

AMERICAN INTERNATIONAL GROUP INC
Form 10-Q
May 04, 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 March 31, 2015

Commission File Number 1-8787

American International Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

13-2592361

(I.R.S. Employer
Identification No.)

175 Water Street, New York, New York

(Address of principal executive offices)

10038

(Zip Code)

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

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

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

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

Large accelerated filer	Accelerated filer	Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company
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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 April 29, 2015, there were 1,333,395,436 shares outstanding of the registrant's common stock.

AMERICAN INTERNATIONAL GROUP, INC.

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

March 31, 2015

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

American International Group, Inc.

CONDENSED Consolidated Balance Sheets *(unaudited)*

(in millions, except for share data)

Assets:

Investments:

Fixed maturity securities:

Bonds available for sale, at fair value (amortized cost: 2015 - \$242,114; 2014 - \$243,307) \$ 2

Other bond securities, at fair value (See Note 6)

Equity Securities:

Common and preferred stock available for sale, at fair value (cost: 2015 - \$1,683; 2014 - \$1,930)

Other common and preferred stock, at fair value (See Note 6)

Mortgage and other loans receivable, net of allowance (portion measured at fair value: 2015 - \$6; 2014 - \$6)

Other invested assets (portion measured at fair value: 2015 - \$9,196; 2014 - \$9,394)

Short-term investments (portion measured at fair value: 2015 - \$1,208; 2014 - \$1,684)

Total investments 3

Cash

Accrued investment income

Premiums and other receivables, net of allowance

Reinsurance assets, net of allowance

Deferred income taxes

Deferred policy acquisition costs

Derivative assets, at fair value

Other assets, including restricted cash of \$2,072 in 2015 and \$2,025 in 2014

Separate account assets, at fair value

Total assets \$ 5

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 - \$1,882; 2014 - \$1,561)
Other policyholder funds (portion measured at fair value: 2015 - \$8; 2014 - \$8)
Derivative liabilities, at fair value
Other liabilities (portion measured at fair value: 2015 - \$178; 2014 - \$350)
Long-term debt (portion measured at fair value: 2015 - \$4,844; 2014 - \$5,466)
Separate account liabilities

Total liabilities

Contingencies, commitments and guarantees (see Note 10)

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 - 559,593,905 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.

TABLE OF CONTENTS**Item 1 / Financial statements****American International Group, Inc.****CONDENSED CONSOLIDATED STATEMENTS OF INCOME**
(unaudited)**Three Months Ended March 31,***(dollars in millions, except per share data)*

	2015	
Revenues:		
Premiums	\$ 8,822	\$
Policy fees	677	
Net investment income	3,838	
Net realized capital gains (losses):		
Total other-than-temporary impairments on available for sale securities	(87)	
Portion of other-than-temporary impairments on available for sale fixed maturity securities recognized in Other comprehensive income	(10)	
Net other-than-temporary impairments on available for sale securities recognized in net income	(97)	
Other realized capital gains (losses)	1,438	
Total net realized capital gains (losses)	1,341	
Aircraft leasing revenue	-	
Other income	1,297	
Total revenues	15,975	
Benefits, losses and expenses:		
Policyholder benefits and losses incurred	6,551	
Interest credited to policyholder account balances	935	
Amortization of deferred policy acquisition costs	1,350	
General operating and other expenses	2,949	
Interest expense	340	
Aircraft leasing expenses	-	
Loss on extinguishment of debt	68	
Net (gain) loss on sale of properties and divested businesses	6	
Total benefits, losses and expenses	12,199	
Income from continuing operations before income tax expense	3,776	
Income tax expense	1,300	
Income from continuing operations	2,476	
Income (loss) from discontinued operations, net of income tax expense	1	
Net income	2,477	
Less:		
Net income from continuing operations attributable to noncontrolling interests	9	
Net income attributable to AIG	\$ 2,468	\$

Income per common share attributable to AIG:

Basic:		
Income from continuing operations	\$	1.81 \$
Loss from discontinued operations	\$	- \$
Net income attributable to AIG	\$	1.81 \$
Diluted:		
Income from continuing operations	\$	1.78 \$
Loss from discontinued operations	\$	- \$
Net income attributable to AIG	\$	1.78 \$
Weighted average shares outstanding:		
Basic	1,365,951,690	1,459,249
Diluted	1,386,263,549	1,472,510
Dividends declared per common share	\$	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 *(unaudited)***

Three Months Ended March 31,

(in millions)

	2015	2014
Net income	\$ 2,477	\$ 1,612
Other comprehensive income, net of tax		
Change in unrealized appreciation (depreciation) of fixed maturity investments on which other-than-temporary credit impairments were taken	(72)	89
Change in unrealized appreciation of all other investments	539	2,785
Change in foreign currency translation adjustments	(459)	(158)
Change in retirement plan liabilities adjustment	29	9
Other comprehensive income	37	2,725
Comprehensive income	2,514	4,337
Comprehensive income attributable to noncontrolling interests	6	3
Comprehensive income attributable to AIG	\$ 2,508	\$ 4,334

See accompanying Notes to Condensed Consolidated Financial Statements.

TABLE OF CONTENTS**Item 1 / Financial statements****American International Group, Inc.****CONDENSED CONSOLIDATED Statement of Equity (unaudited)**

<i>(in millions)</i>	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total AIG Share- holders' Equity
Three Months Ended March 31, 2015						
Balance, beginning of year	\$ 4,766	\$ (19,218)	\$ 80,958	\$ 29,775	\$ 10,617	\$ 106,898
Purchase of common stock	-	(1,602)	-	-	-	(1,602)
Net income attributable to AIG or other noncontrolling interests	-	-	-	2,468	-	2,468
Dividends	-	-	-	(170)	-	(170)
Other comprehensive income (loss)	-	-	-	-	40	40
Net increase due to deconsolidation	-	-	-	-	-	-
Contributions from noncontrolling interests	-	-	-	-	-	-
Distributions to noncontrolling interests	-	-	-	-	-	-
Other	-	-	345	-	-	345
Balance, end of period	\$ 4,766	\$ (20,820)	\$ 81,303	\$ 32,073	\$ 10,657	\$ 107,979
Three Months Ended March 31, 2014						
Balance, beginning of year	\$ 4,766	\$ (14,520)	\$ 80,899	\$ 22,965	\$ 6,360	\$ 100,470
Purchase of common stock	-	(867)	-	-	-	(867)
Net income attributable to AIG or other noncontrolling interests	-	-	-	1,609	-	1,609
Dividends	-	-	-	(182)	-	(182)
Other comprehensive income (loss)	-	-	-	-	2,725	2,725
Net decrease due to consolidation	-	-	-	-	-	-
Contributions from noncontrolling interests	-	-	-	-	-	-
Distributions to noncontrolling interests	-	-	-	-	-	-
Other	-	1	76	1	-	78
Balance, end of period	\$ 4,766	\$ (15,386)	\$ 80,975	\$ 24,393	\$ 9,085	\$ 103,833

See accompanying Notes to Condensed Consolidated Financial Statements.

TABLE OF CONTENTS**Item 1 / Financial statements****American International Group, Inc.****CONDENSED Consolidated Statements of Cash Flows**
(unaudited)**Three Months Ended March 31,***(in millions)*

	2015	2014
Cash flows from operating activities:		
Net income	\$ 2,477	\$ 1,612
(Income) loss from discontinued operations	(1)	47
Adjustments to reconcile net income to net cash provided by operating activities:		
Noncash revenues, expenses, gains and losses included in income:		
Net gains on sales of securities available for sale and other assets	(974)	(246)
Net (gain) loss on sale of divested businesses	6	(4)
Net losses on extinguishment of debt	68	238
Unrealized losses in earnings - net	457	585
Equity in income from equity method investments, net of dividends or distributions	(362)	(441)
Depreciation and other amortization	1,226	1,121
Impairments of assets	212	138
Changes in operating assets and liabilities:		
Insurance reserves	(295)	1,495
Premiums and other receivables and payables - net	(572)	(701)
Reinsurance assets and funds held under reinsurance treaties	(272)	(1,532)
Capitalization of deferred policy acquisition costs	(1,439)	(1,462)
Current and deferred income taxes - net	1,161	450
Other, net	(1,304)	(537)
Total adjustments	(2,088)	(896)
Net cash provided by operating activities	388	763
Cash flows from investing activities:		
Proceeds from (payments for)		
Sales or distribution of:		
Available for sale investments	6,189	6,365
Other securities	1,094	1,725
Sales or distributions of other invested assets (including flight equipment)	1,648	1,041
Maturities of fixed maturity securities available for sale	5,251	5,347
Principal payments received on and sales of mortgage and other loans receivable	1,047	765
Purchases of:		
Available for sale investments	(9,844)	(11,592)
Other securities	(476)	(181)
Purchases of other invested assets (including flight equipment)	(1,132)	(1,218)
Mortgage and other loans receivable	(1,657)	(1,307)

Net change in restricted cash	(47)	(667)
Net change in short-term investments	(804)	3,588
Other, net	(955)	(83)
Net cash provided by investing activities	314	3,783
Cash flows from financing activities:		
Proceeds from (payments for)		
Policyholder contract deposits	3,713	4,008
Policyholder contract withdrawals	(3,533)	(3,548)
Issuance of long-term debt	2,585	1,583
Repayments of long-term debt	(1,893)	(3,281)
Purchase of Common Stock	(1,398)	(867)
Dividends paid	(170)	(182)
Other, net	92	(2,002)
Net cash used in financing activities	(604)	(4,289)
Effect of exchange rate changes on cash	(33)	(11)
Net increase in cash	65	246
Cash at beginning of year	1,758	2,241
Change in cash of businesses held-for-sale	-	3
Cash at end of period	\$ 1,823	\$ 2,490

Supplementary Disclosure of Condensed Consolidated Cash Flow Information

Cash paid during the period for:

Interest	\$ 307	\$ 840
Taxes	\$ 140	\$ 165
Non-cash investing/financing activities:		
Interest credited to policyholder contract deposits included in financing activities	\$ 937	\$ 1,052
<i>See accompanying Notes to Condensed Consolidated Financial Statements.</i>		

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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 March 31, 2015 and prior to the issuance of these Condensed Consolidated Financial Statements.

Sale of ILFC

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

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

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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 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, 2016 and may be applied retrospectively or through a cumulative effect adjustment to retained earnings at the date of adoption. Early adoption is not permitted. We plan to adopt the standard on its required effective date of January 1, 2017 and are assessing the impact of the standard on our consolidated financial condition, results of operations and cash flows.

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.

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Item 1 / NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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

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

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

The standard is effective for interim and annual reporting periods beginning after December 15, 2015. Early adoption is permitted. The standard may be applied retrospectively to all relevant prior periods presented starting with January 1, 2010 or through a cumulative effect adjustment to retained earnings at the date of adoption. We plan to adopt the standard on its required effective date of January 1, 2016 and are assessing the impact of the standard on our consolidated financial condition, results of operations 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.

TABLE OF CONTENTS**Item 1 / NOTE 3. SEGMENT INFORMATION****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)****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 in addition to 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).

The following tables present our operations by reportable segment:

	2015		2014
	Total Revenues	Pre-Tax Operating Income (Loss)	Total Revenues
Three Months Ended March 31, <i>(in millions)</i>			
Commercial Insurance			
Property Casualty	\$ 5,956	\$ 1,170	\$ 6,112
Mortgage Guaranty	264	145	248
Institutional Markets	624	147	695
Total Commercial Insurance	6,844	1,462	7,055
Consumer Insurance			
Retirement	2,388	800	2,485
Life	1,613	171	1,610
Personal Insurance	2,862	(26)	3,064
Total Consumer Insurance	6,863	945	7,159
Corporate and Other			
Direct Investment book	178	145	519
Global Capital Markets	137	114	59
AIG Parent and Other*	968	(120)	523
Consolidation and elimination	(273)	(1)	(133)
Total Corporate and Other	1,010	138	968
AIG Consolidation and elimination	(127)	(18)	(82)

Total AIG Consolidated revenues and pre-tax operating income	\$ 14,590\$	2,527\$	15,100\$
Reconciling Items from pre-tax operating income to pre-tax income:			
Changes in fair values of fixed maturity securities designated to hedge living benefit liabilities, net of interest expense	44	44	76
Changes in benefit reserves and DAC, VOBA and SIA related to net realized capital gains	-	(54)	-
Loss on extinguishment of debt	-	(68)	-
Net realized capital gains	1,341	1,341	(152)
Income from divested businesses	(15)	(21)	1,113
Legal settlements related to legacy crisis matters	15	15	26
Legal reserves related to legacy crisis matters	-	(8)	-
Pre-tax income	\$ 15,975\$	3,776\$	16,163\$

* Includes Run-off Insurance Lines and Other Businesses.

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Discontinued Operations

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

Three Months Ended March 31,
(in millions)

	2015	2014
Revenues:		
Gain (loss) on sale	\$ 1	\$ (1)
Gain (loss) from discontinued operations, before income tax expense	1	(1)
Income tax expense	-	46
Income (loss) from discontinued operations, net of income tax expense	\$ 1	\$ (47)

5. FAIR VALUE MEASUREMENTS

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Fair Value Measurements on a Recurring Basis

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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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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:

March 31, 2015*(in millions)***Assets:**

Bonds available for sale:

	Level 1	Level 2	Level 3	Counterparty Netting	Cash Collateral	
U.S. government and government sponsored entities	\$ 65	\$ 2,709	\$ -	\$ -	\$ -	2
Obligations of states, municipalities and political subdivisions	-	25,579	2,256	-	-	27
Non-U.S. governments	716	19,139	34	-	-	19
Corporate debt	-	142,315	1,827	-	-	144
RMBS	-	20,387	17,345	-	-	37
CMBS	-	10,749	2,694	-	-	13
CDO/ABS	-	8,554	6,453	-	-	15
Total bonds available for sale	781	229,432	30,609	-	-	260
Other bond securities:						
U.S. government and government sponsored entities	-	5,483	-	-	-	5
Obligations of states, municipalities and political subdivisions	-	76	-	-	-	
Non-U.S. governments	-	2	-	-	-	
Corporate debt	-	551	16	-	-	
RMBS	-	888	1,288	-	-	2
CMBS	-	676	269	-	-	
CDO/ABS	-	1,914	7,850	-	-	9
Total other bond securities	-	9,590	9,423	-	-	19
Equity securities available for sale:						
Common stock	3,056	3	1	-	-	3
Preferred stock	25	-	-	-	-	
Mutual funds	680	1	-	-	-	
Total equity securities available for sale	3,761	4	1	-	-	3
Other equity securities	1,076	2	22	-	-	1
Mortgage and other loans receivable	-	-	6	-	-	
Other invested assets	2	4,096	5,098	-	-	9
Derivative assets:						

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Interest rate contracts	1	4,806	14	-	-	4
Foreign exchange contracts	-	971	-	-	-	-
Equity contracts	109	7	68	-	-	-
Commodity contracts	-	-	-	-	-	-
Credit contracts	-	-	4	-	-	-
Other contracts	-	-	29	-	-	-
Counterparty netting and cash collateral	-	-	-	(2,476)	(1,912)	(4,388)
Total derivative assets	110	5,784	115	(2,476)	(1,912)	1,507
Short-term investments	566	642	-	-	-	1,208
Separate account assets	76,673	5,466	-	-	-	82,139
Total	\$ 82,969	\$255,016	\$ 45,274	\$ (2,476)	\$ (1,912)	\$378,000
Liabilities:						
Policyholder contract deposits	\$ -	\$ 47	\$ 1,835	\$ -	\$ -	\$ 1,882
Other policyholder funds	-	8	-	-	-	8

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Derivative liabilities:							
Interest rate contracts	-	4,073	83	-	-	4,156	
Foreign exchange contracts	-	1,445	8	-	-	1,453	
Equity contracts	-	87	2	-	-	89	
Commodity contracts	-	6	-	-	-	6	
Credit contracts	-	-	795	-	-	795	
Other contracts	-	-	88	-	-	88	
Counterparty netting and cash collateral	-	-	-	(2,476)	(1,460)	(3,936)	
Total derivative liabilities	-	5,611	976	(2,476)	(1,460)	2,651	
Long-term debt	-	4,658	186	-	-	4,844	
Other liabilities	-	178	-	-	-	178	
Total	\$	- \$ 10,502	\$ 2,997	\$ (2,476)	\$ (1,460)	\$ 9,563	
December 31, 2014					Counterparty	Cash	
(in millions)				Level 1	Level 2	Level 3	Netting Collateral
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	-	-	-	-

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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)	(3,221)
Total derivative assets	100	4,626	99	(2,102)	(1,119)	(3,221)

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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-month periods ended March 31, 2015 and 2014, we transferred \$72 million and \$62 million, respectively, of securities issued by Non-U.S. government entities from Level 1 to Level 2, as they are no longer considered actively traded. For similar reasons, during the three-month periods ended March 31, 2015 and 2014, we transferred \$115 million and \$103 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-month periods ended March 31, 2015 and 2014, respectively.

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The following tables present changes during the three-month periods ended March 31, 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 March 31, 2015 and 2014:

<i>(in millions)</i>	Fair Value Beginning of Period	Net Realized and Unrealized Gains (Losses) Included in Income	Other Comprehensive Income (Loss)	Purchases, Sales, Issues and Settlements, Net	Gross Transfers
Three Months Ended March 31, 2015					
Assets:					
Bonds available for sale:					
Obligations of states, municipalities and political subdivisions	\$ 2,159	\$ 1	\$ 45	\$ 65	
Non-U.S. governments	30	-	-	4	
Corporate debt	1,883	-	17	(61)	
RMBS	16,805	258	(72)	354	
CMBS	2,696	24	10	30	
CDO/ABS	6,110	33	29	402	
Total bonds available for sale	29,683	316	29	794	
Other bond securities:					
Corporate debt	-	-	-	-	
RMBS	1,105	(19)	-	204	
CMBS	369	-	-	(100)	
CDO/ABS	7,449	132	-	(238)	5
Total other bond securities	8,923	113	-	(134)	6
Equity securities available for sale:					
Common stock	1	-	-	-	
Total equity securities available for sale	1	-	-	-	
Other equity securities	-	-	-	-	
Mortgage and other loans receivable	6	-	-	-	
Other invested assets	5,650	446	(511)	(494)	

Total	\$	44,263\$	875\$	(482)\$	166\$	6
Liabilities:						
Policyholder contract deposits	\$	(1,509)\$	(275)\$	-\$	(51)\$	
Derivative liabilities, net:						
Interest rate contracts		(74)	(4)	-	9	
Foreign exchange contracts		(8)	1	-	(1)	
Equity contracts		47	8	-	11	
Commodity contracts		-	-	-	-	
Credit contracts		(978)	147	-	40	
Other contracts		(59)	14	2	(16)	
Total derivative liabilities, net ^(a)		(1,072)	166	2	43	
Long-term debt ^(b)		(213)	15	-	12	
Total	\$	(2,794)\$	(94)\$	2\$	4\$	

			Net			
			Realized and			
			Unrealized			
			Gains (Losses)			
			Included			
			in Income			
			Comprehensive			
			Income (Loss)			
			Purchases,			
			Sales,			
			Issues and			
			Settlements, Net			
			Gro			
			Transfe			

*(in millions)***Three Months Ended March 31, 2014****Assets:**

Bonds available for sale:						
Obligations of states, municipalities and political subdivisions ^(c)	\$	1,080\$	-\$	117\$	846\$	
Non-U.S. governments		16	-	(1)	2	
Corporate debt		1,255	(3)	20	4	6
RMBS		14,941	244	133	557	
CMBS		5,735	6	111	(50)	
CDO/ABS		6,974	34	2	8	
Total bonds available for sale		30,001	281	382	1,367	7

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Other bond securities:								
RMBS	937	28	-	104	-	-	1,069	16
CMBS	844	17	-	(91)	-	-	770	14
CDO/ABS	8,834	335	-	(451)	-	(220)	8,498	166
Total other bond securities	10,615	380	-	(438)	-	(220)	10,337	196
Equity securities available for sale:								
Common stock	1	-	-	-	-	(1)	-	-
Total equity securities available for sale	1	-	-	-	-	(1)	-	-
Other invested assets	5,930	79	54	49	85	(207)	5,990	-
Total	\$ 46,547	\$ 740	\$ 436	\$ 978	\$ 799	\$ (1,184)	\$ 48,316	\$ 196
Liabilities:								
Policyholder contract deposits	\$ (312)	\$ (474)	\$ (8)	\$ 29	\$ -	\$ -	\$ (765)	\$ (82)
Derivative liabilities, net:								
Interest rate contracts	(100)	(6)	-	8	-	-	(98)	(1)
Equity contracts	49	(3)	-	(5)	47	-	88	(6)
Commodity contracts	1	-	-	-	-	-	1	-
Credit contracts	(1,280)	80	-	15	-	-	(1,185)	94
Other contracts	(109)	16	(1)	(15)	-	-	(109)	12
Total derivative liabilities, net ^(a)	(1,439)	87	(1)	3	47	-	(1,303)	99
Long-term debt ^(b)	(370)	(3)	-	19	(70)	21	(403)	7
Total	\$ (2,121)	\$ (390)	\$ (9)	\$ 51	\$ (23)	\$ 21	\$ (2,471)	\$ 24

(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.

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

<i>(in millions)</i>	Net Investment Income	Net Realized Capital Gains (Losses)	Other Income	Total
Three Months Ended March 31, 2015				
Bonds available for sale	\$ 311	\$ (9)	\$ 14	\$ 316
Other bond securities	18	6	89	113

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Other invested assets		68		389		(11)		446
Policyholder contract deposits		-		(275)		-		(275)
Derivative liabilities, net		19		6		141		166
Long-term debt		-		-		15		15
Three Months Ended March 31, 2014								
Bonds available for sale	\$	304	\$	(36)	\$	13	\$	281
Other bond securities		51		1		328		380
Other invested assets		77		(4)		6		79
Policyholder contract deposits		-		(474)		-		(474)
Derivative liabilities, net		15		(3)		75		87
Long-term debt		-		-		(3)		(3)

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The following tables present the gross components of purchases, sales, issues and settlements, net, shown above, for the three-month periods ended March 31, 2015 and 2014 related to Level 3 assets and liabilities in the Condensed Consolidated Balance Sheets:

<i>(in millions)</i>	Purchases	Sales	Settlements	Purchases, Sales, Issues and Settlements
Three Months Ended March 31, 2015				
Assets:				
Bonds available for sale:				
Obligations of states, municipalities and political subdivisions	\$ 107	\$ (22)	\$ (20)	
Non-U.S. governments	6	-	(2)	
Corporate debt	6	(50)	(17)	
RMBS	961	(22)	(585)	
CMBS	72	(27)	(15)	
CDO/ABS	579	(23)	(154)	
Total bonds available for sale	1,731	(144)	(793)	
Other bond securities:				
RMBS	245	(6)	(35)	
CMBS	-	(36)	(64)	
CDO/ABS	214	(40)	(412)	
Total other bond securities	459	(82)	(511)	
Equity securities available for sale	-	-	-	
Other invested assets	240	(586)	(148)	
Total assets	\$ 2,430	\$ (812)	\$ (1,452)	
Liabilities:				
Policyholder contract deposits	\$ -	\$ (73)	\$ 22	
Derivative liabilities, net	15	-	28	
Long-term debt ^(b)	-	-	12	
Total liabilities	\$ 15	\$ (73)	\$ 62	
Three Months Ended March 31, 2014				
Assets:				
Bonds available for sale:				
Obligations of states, municipalities and political subdivisions ^(c)	\$ 888	\$ (5)	\$ (37)	
Non-U.S. governments	2	-	-	
Corporate debt	56	(7)	(45)	
RMBS	1,087	(15)	(515)	

CMBS	65	(57)	(58)
CDO/ABS	330	-	(322)
Total bonds available for sale	2,428	(84)	(977)
Other bond securities:			
Corporate debt	-	-	-
RMBS	141	(5)	(32)
CMBS	-	(6)	(85)
CDO/ABS	21	(7)	(465)
Total other bond securities	162	(18)	(582)
Equity securities available for sale	-	-	-
Other invested assets	296	-	(247)
Total assets	\$ 2,886	\$ (102)	\$ (1,806)
Liabilities:			
Policyholder contract deposits	\$ -	\$ (12)	\$ 41
Derivative liabilities, net	1	-	2
Long-term debt ^(b)	-	-	19
Total liabilities	\$ 1	\$ (12)	\$ 62

(a) There were no issuances during the three-month periods ended March 31, 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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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Both observable and unobservable inputs may be used to determine the fair values of positions classified in Level 3 in the tables above. As a result, the unrealized gains (losses) on instruments held at March 31, 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. As a result, the Net realized and unrealized gains (losses) included in income or other comprehensive income as shown in the table above excludes \$18 million and \$23 million of net gains related to assets and liabilities transferred into Level 3 during the three-month periods ended March 31, 2015 and 2014, respectively, and includes \$3 million and \$23 million of net gains related to assets and liabilities transferred out of Level 3 during the three-month periods ended March 31, 2015 and 2014, respectively.

Transfers of Level 3 Assets

During the three-month periods ended March 31, 2015 and 2014, transfers into Level 3 assets primarily included certain investments in CDO/ABS and private placement corporate debt. The transfers of investments in 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-month periods ended March 31, 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

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There were no significant transfers of derivative or other liabilities into or out of Level 3 for the three-month periods ended March 31, 2015 and 2014, respectively.

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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:

<i>(in millions)</i>	Fair Value at March 31, 2015	Valuation Technique	Unobservable Input (Weighted Average)	Range
Assets:				
Obligations of states, municipalities and political subdivisions	\$ 1,263	Discounted cash flow	Yield ^(b)	3.78% - 4.46% (4.12%)
Corporate debt	1,085	Discounted cash flow	Yield ^(b)	3.77% - 8.21% (5.99%)
RMBS	18,003	Discounted cash flow	Constant prepayment rate ^{(a)(c)}	0.76% - 9.06% (4.91%)
			Loss severity ^{(a)(c)}	46.57% - 80.00% (63.29%)
			Constant default rate ^{(a)(c)}	3.56% - 9.28% (6.42%)
			Yield ^(c)	2.79% - 6.29% (4.54%)
Certain CDO/ABS	5,259	Discounted cash flow	Constant prepayment rate ^{(a)(c)}	6.30% - 12.00% (8.70%)
			Loss severity ^{(a)(c)}	43.90% - 58.50% (51.40%)

		Constant default rate ^{(a)(c)}	2.50% - 14.30% (7.70%)
		Yield ^(c)	4.60% - 8.70% (6.90%)
CMBS	2,583	Discounted cash flow	Yield ^(b) 0.00% - 17.56% (5.88%)
CDO/ABS - DIB	310	Binomial Expansion Technique (BET)	Recovery rate ^(b) Diversity score ^(b) Weighted average life ^(b) 5.00% - 33.00% (21.00%) 3 - 26 (12) 0.27 - 10.40 years (4.97 years)
Liabilities:			
Policyholder contract deposits			
GMWB	1,121	Discounted cash flow	Equity implied volatility ^(b) Base lapse rate ^(b) Dynamic lapse rate ^(b) Mortality rate ^(b) Utilization rate ^(b) 6.00% - 39.00% ^(d) 1.00% - 40.00% ^(d) 0.20% - 60.00% ^(d) 0.10% - 35.00% ^(d) 0.50% - 30.00% ^(d)
Index Annuities	361	Discounted cash flow	Lapse rates Mortality rates 0.75% - 66.00% ^(d) 0.02% - 44.06% ^(d)

				2.67% - 6.64%
				(4.65%)
Certain CDO/ABS	5,282	Discounted cash flow	Constant prepayment rate ^{(a)(c)}	6.40% - 12.80%
				(9.20%)
			Loss severity ^{(a)(c)}	42.90% - 60.30%
				(51.90%)
			Constant default rate ^{(a)(c)}	2.50% - 14.70%
				(7.80%)
			Yield ^(c)	4.70% - 9.70%
				(7.10%)
CMBS	2,687	Discounted cash flow	Yield ^(b)	0.00% - 17.29%
				(6.06%)
CDO/ABS - DIB		Binomial Expansion	Recovery rate ^(b)	7.00% - 36.00%
	279	Technique (BET)	Diversity score ^(b)	(21.00%)
				5 - 27 (12)
			Weighted average life ^(b)	0.25 - 10.49 years
				(3.93 years)
Liabilities:				
Policyholder contract deposits				
			Equity implied volatility ^(b)	6.00% - 39.00% ^(d)
GMWB	890	Discounted cash flow	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 rates	0.75% - 66% ^(d)
			Mortality rates	0.02% - 44.06% ^(d)

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Index 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				5.00% - 23.00%
liabilities, net	791	BET	Recovery rate ^(b)	(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.

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

Sensitivity to Changes in Unobservable Inputs

We consider unobservable inputs to be those for which market data is not available and that are developed using the best information available to us about the assumptions that market participants would use when pricing the asset or liability. Relevant inputs vary depending on the nature of the instrument being measured at fair value. The following is a general description of sensitivities of significant unobservable

inputs along with interrelationships between and among the significant unobservable inputs and their impact on the fair value measurements. The effect of a change in a particular assumption in the sensitivity analysis below is considered independently of changes in any other assumptions. In practice, simultaneous changes in assumptions may not always have a linear effect on the inputs discussed below. Interrelationships may also exist between observable and unobservable inputs. Such relationships have not been included in the discussion below. For each of the individual relationships described below, the inverse relationship would also generally apply.

Obligations of States, Municipalities and Political Subdivisions

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

Corporate Debt

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

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downward migration of credit quality would increase spreads. Holding U.S. Treasury rates constant, an increase in corporate credit spreads would decrease the fair value of corporate debt.

RMBS and Certain CDO/ABS

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

CMBS

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

CDO/ABS – DIB

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

Policyholder contract deposits

Embedded derivatives within Policyholder contract deposits relate to guaranteed minimum withdrawal benefits (GMWB) within variable annuity products and certain enhancements to interest crediting rates

based on market indices within equity indexed annuities and guaranteed investment contracts (GICs). GMWB represents our largest exposure of these embedded derivatives, although the carrying value of the liability fluctuates based on the performance of the equity markets and therefore, at a point in time, can be low relative to the exposure. The principal unobservable input used for GMWBs and embedded derivatives in equity indexed annuities measured at fair value is equity implied volatility. For GMWBs, other significant unobservable inputs include base and dynamic lapse rates, mortality rates, and utilization rates. Lapse, mortality, and utilization rates may vary significantly depending upon age groups and duration. In general, increases in volatility and utilization rates will increase the fair value of the liability associated with GMWB, while increases in lapse rates and mortality rates will decrease the fair value of the liability.

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.

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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.

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

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

	Investment Category Includes	March 31, 2015		December 31, 2014	
		Fair Value Using Net Asset Value Per Share (or its equivalent)	Unfunded Commitments	Fair Value Using Net Asset Value Per Share (or its equivalent)	Unfunded Commitments
<i>(in millions)</i>					
Investment Category					
<i>Private equity funds:</i>					
Leveraged buyout	Debt and/or equity investments made as part of a transaction in which assets of mature companies are acquired from the current shareholders, typically with the use of financial leverage	\$ 2,123\$	461 \$	2,275\$	450
Real Estate / Infrastructure	Investments in real estate properties and infrastructure positions, including power plants and other energy generating facilities	370	205	384	227
Venture capital	Early-stage, high-potential, growth companies expected	133	30	121	26

	to generate a return through an eventual realization event, such as an initial public offering or sale of the company				
Distressed	Securities of companies that are in default, under bankruptcy protection, or troubled	161	43	164	43
Other	Includes multi-strategy, mezzanine and other strategies	248	209	216	234
Total private equity funds		3,035	948	3,160	980
<i>Hedge funds:</i>					
Event-driven	Securities of companies undergoing material structural changes, including mergers, acquisitions and other reorganizations	1,182	-	1,109	-
Long-short	Securities that the manager believes are undervalued, with corresponding short positions to hedge market risk	2,750	1	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	531	-	498	-
Distressed	Securities of companies that are in default, under bankruptcy protection or troubled	736	23	731	5
Emerging markets	Investments in the financial markets of developing countries	339	-	308	-
Other	Includes multi-strategy, relative value and other strategies	173	-	125	-
Total hedge funds		5,711	24	5,199	6
Total		\$ 8,746\$	972 \$	8,359\$	986

Private equity fund investments included above are not redeemable, as distributions from the funds will be received when underlying investments of the funds are liquidated. Private equity funds are generally expected to have 10 year lives at their inception, but these lives may be extended at the fund manager's

discretion, typically in one- or two year increments. At March 31, 2015, assuming average original expected lives of 10 years for the funds, 85 percent of the total fair value using net asset

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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 10 percent between seven and 10 years.

The hedge fund investments included above are generally redeemable monthly (14 percent), quarterly (48 percent), semi annually (15 percent) and annually (23 percent), with redemption notices ranging from one day to 180 days. At March 31, 2015, however, investments representing approximately 44 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:

Three Months Ended March 31, <i>(in millions)</i>	Gain (Loss)	
	2015	2014
Assets:		
Mortgage and other loans receivable	\$ -	\$ -
Bond and equity securities	141	666
Alternative investments ^(a)	145	154
Other, including Short-term investments	2	3
Liabilities:		
Long-term debt ^(b)	(76)	(74)
Other liabilities	(3)	(4)
Total gain	\$ 209	\$ 745

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

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

We recognized gains of \$6 million and losses of \$11 million during the three-month periods ended March 31, 2015 and 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:

<i>(in millions)</i>	March 31, 2015			December 31, 2014		
	Fair Value	Outstanding Principal Amount	Difference	Fair Value	Outstanding Principal Amount	Difference
Assets:						
Mortgage and other loans receivable	\$ 6	\$ 4	\$ 2	\$ 6	\$ 4	\$ 2
Liabilities:						
Long-term debt*	\$ 4,844	\$ 3,541	\$ 1,303	\$ 5,466	\$ 4,101	\$ 1,365

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

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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:

<i>(in millions)</i>	Assets at Fair Value				Impairment Charges	
	Level 1	Non-Recurring Basis		Total	Three Months Ended March 31,	
		Level 2	Level 3		2015	2014
March 31, 2015						
Other investments	\$ -	\$ -	\$ 1,058	\$ 1,058	\$ 25	\$ 49
Investments in life settlements	-	-	308	308	70	42
Other assets	-	-	9	9	4	1
Total	\$ -	\$ -	\$ 1,375	\$ 1,375	\$ 99	\$ 92
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:

<i>(in millions)</i>	Estimated Fair Value				Total	Carrying Value
	Level 1	Level 2	Level 3			
March 31, 2015						
Assets:						
Mortgage and other loans receivable	\$ -	\$ 424	\$ 26,730	\$ 27,154	\$ 25,307	
Other invested assets	-	549	2,912	3,461	4,324	
Short-term investments	-	10,753	-	10,753	10,753	
Cash	1,823	-	-	1,823	1,823	
Liabilities:						

Policyholder contract deposits associated with investment-type contracts	-	253	120,740	120,993	106,646
Other liabilities	-	1,300	-	1,300	1,300
Long-term debt	-	25,928	3,807	29,735	27,155
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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The following table presents the amortized cost or cost and fair value of our available for sale securities:

<i>(in millions)</i>	Amortized Cost or Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Other Ter Impa in
March 31, 2015					
Bonds available for sale:					
U.S. government and government sponsored entities	\$ 2,557	\$ 222	\$ (5)	\$ 2,774	
Obligations of states, municipalities and political subdivisions	26,088	1,783	(36)	27,835	
Non-U.S. governments	18,857	1,149	(117)	19,889	
Corporate debt	133,066	11,923	(847)	144,142	
Mortgage-backed, asset-backed and collateralized:					
RMBS	34,551	3,466	(285)	37,732	
CMBS	12,503	971	(31)	13,443	
CDO/ABS	14,492	665	(150)	15,007	
Total mortgage-backed, asset-backed and collateralized	61,546	5,102	(466)	66,182	
Total bonds available for sale^(b)	242,114	20,179	(1,471)	260,822	
Equity securities available for sale:					
Common stock	1,000	2,071	(11)	3,060	
Preferred stock	21	4	-	25	
Mutual funds	662	63	(44)	681	
Total equity securities available for sale	1,683	2,138	(55)	3,766	
Total	\$ 243,797	\$ 22,317	(1,526)	\$ 264,588	
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 value of such securities subsequent to the impairment measurement date.

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(b) At March 31, 2015 and December 31, 2014, bonds available for sale held by us that were below investment grade or not rated totaled \$36.1 billion and \$35.1 billion, respectively.

Securities Available for Sale in a Loss Position

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

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
<i>(in millions)</i>						
March 31, 2015						
Bonds available for sale:						
U.S. government and government sponsored entities	\$ 120\$	1	\$ 141\$	4	\$ 261\$	
Obligations of states, municipalities and political subdivisions	1,130	14	460	22	1,590	
Non-U.S. governments	1,605	47	884	70	2,489	
Corporate debt	12,048	449	4,563	398	16,611	
RMBS	5,540	125	2,953	160	8,493	
CMBS	453	3	603	28	1,056	
CDO/ABS	3,193	56	1,812	94	5,005	
Total bonds available for sale	24,089	695	11,416	776	35,505	1,
Equity securities available for sale:						
Common stock	58	11	-	-	58	
Mutual funds	275	44	-	-	275	
Total equity securities available for sale	333	55	-	-	333	
Total	\$24,422\$	750	\$11,416\$	776	\$35,838\$	1,
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,

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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 March 31, 2015, we held 4,983 and 112 individual fixed maturity and equity securities, respectively, that were in an unrealized loss position, of which 1,351 individual fixed maturity securities were in a continuous unrealized loss position for longer than 12 months. We did not recognize the unrealized losses in earnings on these fixed maturity securities at March 31, 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	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
March 31, 2015				
<i>(in millions)</i>				
Due in one year or less	\$ 10,434	\$ 10,590	\$ 655	\$ 632
Due after one year through five years	48,034	50,920	4,452	4,314
Due after five years through ten years	59,209	62,855	8,569	8,170
Due after ten years	62,891	70,275	8,280	7,835
Mortgage-backed, asset-backed and collateralized	61,546	66,182	15,020	14,554
Total	\$ 242,114	\$ 260,822	\$ 36,976	\$ 35,505
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 March 31, (in millions)	2015		2014	
	Gross Realized Gains	Gross Realized Losses	Gross Realized Gains	Gross Realized Losses
Fixed maturity securities	\$ 149	\$ 118	\$ 216	\$ 31
Equity securities	496	5	30	2
Total	\$ 645	\$ 123	\$ 246	\$ 33

For the three-month periods ended March 31, 2015 and 2014, respectively, the aggregate fair value of available for sale securities sold was \$6.9 billion and \$6.1 billion, respectively, which resulted in net realized capital gains of \$0.5 billion and \$0.2 billion, respectively.

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

<i>(in millions)</i>	March 31, 2015		December 31, 2014	
	Fair Value	Percent of Total	Fair Value	Percent of Total
Fixed maturity securities:				
U.S. government and government sponsored entities	\$ 5,483	27 %	\$ 5,498	27%
Obligations of states, municipalities and political subdivisions	76	-	122	1
Non-U.S. governments	2	-	2	-
Corporate debt	567	3	719	3
Mortgage-backed, asset-backed and collateralized:				
RMBS	2,176	11	2,094	10
CMBS	945	5	1,077	5
CDO/ABS and other collateralized*	9,764	49	10,200	49
Total mortgage-backed, asset-backed and collateralized	12,885	65	13,371	64
Total fixed maturity securities	19,013	95	19,712	95
Equity securities	1,100	5	1,049	5
Total	\$ 20,113	100 %	\$ 20,761	100%

* Includes \$825 million and \$859 million of U.S. Government agency backed ABS at March 31, 2015 and December 31, 2014, respectively.

Net Investment Income

The following table presents the components of Net investment income:

Three Months Ended March 31,*(in millions)*

	2015	2014
Fixed maturity securities, including short-term investments	\$ 2,883	\$ 3,131
Equity securities	15	(85)
Interest on mortgage and other loans	339	318

Alternative investments*	689	925
Real estate	26	28
Other investments	38	11
Total investment income	3,990	4,328
Investment expenses	152	132
Net investment income	\$ 3,838 \$	4,196

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

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

Three Months Ended March 31,*(in millions)*

	2015	2014
Sales of fixed maturity securities	\$ 31 \$	185
Sales of equity securities	491	28
Other-than-temporary impairments:		
Severity	(2)	-
Change in intent	(24)	(5)
Foreign currency declines	(29)	(4)
Issuer-specific credit events	(68)	(49)
Adverse projected cash flows	(5)	(1)
Provision for loan losses	24	5
Foreign exchange transactions	254	26
Derivative instruments	208	(289)
Impairments on investments in life settlements	(70)	(42)
Other*	531	(6)
Net realized capital gains (losses)	\$ 1,341 \$	(152)

* Includes realized gains due to the sale of Class B shares of Prudential Financial, Inc.

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 March 31,*(in millions)*

	2015	2014
Increase (decrease) in unrealized appreciation (depreciation) of investments:		
Fixed maturity securities	\$ 2,156 \$	3,994
Equity securities	(382)	(128)
Other investments	(503)	73

Total increase (decrease) in unrealized appreciation (depreciation) of investments* \$ 1,271 \$ 3,939

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

Evaluating Investments for Other-Than-Temporary Impairments

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

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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 March 31,*(in millions)*

	2015	2014
Balance, beginning of year	\$ 2,659	\$ 3,872
Increases due to:		
Credit impairments on new securities subject to impairment losses	15	8
Additional credit impairments on previously impaired securities	22	36
Reductions due to:		
Credit impaired securities fully disposed for which there was no prior intent or requirement to sell	(42)	(330)
Accretion on securities previously impaired due to credit*	(188)	(188)
Other	-	(9)
Balance, end of period	\$ 2,466	\$ 3,389

* 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.

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

<i>(in millions)</i>	<i>At Date of Acquisition</i>
Contractually required payments (principal and interest)	\$ 31,562
Cash flows expected to be collected*	25,480
Recorded investment in acquired securities	16,986

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

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<i>(in millions)</i>	March 31, 2015	December 31, 2014
Outstanding principal balance	\$ 17,362	\$ 16,962
Amortized cost	12,601	12,216
Fair value	13,788	13,462

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

Three Months Ended March 31,

<i>(in millions)</i>	2015	2014
Balance, beginning of period	\$ 6,865	\$ 6,940
Newly purchased PCI securities	245	522
Disposals	-	-
Accretion	(220)	(212)
Effect of changes in interest rate indices	(138)	(59)
Net reclassification to/(from) non-accretable difference, including effects of prepayments	13	(21)
Balance, end of period	\$ 6,765	\$ 7,170

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

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

<i>(in millions)</i>	March 31, 2015	December 31, 2014
----------------------	-----------------------	--------------------------

Other bond securities 1,180 2,122

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

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

<i>(in millions)</i>	March 31, 2015	December 31, 2014
Securities collateral pledged to us	\$ 4,340	\$ 2,506
Amount sold or repledged by us	132	131

TABLE OF CONTENTS**Item 1 / NOTE 6. INVESTMENTS****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)****Insurance - Statutory and Other Deposits**

Total carrying values of cash and securities deposited by our insurance subsidiaries under requirements of regulatory authorities or other insurance-related arrangements, including certain annuity-related obligations and certain reinsurance treaties, were \$6.5 billion and \$5.9 billion at March 31, 2015 and December 31, 2014, respectively.

Other Pledges

Certain of our subsidiaries are members of Federal Home Loan Banks (FHLBs) and such membership requires the members to own stock in these FHLBs. We owned an aggregate of \$41 million and \$44 million of stock in FHLBs at March 31, 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 March 31, 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 securities pledged as collateral with respect to these obligations was approximately \$3.1 billion and \$3.5 billion at March 31, 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.

7. LENDING ACTIVITIES

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

<i>(in millions)</i>	March 31,	December 31,
	2015	2014
Commercial mortgages*	\$ 19,172	\$ 18,909
Life insurance policy loans	2,665	2,710
Commercial loans, other loans and notes receivable	3,726	3,642

Total mortgage and other loans receivable	25,563	25,261
Allowance for losses	(250)	(271)
Mortgage and other loans receivable, net	\$ 25,313	\$ 24,990

* Commercial mortgages primarily represent loans for office, retail, apartment and industrial properties, with exposures in California and New York representing the largest geographic concentrations (aggregating approximately 14 percent and 18 percent, respectively, at both March 31, 2015 and December 31, 2014).

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

<i>(dollars in millions)</i>	Number of Loans	Class						Total ^(c)	Percent of Total \$
		Apartments	Offices	Retail	Industrial	Hotel	Others		
March 31, 2015									
Credit Quality Indicator:									
In good standing	983	\$ 3,383	\$ 6,449	\$ 4,073	\$ 2,020	\$ 1,713	\$ 1,080	\$ 18,718	98%
Restructured ^(a)	8	-	408	6	-	16	-	430	2
90 days or less delinquent	1	-	-	-	-	-	-	-	-
>90 days delinquent or in process of foreclosure	5	-	14	10	-	-	-	24	-
Total ^(b)	997	\$ 3,383	\$ 6,871	\$ 4,089	\$ 2,020	\$ 1,729	\$ 1,080	\$ 19,172	100%
Valuation allowance		\$ 1	\$ 74	\$ 29	\$ 23	\$ 6	\$ 10	\$ 143	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 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 valuation allowances.

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

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:

Three Months Ended March 31, (in millions)	2015			2014		
	Commercial Mortgages	Other Loans	Total	Commercial Mortgages	Other Loans	Total
Allowance, beginning of year	\$ 159	\$ 112	\$ 271	\$ 201	\$ 111	\$ 312
Loans charged off	-	(1)	(1)	-	-	-
Recoveries of loans previously charged off	4	-	4	-	-	-
Net charge-offs	4	(1)	3	-	-	-
Provision for loan losses	(20)	(4)	(24)	(1)	(12)	(13)
Other	-	-	-	-	-	-
Allowance, end of period	\$ 143 *	\$ 107	\$ 250	\$ 200 *	\$ 99	\$ 299

* Of the total allowance at the end of the periods, \$45 million and \$98 million relate to individually assessed credit losses on \$131 million and \$281 million of commercial mortgage loans at March 31, 2015 and 2014, respectively.

During the three-month periods ended March 31, 2015 and 2014, loans with a carrying value of \$65 million and \$136 million, respectively, were modified in troubled debt restructurings.

TABLE OF CONTENTS**Item 1 / NOTE 8. VARIABLE INTEREST ENTITIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)****8. 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.

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:

<i>(in millions)</i>	Real Estate and Investment Entities ^(d)	Securitization Vehicles	Structured Investment Vehicle	Affordable Housing Partnerships	Other	Total
March 31, 2015						
Assets:						
Bonds available for sale	\$	-\$	11,389	-\$	-\$	34
Other bond securities		-	6,850	528	-	38
Mortgage and other loans receivable		-	2,359	-	-	155
Other invested assets		611	632	-	1,846	27
						3,116

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Other ^(a)		41	1,298	142	57	70	1,608
Total assets ^(b)	\$	652\$	22,528\$	670\$	1,903\$	324\$	26,077
Liabilities:							
Long-term debt	\$	68\$	1,318\$	52\$	265\$	6\$	1,709
Other ^(c)		37	247	1	140	33	458
Total liabilities	\$	105\$	1,565\$	53\$	405\$	39\$	2,167

TABLE OF CONTENTS**Item 1 / NOTE 8. VARIABLE INTEREST ENTITIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)****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 March 31, 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 March 31, 2015 and December 31, 2014.

(d) At March 31, 2015 and December 31, 2014, off-balance sheet exposure, primarily consisting of commitments to real estate and investment entities, was \$81.9 million and \$56.4 million, respectively.

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

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

<i>(in millions)</i>	Total VIE Assets	Maximum Exposure to Loss		Total
		On-Balance Sheet*	Off-Balance Sheet	
March 31, 2015				

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Real estate and investment entities	\$ 19,342	\$ 2,817	\$ 433	\$ 3,250
Affordable housing partnerships	7,760	405	-	405
Other	383	14	-	14
Total	\$ 27,485	\$ 3,236	\$ 433	\$ 3,669

December 31, 2014

Real estate and investment entities	\$ 19,949	\$ 2,785	\$ 454	\$ 3,239
Affordable housing partnerships	7,911	425	-	425
Other	617	32	-	32
Total	\$ 28,477	\$ 3,242	\$ 454	\$ 3,696

* At both March 31, 2015 and December 31, 2014, \$3.2 billion of our total unconsolidated VIE assets were recorded as Other invested assets.

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

TABLE OF CONTENTS**Item 1 / NOTE 9. DERIVATIVES AND HEDGE ACCOUNTING****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)****9. DERIVATIVES AND HEDGE ACCOUNTING**

We use derivatives and other financial instruments as part of our financial risk management programs and as part of our investment operations. See Note 11 to the Consolidated Financial Statements in the 2014 Annual Report for a discussion of our accounting policies and procedures regarding derivatives and hedge accounting.

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

	March 31, 2015				December 31, 2014			
	Gross Derivative Assets		Gross Derivative Liabilities		Gross Derivative Assets		Gross Derivative Liabilities	
	Notional Amount	Fair Value ^(a)	Notional Amount	Fair Value ^(a)	Notional Amount	Fair Value ^(a)	Notional Amount	Fair Value ^(a)
<i>(in millions)</i>								
Derivatives designated as hedging instruments:								
Interest rate contracts	\$ 155	\$ 2	\$ 25	\$ 2	\$ 155	\$ -	\$ 25	\$ 2
Foreign exchange contracts	1,201	107	1,086	99	611	25	1,794	239
Equity contracts	34	2	92	14	7	1	104	13
Derivatives not designated as hedging instruments:								
Interest rate contracts	77,540	4,819	58,358	4,201	65,070	3,743	45,251	3,183
Foreign exchange contracts	11,847	864	10,426	1,354	13,667	815	8,516	1,251
Equity contracts ^(b)	7,470	182	42,928	1,926	7,565	206	42,387	1,615
Commodity contracts	13	-	12	6	15	-	11	6
Credit contracts	5	4	1,438	795	5	4	5,288	982
Other contracts ^(c)	36,221	29	490	88	36,155	31	538	90
Total derivatives not designated as hedging instruments	133,096	5,898	113,652	8,370	122,477	4,799	101,991	7,127
Total derivatives, gross	\$ 134,486	\$ 6,009	\$ 114,855	\$ 8,485	\$ 123,250	\$ 4,825	\$ 103,914	\$ 7,381

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

(b) Notional amount of derivative assets and fair value of derivative assets were zero at both March 31, 2015 and December 31, 2014, related to bifurcated embedded derivatives. Notional amount of derivative

liabilities and fair value of derivative liabilities include \$39.7 billion and \$1.9 billion, respectively, at March 31, 2015, and \$39.3 billion and \$1.5 billion, respectively, at December 31, 2014, related to bifurcated embedded derivatives. A bifurcated embedded derivative is generally presented with the host contract in the Condensed Consolidated Balance Sheets.

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

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

	March 31, 2015				December 31, 2014			
	Derivative Assets		Derivative Liabilities		Derivative Assets		Derivative Liabilities	
	Notional Amount	Fair Value	Notional Amount	Fair Value	Notional Amount	Fair Value	Notional Amount	Fair Value
<i>(in millions)</i>								
GCM derivatives:								
AIG Financial Products	\$ 21,971	\$ 2,599	\$ 22,693	\$ 3,380	\$ 23,153	\$ 2,445	\$ 27,719	\$ 3,000
AIG Markets, Inc. (AIG Markets)	67,667	2,984	43,611	2,513	55,005	1,935	29,251	2,100
Total GCM derivatives ^(a)	89,638	5,583	66,304	5,893	78,158	4,380	56,970	5,100
Non-GCM derivatives ^(b)	44,848	426	48,551	2,592	45,092	445	46,944	2,200
Total derivatives, gross	\$ 134,486	\$ 6,009	\$ 114,855	\$ 8,485	\$ 123,250	\$ 4,825	\$ 103,914	\$ 7,300
Counterparty netting ^(c)		(2,476)		(2,476)		(2,102)		(2,102)
Cash collateral ^(d)		(1,912)		(1,460)		(1,119)		(1,420)
Total derivatives, net		1,621		4,549		1,604		3,800
Less: Bifurcated embedded derivatives		-		1,898		-		1,500
Total derivatives on condensed consolidated balance sheets		\$ 1,621		\$ 2,651		\$ 1,604		\$ 2,200

(a) As of March 31, 2015 and December 31, 2014, includes super senior multi-sector CDOs with a net notional amount of \$1.2 billion and \$2.6 billion (fair value liability of \$554 million and \$947 million), respectively. The expected weighted average maturity as of March 31, 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 March 31, 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).

(b) Represents derivatives used to hedge the interest rate, foreign currency and equity risk associated with derivatives embedded in insurance contracts and stable value wraps. Assets and liabilities include bifurcated embedded derivatives which are recorded in Policyholder contract deposits.

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

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

Collateral

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

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Item 1 / NOTE 9. DERIVATIVES AND HEDGE ACCOUNTING

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Collateral posted by us to third parties for derivative transactions was \$3.3 billion at both March 31, 2015 and December 31, 2014. 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 \$2.1 billion and \$1.3 billion at March 31, 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 our Condensed Consolidated Balance Sheets when a legally enforceable ISDA Master Agreement exists between us and our derivative counterparty. An ISDA Master Agreement is an agreement governing multiple derivative transactions between two counterparties. The ISDA Master Agreement generally provides for the net settlement of all, or a specified group, of these derivative transactions, as well as transferred collateral, through a single payment, and in a single currency, as applicable. The net settlement provisions apply in the event of a default on, or affecting any, one derivative transaction or a termination event affecting all, or a specified group of, derivative transactions governed by the ISDA Master Agreement.

Hedge Accounting

We designated certain derivatives entered into by GCM with third parties as fair value hedges of available for sale investment securities held by our insurance subsidiaries. The fair value hedges include foreign currency forwards 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 by GCM 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 month periods ended March 31, 2015 and 2014, we recognized gains of \$94

million and \$3 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.

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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:

<i>(in millions)</i>	Gains/(Losses) Recognized in Earnings for:		Including Gains/(Losses) Attributable to:		
	Hedging Derivatives ^(a)	Hedged Items	Hedge Ineffectiveness	Excluded Components	Other ^(b)
Three Months Ended March 31, 2015					
Interest rate contracts:					
Realized capital gains/(losses)	\$ 1	\$ (1)	\$ -	\$ -	\$ -
Interest credited to policyholder account balances	-	-	-	-	-
Other income	-	3	-	-	3
Gain/(Loss) on extinguishment of debt	-	13	-	-	13
Foreign exchange contracts:					
Realized capital gains/(losses)	132	(128)	-	1	3
Interest credited to policyholder account balances	-	(1)	-	-	(1)
Other income	-	6	-	-	6
Gain/(Loss) on extinguishment of debt	-	16	-	-	16
Equity contracts:					
Realized capital gains/(losses)	(6)	5	-	(1)	-
Three Months Ended March 31, 2014					
Interest rate contracts:					
Realized capital gains/(losses)	\$ 1	\$ (2)	\$ -	\$ -	\$ (1)
Interest credited to policyholder account balances	-	(1)	-	-	(1)
Other income	-	18	-	-	18
Gain/(Loss) on extinguishment of debt	-	50	-	-	50
Foreign exchange contracts:					
Realized capital gains/(losses)	24	(32)	-	(8)	-
Interest credited to policyholder account balances	-	-	-	-	-
Other income	-	-	-	-	-
Gain/(Loss) on extinguishment of debt	-	-	-	-	-
Equity contracts					
Realized capital gains/(losses)	1	(1)	-	-	-

Transfers of Level 3 Liabilities

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

Three Months Ended March 31, <i>(in millions)</i>	Gains (Losses) Recognized in Earnings	
	2015	2014
By Derivative Type:		
Interest rate contracts ^(a)	\$ 361	\$ 139
Foreign exchange contracts	322	(14)
Equity contracts ^(b)	(268)	(428)
Commodity contracts	(1)	1
Credit contracts	147	80
Other contracts	23	15
Total	\$ 584	\$ (207)
By Classification:		
Policy fees	\$ 19	\$ 15
Net investment income	27	(1)
Net realized capital gains (losses)	171	(275)
Other income	362	49
Policyholder benefits and claims incurred	5	5
Total	\$ 584	\$ (207)

(a) Includes cross currency swaps.

(b) Includes embedded derivative losses of \$178 million and \$396 million for the three month periods ended March 31, 2015 and 2014, respectively.

Derivatives and Other Instruments

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 purchasing investments with embedded derivatives, such as equity linked notes and convertible bonds.

Credit Risk-Related Contingent Features

The aggregate fair value of our derivative instruments that contain credit risk related contingent features that were in a net liability position at March 31, 2015 and December 31, 2014, was approximately \$2.9 billion and \$2.5 billion, respectively. The aggregate fair value of assets posted as collateral under these contracts at March 31, 2015 and December 31, 2014, was \$2.4 billion and \$2.7 billion, respectively.

We estimate that at March 31, 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 \$19 million in additional collateral postings and termination

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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 \$42 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 \$84 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 March 31, 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 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 \$5.9 billion and \$6.1 billion at March 31, 2015 and December 31, 2014, respectively. These securities have par amounts of \$12.3 billion at both March 31, 2015 and December 31, 2014, and have remaining stated maturity dates that extend to 2052.

10. CONTINGENCIES, COMMITMENTS AND GUARANTEES

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

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

Legal Contingencies

Overview. In the normal course of business, AIG and our subsidiaries are, like others in the insurance and financial services industries in general, subject to litigation, including claims for punitive damages. In our insurance and mortgage guaranty operations, litigation arising from claims settlement activities is generally considered in the establishment of our liability for unpaid 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.

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

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

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

Consolidated 2008 Securities Litigation. Between May 21, 2008 and January 15, 2009, eight purported securities class action complaints were filed against AIG and certain directors and officers of AIG and AIGFP, AIG's outside auditors, and the underwriters of various securities offerings in the United States District Court for the Southern District of New York (the Southern District of New York), alleging claims under the Securities Exchange Act of 1934, as amended (the Exchange Act), or claims under the Securities Act of 1933, as amended (the Securities Act). On March 20, 2009, the Court consolidated all eight of the purported securities class actions as *In re American International Group, Inc. 2008 Securities Litigation* (the Consolidated 2008 Securities Litigation).

On May 19, 2009, the lead plaintiff in the Consolidated 2008 Securities Litigation filed a consolidated complaint on behalf of purchasers of AIG Common Stock during the alleged class period of March 16, 2006 through September 16, 2008, and on behalf of purchasers of various AIG securities offered pursuant to AIG's shelf registration statements. The consolidated complaint alleges that defendants made statements during the class period in press releases, AIG's quarterly and year-end filings, during conference calls, and in various registration statements and prospectuses in connection with the various offerings that were materially false and misleading and that artificially inflated the price of AIG Common Stock. The alleged false and misleading statements relate to, among other things, the Subprime Exposure Issues. The consolidated complaint alleges violations of Sections 10(b) and 20(a) of the Exchange Act and Sections 11, 12(a)(2), and 15 of the Securities Act. On August 5, 2009, defendants filed motions to dismiss the consolidated complaint, and on September 27, 2010, the Court denied the motions to dismiss.

On April 26, 2013, the Court dismissed all claims against the outside auditors in their entirety, and it also reduced the scope of the Securities Act claims against AIG and defendants other than the outside auditors.

On July 15, 2014, lead plaintiff and all defendants except AIG's outside auditors accepted a mediator's proposal to settle the Consolidated 2008 Securities Litigation for a cash payment by AIG of \$960 million (the AIG Settlement). On August 1, 2014, lead plaintiff and AIG's outside auditors accepted a mediator's proposal to resolve the Consolidated 2008 Securities Litigation for a cash payment by the outside auditors (the Auditor Settlement and, collectively with the AIG Settlement, the Settlement). On October 7, 2014, the Court granted lead plaintiff's Motion for Preliminary Approval of Settlement and Approval of Notice to the Class and scheduled a final settlement approval hearing for March 20, 2015. The deadline for parties to exclude themselves from the Settlement passed on January 5, 2015. On October 22, 2014, AIG made a cash payment of \$960 million, which is being held in escrow pending final, non-appealable, approval of the AIG Settlement and until all funds are distributed pursuant to the AIG Settlement. The Court entered a final order approving the AIG Settlement on March 20, 2015; however, on April 14, 2015, an individual class member/objector filed a notice of appeal of the final order approving the AIG Settlement.

Individual Securities Litigations. Between November 18, 2011 and September 16, 2013, nine separate, though similar, securities actions were filed asserting claims substantially similar to those in the Consolidated 2008 Securities Litigation against AIG and certain directors and officers of AIG and AIGFP (one such action also names as defendants AIG's outside

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auditor and the underwriters of various securities offerings). Two such actions have been voluntarily dismissed; the remainder are now pending in the Southern District of New York. On January 20, 2015, AIG and other defendants filed motions to dismiss some or all of the claims asserted in all such actions pending as of that date. On February 2, 2015, and February 9, 2015, two additional securities actions were filed in the Southern District of New York asserting claims substantially similar to those in the Consolidated 2008 Securities Litigation against AIG (one of the two actions also names as defendants certain directors and officers of AIG and AIGFP, AIG's outside auditor and certain of AIG's underwriters during the relevant period). On March 25, 2015 and April 3, 2015, AIG filed motions to dismiss the claims in whole, or in part, asserted in the two additional securities 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 that is substantially similar to those in the Consolidated 2008 Securities Litigation and the nine individual securities litigations pending in the Southern District of New York. 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 Orange County, California are time-barred. On April 30, 2015, AIG removed the action from state court in Orange County, California to federal court in the Central District of California.

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

ERISA Actions – Southern District of New York Between June 25, 2008 and November 25, 2008, AIG, certain directors and officers of AIG, and members of AIG's Retirement Board and Investment Committee were named as defendants in eight purported class action complaints asserting claims on behalf of participants in certain pension plans sponsored by AIG or its subsidiaries. The Court subsequently consolidated these eight actions as *In re American International Group, Inc. ERISA Litigation II*. On December 19, 2014, lead plaintiffs' counsel filed under seal a third consolidated amended complaint. The action purports to be brought as a class action under the Employee Retirement Income Security Act of 1974, as amended (ERISA), on behalf of all participants in or beneficiaries of certain benefit plans of AIG and its subsidiaries that offered shares of AIG Common Stock. In the third consolidated amended complaint, plaintiffs allege, among other things, that the defendants breached their fiduciary responsibilities to plan participants and their beneficiaries under ERISA, by continuing to offer the AIG Stock Fund as an investment option in the plans after it allegedly became imprudent to do so. The alleged ERISA violations relate to, among other things, the defendants' purported failure to monitor and/or disclose certain matters, including the Subprime Exposure Issues.

On January 6, 2015, the parties informed the Court that they had accepted a mediator's proposal to settle the action for \$40 million. On April 23, 2015, lead plaintiffs' counsel filed an unopposed motion for preliminary approval of the settlement, certification of a settlement class, approval of notices of settlement, approval of the plan of allocation, and setting of a fairness hearing. The entirety of the \$40 million settlement is expected to 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. If the Court grants the application, a class plaintiff will be permitted to file a statement of claim against defendants. The proposed statement of claim would assert a class period of March 16, 2006 through September 16, 2008 and would allege that during this period defendants made false and misleading statements and omissions in quarterly and annual reports and during oral presentations in violation of the Ontario Securities Act.

On April 17, 2009, defendants filed a motion record in support of their motion to stay or dismiss for lack of jurisdiction and forum non conveniens. On July 12, 2010, the Court adjourned a hearing on the motion pending a decision by the Supreme Court of Canada in a pair of actions captioned Club Resorts Ltd. v. Van Breda 2012 SCC 17. On April 18, 2012, the Supreme Court of Canada clarified the standard for determining jurisdiction over foreign and out of province defendants, such as AIG, by holding that a defendant must have some form of "actual," as opposed to a merely "virtual," presence to be deemed to be "doing business" in the jurisdiction. The Supreme Court of Canada also suggested that in future cases, defendants may contest jurisdiction even when they are found to be doing business in a Canadian jurisdiction if their business activities in the

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jurisdiction are unrelated to the subject matter of the litigation. The matter has been stayed pending further developments in the Consolidated 2008 Securities Litigation. Plaintiff has not yet moved to lift the stay.

In plaintiff's proposed statement of claim, plaintiff alleged general and special damages of \$500 million and punitive damages of \$50 million plus prejudgment interest or such other sums as the Court finds appropriate. As of May 4, 2015, the Court has not determined whether it has jurisdiction or granted plaintiff's application to file a statement of claim, no merits discovery has occurred and the action has been stayed. As a result, we are unable to reasonably estimate the possible loss or range of losses, if any, arising from the litigation.

Starr International Litigation

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

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

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

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

United States' motion to dismiss SICO's direct claims.

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

Trial in the SICO Treasury Action began in the Court of Federal Claims on September 29, 2014, and witness testimony concluded on November 24, 2014. SICO argued during trial that the two classes are entitled to a total of approximately \$40 billion in damages, plus interest. The parties have completed post-trial briefing and closing arguments took place on April 22, 2015.

While AIG is no longer a party to the SICO Treasury Action, the United States has alleged, as an affirmative defense in its answer, that AIG is obligated to indemnify the FRBNY and its representatives, including the Federal Reserve Board of Governors and the United States (as the FRBNY's principal), for any recovery in the SICO Treasury Action, and seeks a contingent offset or recoupment for the value of net operating loss benefits the United States alleges that we received as a

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result of the government's assistance. On November 8, 2013, the Court denied a motion by SICO to strike the United States' affirmative defenses of indemnification and contingent offset or recoupment.

AIG believes that any such indemnification obligation would arise only if: (a) SICO prevails on its claims at trial and receives an award of damages and prevails through any appellate process; (b) the United States 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 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 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

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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 will return to the trial court for general discovery (which has not yet commenced) and adjudication of the merits. AIG is unable to reasonably estimate the possible loss or range of losses, if any, arising from the litigation.

Regulatory and Related Matters

In 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 \$47 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) 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.

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Industry wide examinations conducted by the Minnesota Department of Insurance and the Department of Housing and Urban Development (HUD) on captive reinsurance practices by lenders and mortgage insurance companies, including United Guaranty Corporation (UGC), have been ongoing for several years. In 2011, the Consumer Financial Protection Bureau (CFPB) assumed responsibility for violations of the Real Estate Settlement Procedures Act from HUD, and assumed HUD’s aforementioned ongoing investigation. UGC and the CFPB reached a settlement, entered on April 8, 2013 by the United States District Court for the Southern District of Florida, where UGC consented to discontinue its remaining captive reinsurance practices and to pay a civil monetary penalty of \$4.5 million to the CFPB. The settlement includes a release for all liability related to UGC’s captive reinsurance practices and resolves the CFPB’s investigation. On January 31, 2014, PHH Corp. and various affiliates (all non-parties to the action and the consent order) filed a motion to reopen the case and to intervene therein for the limited purpose of obtaining a declaratory judgment enforcing the consent order. UGC opposed this request, and on March 10, 2014, the Court denied PHH Corp.’s motion. PHH Corp.’s appeal was dismissed by the Eleventh Circuit on March 5, 2015.

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

As disclosed in prior quarters, a state regulatory agency has requested additional information relating to the unwinding of a position on which we realized gains of \$196 million for the year ended December 31, 2014.

Other Contingencies

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Liability for unpaid losses and loss adjustment expenses

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Although we regularly review the adequacy of the established Liability for unpaid losses and loss adjustment expenses, there can be no assurance that our loss reserves will not develop adversely and have a material adverse effect on our results of operations. Estimation of ultimate net losses, loss

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

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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 \$2.4 billion at March 31, 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 March 31, 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.

Asset Dispositions

General

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

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

ALICO Sale

Pursuant to the terms of the ALICO stock purchase agreement, we agreed to provide MetLife with certain indemnities. The most significant remaining indemnities include indemnifications related to specific product, investment, litigation and other

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matters that are excluded from the general representations and warranties indemnity. These indemnifications provide for various deductible amounts, which in certain cases are zero, and maximum exposures, which in certain cases are unlimited, and may extend for various periods after the completion of the sale.

In connection with the indemnity obligations described above, approximately \$19 million of proceeds from the sale of ALICO remained in escrow as of March 31, 2015.

Other

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

11. EQUITY**Shares Outstanding**

The following table presents a rollforward of outstanding shares:

	Common Stock Issued	Treasury Stock	Common Stock Outstanding
Three Months Ended March 31, 2015			
Shares, beginning of year	1,906,671,492	(530,744,521)	1,375,926,971
Shares issued	-	5,995	5,995
Shares repurchased	-	(28,855,379)	(28,855,379)
Shares, end of period	1,906,671,492	(559,593,905)	1,347,077,587
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 core insurance operations and business strategies, AIG's funding capacity and capital resources in comparison to internal benchmarks, expectations for capital generation, rating agency expectations for capital, regulatory standards for capital and capital distributions, and such other factors as our Board of Directors may deem relevant.

On March 26, 2015, AIG paid a dividend of \$0.125 per share on AIG Common Stock to shareholders of record on March 12, 2015.

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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

On February 12, 2015, our Board of Directors authorized an additional increase to its previous repurchase authorization of AIG Common Stock, resulting in an aggregate remaining authorization on such date of approximately \$2.5 billion. 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 29 million shares of AIG Common Stock during the three-month period ended March 31, 2015, for an aggregate purchase price of approximately \$1.4 billion. As of March 31, 2015, approximately \$1.1 billion remained under our repurchase authorization.

The total number of shares of AIG Common Stock repurchased in the first quarter of 2015 includes (but the aggregate purchase prices 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.

Accumulated Other Comprehensive Income

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

<i>(in millions)</i>	Unrealized Appreciation (Depreciation) of Fixed Maturity Investments	Unrealized Appreciation (Depreciation) of All Other Investments	Foreign Currency Translation Adjustments
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		on Which Other-Than- Temporary Credit Impairments Were Recognized		
Balance, December 31, 2014, net of tax	\$	1,043\$	12,327\$	(1,784)\$
Change in unrealized appreciation (depreciation) of investments		(59)	1,330	-
Change in deferred acquisition costs adjustment and other		(19)	80	-
Change in future policy benefits		(23)	(380)	-
Change in foreign currency translation adjustments		-	-	(632)
Net actuarial gain		-	-	-
Prior service cost		-	-	-
Change in deferred tax asset (liability)		29	(491)	173
Total other comprehensive income (loss)		(72)	539	(459)
Noncontrolling interests		-	-	(3)
Balance, March 31, 2015, net of tax	\$	971\$	12,866\$	(2,240)\$

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Balance, December 31, 2013, net of tax	\$	936	\$ 6,789	\$ (952)	\$ (413)	\$ 6,360
Change in unrealized appreciation of investments		136	3,803	-	-	3,939
Change in deferred acquisition costs adjustment and other		32	(256)	-	-	(224)
Change in future policy benefits		(87)	(588)	-	-	(675)
Change in foreign currency translation adjustments		-	-	(102)	-	(102)
Net actuarial gain		-	-	-	14	14
Prior service cost		-	-	-	(12)	(12)
Change in deferred tax asset (liability)		8	(174)	(56)	7	(215)
Total other comprehensive income (loss)		89	2,785	(158)	9	2,725
Noncontrolling interests		-	-	-	-	-
Balance, March 31, 2014, net of tax	\$	1,025	\$ 9,574	\$ (1,110)	\$ (404)	\$ 9,085

The following table presents the other comprehensive income reclassification adjustments for the three-month periods ended March 31, 2015 and 2014:

<i>(in millions)</i>		Unrealized Appreciation (Depreciation) of Fixed Maturity Investments on Which Other-Than- Temporary Credit Impairments Were Recognized	Unrealized Appreciation (Depreciation) of All Other Investments	Foreign Currency Translation Adjustments	Change in Retirement Plan Liabilities Adjustment	T
March 31, 2015						
Unrealized change arising during period	\$	(92)	1,507	(632)	7	
Less: Reclassification adjustments included in net income		9	477	-	(24)	
Total other comprehensive income (loss), before income tax expense (benefit)		(101)	1,030	(632)	31	
Less: Income tax expense (benefit)		(29)	491	(173)	2	
Total other comprehensive income (loss), net of income tax expense (benefit)	\$	(72)	539	(459)	29	
March 31, 2014						
Unrealized change arising during period	\$	89	3,188	(102)	1	\$3,
Less: Reclassification adjustments included in net income		8	229	-	(1)	
Total other comprehensive income (loss), before income tax expense (benefit)		81	2,959	(102)	2	2,

Transfers of Level 3 Liabilities

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Less: Income tax expense (benefit)	(8)	174	56	(7)
Total other comprehensive income (loss), net of income tax expense (benefit) \$	89\$	2,785\$	(158)\$	9\$2,

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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:

<i>(in millions)</i>	Amount Reclassified from Accumulated Other Comprehensive Income Three Months Ended March 31, 2015	2014	Affected Line Item in the Condensed Consolidated Statements of Income
Unrealized appreciation (depreciation) of fixed maturity investments on which other-than-temporary credit impairments were recognized			
Investments	\$ 9	\$ 8	Other realized capital gains
Total	9	8	
Unrealized appreciation (depreciation) of all other investments			
Investments	512	204	Other realized capital gains
Deferred policy acquisition costs adjustment	(35)	35	Amortization of deferred policy acquisition costs
Future policy benefits	-	(10)	Policyholder benefits and losses incurred
Total	477	229	
Change in retirement plan liabilities adjustment			
Prior-service costs	12	12	*
Actuarial gains/(losses)	(36)	(13)	*
Total	(24)	(1)	
Total reclassifications for the period	\$ 462	\$ 236	

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

12. NONCONTROLLING INTERESTS

The following table presents a rollforward of noncontrolling interests:

<i>(in millions)</i>	Redeemable Noncontrolling Interests	Non-redeemable Noncontrolling Interests
Three Months Ended March 31, 2015		
Balance, beginning of year	\$ -	\$ 374
Contributions from noncontrolling interests	-	1
Distributions to noncontrolling interests	-	(4)
Consolidation (deconsolidation)	-	7
Comprehensive income (loss):		
Net income (loss)	-	9
Foreign currency translation adjustments	-	(3)
Total other comprehensive income (loss), net of tax	-	(3)
Total comprehensive income (loss)	-	6
Other	-	4
Balance, end of period	\$ -	\$ 388

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Balance, beginning of year	\$	30	\$	611
Contributions from noncontrolling interests		1		5
Distributions to noncontrolling interests		-		(22)
Consolidation (deconsolidation)		(4)		(34)
Comprehensive income:				
Net income		-		3
Total comprehensive income		-		3
Other		-		(3)
Balance, end of period	\$	27	\$	560

13. EARNINGS PER SHARE (EPS)

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

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

Three Months Ended March 31,*(dollars in millions, except per share data)*

		2015	2014
Numerator for EPS:			
Income from continuing operations	\$	2,476	\$ 1,659
Less: Net income from continuing operations attributable to noncontrolling interests		9	3
Income attributable to AIG common shareholders from continuing operations		2,467	1,656
Income (loss) from discontinued operations		1	(47)
Income (loss) attributable to AIG common shareholders from discontinued operations		1	(47)
Net income attributable to AIG common shareholders	\$	2,468	\$ 1,609
Denominator for EPS:			
Weighted average shares outstanding — basic		1,365,951,690	1,459,249,393
Dilutive shares		20,311,859	13,261,420
Weighted average shares outstanding — diluted		1,386,263,549	1,472,510,813

Income per common share attributable to AIG:

Basic:

Income from continuing operations	\$	1.81	\$	1.13
Loss from discontinued operations	\$		-\$	(0.03)
Net income attributable to AIG	\$	1.81	\$	1.10

Diluted:

Income from continuing operations	\$	1.78	\$	1.12
Loss from discontinued operations	\$		-\$	(0.03)
Net income attributable to AIG	\$	1.78	\$	1.09

* Dilutive shares are calculated using the treasury stock method and include dilutive shares from share based employee compensation plans. The number of shares excluded from diluted shares outstanding was 0.6 and 0.3 million for the three-month periods ended March 31, 2015 and 2014, respectively, because the effect of including those shares in the calculation would have been anti-dilutive.

TABLE OF CONTENTS**Item 1 / NOTE 14. EMPLOYEE BENEFITS****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)****14. EMPLOYEE BENEFITS**

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

<i>(in millions)</i>	Pension			Postretirement		
	U.S. Plans	Non-U.S. Plans	Total	U.S. Plans	Non-U.S. Plans	Total
Three Months Ended March 31, 2015						
Components of net periodic benefit cost:						
Service cost	\$ 52	\$ 11	\$ 63	\$ 2	\$ 1	\$ 3
Interest cost	55	6	61	2	1	3
Expected return on assets	(72)	(6)	(78)	-	-	-
Amortization of prior service (credit) cost	(8)	(1)	(9)	(3)	-	(3)
Amortization of net (gain) loss	32	3	35	-	-	-
Net periodic benefit cost	\$ 59	\$ 13	\$ 72	\$ 1	\$ 2	\$ 3
Three Months Ended March 31, 2014						
Components of net periodic benefit cost:						
Service cost	\$ 44	\$ 11	\$ 55	\$ 1	\$ -	\$ 1
Interest cost	57	7	64	2	1	3
Expected return on assets	(71)	(6)	(77)	-	-	-
Amortization of prior service (credit) cost	(8)	(1)	(9)	(2)	-	(2)
Amortization of net (gain) loss	11	2	13	-	-	-
Curtailment (gain) loss	-	-	-	-	-	-
Net periodic benefit cost	\$ 33	\$ 13	\$ 46	\$ 1	\$ 1	\$ 2

For the three-month period ended March 31, 2015, we contributed \$56 million to our U.S. and non-U.S. pension plans and we estimate that we will contribute an additional \$117 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.

15. INCOME TAXES

Interim Tax Calculation Method

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

Interim Tax Expense (Benefit)

For the three-month period ended March 31, 2015, the effective tax rate on income from continuing operations was 34.4 percent. The effective tax rate on income from continuing operations differs from the statutory tax rate of 35 percent primarily due to tax benefits associated with tax-exempt interest income, partially offset by an increase in certain deferred tax asset valuation allowances associated with foreign jurisdictions primarily attributable to changes in statutory tax rates and the net operating loss utilization statutory limitation in Japan.

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Item 1 / NOTE 15. INCOME TAXES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

For the three-month period ended March 31, 2014, the effective tax rate on income from continuing operations was 27.0 percent. The effective tax rate on income from continuing operations differs from the statutory tax rate of 35 percent primarily due to tax benefits associated with tax exempt interest income and a decrease in the U.S. Life Insurance Companies' capital loss carryforward valuation allowance from realized gains on sales of available for sale securities.

Assessment of Deferred Tax Asset Valuation Allowance

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

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

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

In performing our assessment of the recoverability of the deferred tax asset under this framework, we consider tax laws governing 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 and non-life companies. While U.S. tax liability of our non-life companies can be offset by the net operating loss carryforwards, only a portion of U.S. tax liability of our life companies can be offset by the 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.

During the three-month period ended March 31, 2015, we recognized an increase of \$85 million in our deferred tax asset valuation allowance associated with certain foreign jurisdictions, primarily attributable to changes in Japanese tax law enacted on March 31, 2015.

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. Oral arguments have been scheduled for May 18, 2015.

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

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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

Accounting for Uncertainty in Income Taxes

At both March 31, 2015 and December 31, 2014, our unrecognized tax benefits, excluding interest and penalties, were \$4.4 billion. At March 31, 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 March 31, 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.

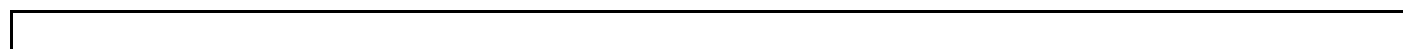
Interest and penalties related to unrecognized tax benefits are recognized in income tax expense. At both March 31, 2015 and December 31, 2014, we had accrued liabilities of \$1.1 billion for the payment of interest (net of the federal benefit) and penalties. For the three-month periods ended March 31, 2015 and 2014, we accrued expense (benefit) of \$(12) million and \$20 million, respectively, for the payment of interest (net of the federal benefit) and penalties.

We regularly evaluate adjustments proposed by taxing authorities. At March 31, 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.

16. 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



	American International Group, Inc. (As Guarantor)	AIGLH	Subsidiaries	Reclassifications Other Eliminations	Consolidated AIG
<i>(in millions)</i>					
March 31, 2015					
Assets:					
Short-term investments	\$ 7,639	\$ -	\$ 5,239	(917)	\$ 11,961
Other investments ^(a)	12,000	-	332,852	-	344,852
Total investments	19,639	-	338,091	(917)	356,813
Cash	65	8	1,750	-	1,823
Loans to subsidiaries ^(b)	30,016	-	559	(30,575)	-
Investment in consolidated subsidiaries ^(b)	64,739	36,372	-	(101,111)	-
Other assets, including deferred income taxes	23,297	102	145,331	(6,665)	162,065
Total assets	\$ 137,756	\$ 36,482	\$ 485,731	(139,268)	\$ 520,701

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Insurance liabilities	\$	-	\$	-	\$ 269,521	\$	-	\$ 269,521
Long-term debt		22,137		820		9,042		-
Other liabilities, including intercompany balances ^{(a)(c)}		7,087		59		107,361		(3,693)
Loans from subsidiaries ^(b)		553		-		30,017		(30,570)
Total liabilities		29,777		879		415,941		(34,263)
Total AIG shareholders' equity		107,979		35,603		69,402		(105,005)
Non-redeemable noncontrolling interests		-		-		388		-
Total equity		107,979		35,603		69,790		(105,005)
Total liabilities and equity		\$ 137,756		\$ 36,482		\$ 485,731		\$(139,268)

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: