037**	**$ 1,727**	**$ 5,817**	**$**
Nine Months Ended September 30, 2014				
Revenues:				
Equity in earnings of consolidated subsidiaries*	$ 8,149	$ 2,789	$ -	$
Other income	1,094	-	48,165	
Total revenues	9,243	2,789	48,165	
Expenses:				
Interest expense	1,210	80	180	
Loss on extinguishment of debt	987	-	77	
Other expenses	1,310	79	35,564	
Total expenses	3,507	159	35,821	
Income (loss) from continuing operations before income tax expense (benefit)	5,736	2,630	12,344	

Income tax expense (benefit)		(1,137)	(54)	4,121
Income (loss) from continuing operations		6,873	2,684	8,223
Income (loss) from discontinued operations, net of income taxes		1	-	(16)
Net income (loss)		6,874	2,684	8,207
Less:				
Net loss from continuing operations attributable to noncontrolling interests		-	-	(25)
Net income (loss) attributable to AIG	$	6,874$	2,684$	8,232$

* Eliminated in consolidation.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Condensed Consolidating Statements of Comprehensive Income

(in millions)		American International Group, Inc. (As Guarantor)	AIGLH	Other Subsidiaries	Recla… E…
Three Months Ended September 30, 2015					
Net income (loss)	**$**	**(231)$**	**214$**	**760**	**$**
Other comprehensive income (loss)		**(1,063)**	**(548)**	**187**	
Comprehensive income (loss)		**(1,294)**	**(334)**	**947**	
Total comprehensive income attributable to noncontrolling interests		**-**	**-**	**33**	
Comprehensive income (loss) attributable to AIG	**$**	**(1,294)$**	**(334)$**	**914**	**$**
Three Months Ended September 30, 2014					
Net income (loss)	$	2,192$	1,265$	2,729	$
Other comprehensive income (loss)		(180)	(259)	(1,885)	
Comprehensive income (loss)		2,012	1,006	844	
Total comprehensive income attributable to noncontrolling interests		-	-	8	
Comprehensive income (loss) attributable to AIG	$	2,012$	1,006$	836	$
Nine Months Ended September 30, 2015					
Net income (loss)	**$**	**4,037$**	**1,727$**	**5,851**	**$**
Other comprehensive income (loss)		**(4,060)**	**3,942**	**52,820**	
Comprehensive income (loss)		**(23)**	**5,669**	**58,671**	
Total comprehensive income attributable to noncontrolling interests		**-**	**-**	**30**	
Comprehensive income (loss) attributable to AIG	**$**	**(23)$**	**5,669$**	**58,641**	**$**
Nine Months Ended September 30, 2014					
Net income (loss)	$	6,874$	2,684$	8,207	$
Other comprehensive income (loss)		4,971	2,522	1,848	
Comprehensive income (loss)		11,845	5,206	10,055	
Total comprehensive loss attributable to noncontrolling interests		-	-	(26)	
Comprehensive income (loss) attributable to AIG	$	11,845$	5,206$	10,081	$

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Condensed Consolidating Statements of Cash Flows

(in millions)	American International Group, Inc. (As Guarantor)	AIGLH	Other Subsidiaries*	Reclassifications and Eliminations*	Consolid
Nine Months Ended September 30, 2015					
Net cash provided by operating activities	**3,675**	**1,386**	**508**	**(3,335)**	**2**
Cash flows from investing activities:					
Sales of investments	**5,610**	**-**	**52,234**	**(3,363)**	**54**
Purchase of investments	**(1,373)**	**-**	**(49,465)**	**3,363**	**(47,**
Loans to subsidiaries - net	**(1,227)**	**-**	**2,690**	**(1,463)**	
Contributions to subsidiaries - net	**-**	**-**	**-**	**-**	
Net change in restricted cash	**-**	**-**	**1,476**	**-**	**1**
Net change in short-term investments	**1,940**	**-**	**(2,968)**	**-**	**(1,**
Other, net	**(4)**	**-**	**(770)**	**-**	**(**
Net cash provided by investing activities	**4,946**	**-**	**3,197**	**(1,463)**	**6**
Cash flows from financing activities:					
Issuance of long-term debt	**5,540**	**-**	**909**	**-**	**6**
Repayments of long-term debt	**(5,728)**	**(115)**	**(2,500)**	**-**	**(8,**
Purchase of Common Stock	**(7,473)**	**-**	**-**	**-**	**(7,**
Intercompany loans - net	**(236)**	**-**	**(1,227)**	**1,463**	
Cash dividends paid	**(687)**	**(1,359)**	**(1,976)**	**3,335**	**(**
Other, net	**(43)**	**-**	**1,033**	**-**	
Net cash (used in) financing activities	**(8,627)**	**(1,474)**	**(3,761)**	**4,798**	**(9,**
Effect of exchange rate changes on cash	**-**	**-**	**(39)**	**-**	
Change in cash	**(6)**	**(88)**	**(95)**	**-**	**(**
Cash at beginning of year	**26**	**91**	**1,641**	**-**	**1**
Reclassification to assets held for sale	**-**	**-**	**-**	**-**	
Cash at end of period	**$ 20**	**$ 3**	**$ 1,546**	**$ -**	**$ 1**
Nine Months Ended September 30, 2014					
Net cash provided by operating activities	7,228	4,333	3,979	(11,183)	4
Cash flows from investing activities:					

Sales of investments	2,032	-	45,254	(725)	46
Purchase of investments	(1,257)	-	(42,549)	725	(43,
Loans to subsidiaries - net	(1,687)	-	327	1,360	
Contributions from (to) subsidiaries - net	77	-	-	(77)	
Net change in restricted cash	(5)	-	(655)	-	(
Net change in short-term investments	2,947	-	(605)	-	2
Other, net	(61)	-	(234)	-	(
Net cash provided by investing activities	2,046	-	1,538	1,283	4

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

Supplementary Disclosure of Condensed Consolidating Cash Flow Information

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

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

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

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

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

15. SUBSEQUENT EVENTS

Dividends Declared

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

See Note 10 to the Condensed Consolidated Financial Statements.

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

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

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

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

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

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

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

• changes in market conditions;

• the occurrence of catastrophic events, both natural and man-made;

• significant legal proceedings;

• the timing and applicable requirements of any new regulatory framework to which we are subject as a nonbank systemically important financial institution (SIFI) and as a global systemically important insurer (G SII);

• concentrations in our investment portfolios;

• actions by credit rating agencies;

• judgments concerning casualty insurance underwriting and insurance liabilities;

• judgments concerning the recognition of deferred tax assets;

• judgments concerning estimated restructuring charges and estimated cost savings;

• such other factors discussed in:

• Part I, Item 2. MD&A and Part II, Item 1A. Risk Factors of this Quarterly Report on Form 10 Q;

• Part I, Item 2. MD&A of the Quarterly Reports on Form 10 Q for the quarterly periods ended March 31, 2015 and June 30, 2015; and

• Part I, Item 1A. Risk Factors and Part II, Item 7. MD&A of the 2014 Annual Report.

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

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The MD&A is organized as follows:

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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 SEC rules and regulations. GAAP is the acronym for “accounting principles generally accepted in the United States.” The non GAAP financial measures we present may not be comparable to similarly named measures reported by other companies.

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

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

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

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Item 2 / USE OF NON-GAAP MEASURES

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

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

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

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

• **Pre tax operating income:** includes both underwriting income and loss and net investment income, but excludes net realized capital gains and losses, other income and expense — net, and non-operating litigation reserves and settlements. Underwriting income and loss is derived by reducing net premiums earned by losses and loss adjustment expenses incurred, acquisition expenses and general operating expenses.

- **Ratios:** We, along with most property and casualty insurance companies, use the loss ratio, the expense ratio and the combined ratio as measures of underwriting performance. These ratios are relative measurements that describe, for every $100 of net premiums earned, the amount of losses and loss adjustment expenses, and the amount of other underwriting expenses that would be incurred. A combined ratio of less than 100 indicates underwriting income and a combined ratio of over 100 indicates an underwriting loss. The underwriting environment varies across countries and products, as does the degree of litigation activity, all of which affect such ratios. In addition, investment returns, local taxes, cost of capital, regulation, product type and competition can have an effect on pricing and consequently on profitability as reflected in underwriting income and associated ratios.

- **Accident year loss and combined ratios, as adjusted:** both the accident year loss and combined ratios, as adjusted, exclude catastrophe losses and related reinstatement premiums, prior year development, net of premium adjustments, and the impact of reserve discounting. Catastrophe losses are generally weather or seismic events having a net impact in excess of $10 million each.

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Item 2 / USE OF NON-GAAP MEASURES

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

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

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

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

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

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

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

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Item 2 / EXECUTIVE OVERVIEW

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

We report our results of operations as follows:

- **Commercial Insurance** – Commercial Insurance offers insurance products and services to commercial and institutional customers worldwide. Commercial Insurance product lines include Casualty, Property, Specialty, Financial, Mortgage Insurance and Institutional Markets. Commercial Insurance products are distributed through a diversified multichannel distribution network that includes independent insurance brokers, banks, mortgage lenders, specialized marketing and consulting firms.

- **Consumer Insurance** – Consumer Insurance offers a broad portfolio of retirement, life insurance and property casualty products and services to individuals and groups. Consumer Insurance products include term life, whole life, universal life, accident & health (A&H), variable and index annuities, fixed annuities, group retirement plans, mutual funds, financial planning, automobile and homeowners insurance, travel insurance, and warranty and service programs. Consumer Insurance offers its products and services through a diverse, multi-channel distribution network that includes broker-dealers, agencies and independent marketing organizations, banks, brokers, partnerships, travel agents, affiliated agents and financial advisors, and direct-to-consumer platforms.

- **Corporate and Other** – Corporate and Other consists of income from assets held by AIG Parent and other corporate subsidiaries, general operating expenses not attributable to specific reportable segments and interest expense. It also includes run-off lines of insurance business, including excess workers' compensation, asbestos and legacy environmental (1986 and prior), certain environmental liability businesses, certain healthcare coverage, and certain long-duration business, primarily in Japan and the U.S.

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

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

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

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

Financial Performance

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

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

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

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

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Our Performance – Selected Indicators

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

(in millions, except per share data)	September 30, 2015	December 31, 2014

Balance sheet data:		
Total assets	**$501,985**	$ 515,581
Long-term debt	**30,719**	31,217
Total AIG shareholders’ equity	**98,999**	106,898
Book value per common share	**79.40**	77.69
Book value per common share, excluding AOCI	**74.14**	69.98
Book value per common share, excluding AOCI and DTA	**61.91**	58.23

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

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

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

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

(dollars in millions)	Three Months Ended September 30, **2015**	Three Months Ended September 30, 2014	Nine Months Ende September 30, **2015**	Nine Months Ende September 30, 20
Actual or annualized net income (loss) attributable to AIG	**$ (924)**	$ 8,768	**$ 5,383**	$ 9,1
Actual or annualized after-tax operating income attributable to AIG	**2,764**	6,888	**5,700**	7,0
Average AIG Shareholders' equity	**101,629**	108,371	**104,534**	105,2
Average AOCI	**7,089**	11,421	**8,863**	9,5
Average AIG Shareholders' equity, excluding average AOCI	**94,540**	96,950	**95,671**	95,6

Average DTA	**15,271**	15,790	**15,567**	16,7
Average AIG Shareholders' equity, excluding average AOCI and DTA	**$ 79,269**	$ 81,160	**$ 80,104**	$ 78,9
ROE	**(0.9)%**	8.1%	**5.1%**	8
ROE - after-tax operating income, excluding AOCI	**2.9**	7.1	**6.0**	7
ROE - after-tax operating income, excluding AOCI and DTA	**3.5**	8.5	**7.1**	8

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Total revenues

(in millions)

Income (loss) from continuing operations

(in millions)

Net income (loss) ATTRIBUTABLE TO AIG

(in millions)

Net INCOME (Loss) PER COMMON SHARE ATTRIBUTABLE TO AIG (DILUTED)

after-tax operating income attributable to aig
(excludes net realized capital gains and certain other items)

(in millions)

Pre-tax operating income (loss) by segment

(in millions)

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

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TOTAL ASSETS *(in millions)*		**Long-term debt** *(in millions)*
Total AIG shareholders' equity *(in millions)*		**Book value per COMMON share, book value per common share excluding AOCI and book value per common share excluding AOCI and dta**

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

Investment Highlights

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

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

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

Liquidity and Capital Resources Highlights

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

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

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

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

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

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

Industry Trends

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

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

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

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

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

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

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

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

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

COMMERCIAL INSURANCE Strategic initiatives and Outlook

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

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

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

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

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

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

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

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Market Conditions and Industry Trends

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

Property Casualty

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

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

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

Mortgage Guaranty

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

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

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

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

Institutional Markets

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

Strategic Initiatives

Customer

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

Strategic Growth

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

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

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

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

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Capital Efficiency

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

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

consumer insurance STRATEGIC INITIATIVES AND Outlook

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

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

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

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

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

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

Market Conditions and Industry Trends

Retirement

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

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

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

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

Life

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

Personal Insurance

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

Strategic Initiatives

Customer

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

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Information-driven Strategy

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

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

Focused Growth

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

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

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

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

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

Operational Effectiveness

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

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

Profitability and Capital Management

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

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

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

The following table presents our consolidated results of operations:

	Three Months Ended September 30,		Percentage	Nine Months Ended September 30,		Percentage
(in millions)	**2015**	2014	Change	**2015**	2014	Change
Revenues:						
Premiums	**$ 8,862**	$ 9,486	(7)%	**$ 27,229**	$ 28,046	(3)%
Policy fees	**701**	677	4	**2,066**	1,948	6
Net investment income	**3,206**	4,028	(20)	**10,870**	12,108	(10)
Net realized capital gains (losses)	**(342)**	536	NM	**1,125**	546	106
Aircraft leasing revenue	**-**	-	NM	**-**	1,602	NM

Other income	**395**	1,970	(80)	**3,206**	4,746	(32)
Total revenues	**12,822**	16,697	(23)	**44**		