AMERICAN INTERNATIONAL GROUP INC
Form 10-Q
November 03, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2017	**Commission File Number 1-8787**

American International Group, Inc.

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

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

As of October 30, 2017, there were 898,959,371 shares outstanding of the registrant’s common stock.

AMERICAN INTERNATIONAL GROUP, INC.

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

September 30, 2017

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Part I – Financial Information

Item 1. | Financial Statements

American International Group, Inc.

Condensed Consolidated Balance Sheets *(unaudited)*

	Sep
(in millions, except for share data)	
Assets:	
Investments:	
Fixed maturity securities:	
Bonds available for sale, at fair value (amortized cost: 2017 - $224,143; 2016 - $232,241)	$
Other bond securities, at fair value (*See Note 6*)	
Equity Securities:	
Common and preferred stock available for sale, at fair value (cost: 2017 - $1,274; 2016 - $1,697)	
Other common and preferred stock, at fair value (*See Note 6*)	
Mortgage and other loans receivable, net of allowance (portion measured at fair value: 2017 - $5; 2016 - $11)	
Other invested assets (portion measured at fair value: 2017 - $6,503; 2016 - $6,946)	
Short-term investments (portion measured at fair value: 2017 - $2,603; 2016 - $3,341)	
Total investments	
Cash	
Accrued investment income	
Premiums and other receivables, net of allowance	
Reinsurance assets, net of allowance	
Deferred income taxes	
Deferred policy acquisition costs	
Other assets, including restricted cash of $219 in 2017 and $193 in 2016 (portion measured at fair value: 2017 - $900; 2016 - $1,809)	
Separate account assets, at fair value	
Assets held for sale	
Total assets	$
Liabilities:	
Liability for unpaid losses and loss adjustment expenses	$
Unearned premiums	
Future policy benefits for life and accident and health insurance contracts	
Policyholder contract deposits (portion measured at fair value: 2017 - $3,988; 2016 - $3,058)	
Other policyholder funds (portion measured at fair value: 2017 - $0; 2016 - $5)	
Other liabilities (portion measured at fair value: 2017 - $1,220; 2016 - $2,016)	
Long-term debt (portion measured at fair value: 2017 - $2,998; 2016 - $3,428)	

Separate account liabilities
Liabilities held for sale
Total liabilities
Contingencies, commitments and guarantees (*See Note 11*)

AIG shareholders' equity:
Common stock, $2.50 par value; 5,000,000,000 shares authorized; shares issued: 2017 - 1,906,671,492 and 2016 - 1,906,671,492
Treasury stock, at cost; 2017 - 1,007,791,405 shares; 2016 - 911,335,651 shares of common stock
Additional paid-in capital
Retained earnings
Accumulated other comprehensive income
Total AIG shareholders' equity
Non-redeemable noncontrolling interests
Total equity
Total liabilities and equity **$**

See accompanying Notes to Condensed Consolidated Financial Statements.

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American International Group, Inc.

Condensed Consolidated Statements of Income (Loss) (unaudited)

	Three Months Ended September 30,	
(dollars in millions, except per share data)	**2017**	2016
Revenues:		
Premiums	**$ 8,063**	$ 8,581
Policy fees	**728**	646
Net investment income	**3,416**	3,783
Net realized capital losses:		
Total other-than-temporary impairments on available for sale securities	**(66)**	(58)
Portion of other-than-temporary impairments on available for sale fixed maturity securities recognized in Other comprehensive income	**(8)**	(14)
Net other-than-temporary impairments on available for sale securities recognized in net income (loss)	**(74)**	(72)
Other realized capital losses	**(848)**	(693)
Total net realized capital losses	**(922)**	(765)
Other income	**466**	609
Total revenues	**11,751**	12,854
Benefits, losses and expenses:		
Policyholder benefits and losses incurred	**10,322**	7,489
Interest credited to policyholder account balances	**867**	887
Amortization of deferred policy acquisition costs	**912**	1,018
General operating and other expenses	**2,149**	2,536
Interest expense	**290**	329
(Gain) loss on extinguishment of debt	**1**	(14)
Net (gain) loss on sale of divested businesses	**13**	(128)
Total benefits, losses and expenses	**14,554**	12,117
Income (loss) from continuing operations before income tax expense (benefit)	**(2,803)**	737
Income tax expense (benefit)	**(1,091)**	304
Income (loss) from continuing operations	**(1,712)**	433
Income (loss) from discontinued operations, net of income tax expense	**(1)**	3
Net income (loss)	**(1,713)**	436
Less:		
Net income (loss) from continuing operations attributable to noncontrolling interests	**26**	(26)
Net income (loss) attributable to AIG	**$ (1,739)**	$ 462

Income (loss) per common share attributable to AIG:

Basic:

Income (loss) from continuing operations	**$ (1.91)**	$ 0.43	**$**
Income (loss) from discontinued operations	**$ -**	$ -	**$**
Net income (loss) attributable to AIG	**$ (1.91)**	$ 0.43	**$**
Diluted:			
Income (loss) from continuing operations	**$ (1.91)**	$ 0.42	**$**
Income (loss) from discontinued operations	**$ -**	$ -	**$**
Net income (loss) attributable to AIG	**$ (1.91)**	$ 0.42	**$**
Weighted average shares outstanding:			
Basic	**908,667,044**	1,071,295,892	**93**
Diluted	**908,667,044**	1,102,400,770	**96**
Dividends declared per common share	**$ 0.32**	$ 0.32	**$**

See accompanying Notes to Condensed Consolidated Financial Statements.

American International Group, Inc.

Condensed Consolidated Statements of Comprehensive Income (Loss) (unaudited)

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

See accompanying Notes to Condensed Consolidated Financial Statements.

American International Group, Inc.

Condensed Consolidated Statements of Equity (unaudited)

(in millions)	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	To
Nine Months Ended September 30, 2017						
Balance, beginning of year	**$ 4,766**	**$ (41,471)**	**$ 81,064**	**$ 28,711**	**$ 3,230**	**$**
Common stock issued under stock plans	**-**	**140**	**(304)**	**-**	**-**	
Purchase of common stock	**-**	**(6,275)**	**-**	**-**	**-**	
Net income attributable to AIG or noncontrolling interests	**-**	**-**	**-**	**576**	**-**	
Dividends	**-**	**-**	**-**	**(884)**	**-**	
Other comprehensive income	**-**	**-**	**-**	**-**	**2,709**	
Current and deferred income taxes	**-**	**-**	**(4)**	**-**	**-**	
Net increase due to acquisitions and consolidations	**-**	**-**	**-**	**-**	**-**	
Contributions from noncontrolling interests	**-**	**-**	**-**	**-**	**-**	
Distributions to noncontrolling interests	**-**	**-**	**-**	**-**	**-**	
Other	**-**	**4**	**220**	**(14)**	**-**	
Balance, end of period	**$ 4,766**	**$ (47,602)**	**$ 80,976**	**$ 28,389**	**$ 5,939**	**$**
Nine Months Ended September 30, 2016						
Balance, beginning of year	$ 4,766	$ (30,098)	$ 81,510	$ 30,943	$ 2,537	$
Common stock issued under stock plans	-	86	(173)	-	-	
Purchase of common stock	-	(8,506)	-	-	-	
Net income (loss) attributable to AIG or noncontrolling interests	-	-	-	2,192	-	
Dividends	-	-	-	(1,051)	-	
Other comprehensive income (loss)	-	-	-	-	6,520	
Current and deferred income taxes	-	-	19	-	-	
Net increase due to acquisitions and consolidations	-	-	-	-	-	
Contributions from noncontrolling interests	-	-	-	-	-	
Distributions to noncontrolling interests	-	-	-	-	-	
Other	-	-	(75)	(7)	-	
Balance, end of period	$ 4,766	$ (38,518)	$ 81,281	$ 32,077	$ 9,057	$

See accompanying Notes to Condensed Consolidated Financial Statements.

American International Group, Inc.

Condensed Consolidated Statements of Cash Flows (unaudited)

		Nine Ended
(in millions)		20
Cash flows from operating activities:		
Net income	$	6
(Income) loss from discontinued operations		(
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Noncash revenues, expenses, gains and losses included in income (loss):		
Net gains on sales of securities available for sale and other assets		(40
Net (gain) loss on sale of divested businesses		1
(Gains) losses on extinguishment of debt		(
Unrealized losses in earnings - net		2
Equity in (income) loss from equity method investments, net of dividends or distributions		(33
Depreciation and other amortization		2,8
Impairments of assets		6
Changes in operating assets and liabilities:		
Insurance reserves		4,4
Premiums and other receivables and payables - net		3
Reinsurance assets and funds held under reinsurance treaties		(12,70
Capitalization of deferred policy acquisition costs		(3,59
Current and deferred income taxes - net		(50
Other, net		(89
Total adjustments		(9,80
Net cash provided by (used in) operating activities		(9,19
Cash flows from investing activities:		
Proceeds from (payments for)		
Sales or distributions of:		
Available for sale securities		27,7
Other securities		2,6
Other invested assets		4,3
Divested businesses, net		6
Maturities of fixed maturity securities available for sale		22,1
Principal payments received on and sales of mortgage and other loans receivable		3,9
Purchases of:		
Available for sale securities		(38,71
Other securities		(35
Other invested assets		(2,35
Mortgage and other loans receivable		(6,51

Net change in restricted cash				**(2**
Net change in short-term investments				**2,8**
Other, net				**(1,50**
Net cash provided by investing activities				**14,7**
Cash flows from financing activities:				
Proceeds from (payments for)				
Policyholder contract deposits				**13,1**
Policyholder contract withdrawals				**(11,36**
Issuance of long-term debt				**2,4**
Repayments of long-term debt				**(2,75**
Purchase of common stock				**(6,27**
Dividends paid				**(88**
Other, net				**5**
Net cash used in financing activities				**(5,12**
Effect of exchange rate changes on cash				**(2**
Net increase in cash				**4**
Cash at beginning of year				**1,8**
Change in cash of businesses held for sale				**1**
Cash at end of period				**$ 2,4**
Supplementary Disclosure of Condensed Consolidated Cash Flow Information				
Cash paid during the period for:				
Interest	**$ 1,046**	$ 1,009		
Taxes	**$ 490**	$ 208		
Non-cash investing/financing activities:				
Interest credited to policyholder contract deposits included in financing activities	**$ 2,494**	$ 2,691		

See accompanying Notes to Condensed Consolidated Financial Statements.

1. Basis of Presentation

American International Group, Inc. (AIG) is a leading global insurance organization serving customers in more than 80 countries and jurisdictions. AIG companies serve commercial and individual customers through one of the most extensive worldwide property casualty networks of any insurer. In addition, AIG companies are leading providers of life insurance and retirement services in the United States. AIG Common Stock, par value $2.50 per share (AIG Common Stock), is listed on the New York Stock Exchange (NYSE: AIG) and the Tokyo Stock Exchange. Unless the context indicates otherwise, the terms "AIG," "we," "us" or "our" mean American International Group, Inc. and its consolidated subsidiaries and the term "AIG Parent" means American International Group, Inc. and not any of its consolidated subsidiaries.

These unaudited Condensed Consolidated Financial Statements do not include all disclosures that are normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States (GAAP) and should be read in conjunction with the audited Consolidated Financial Statements and the related notes included in our Annual Report on Form 10-K for the year ended December 31, 2016 (the 2016 Annual Report). The condensed consolidated financial information as of December 31, 2016 included herein has been derived from the audited Consolidated Financial Statements in the 2016 Annual Report.

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

Interim-period operating results may not be indicative of the operating results for a full year. We evaluated the need to recognize or disclose events that occurred subsequent to September 30, 2017 and prior to the issuance of these Condensed Consolidated Financial Statements.

Use of Estimates

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

- income tax assets and liabilities, including recoverability of our net deferred tax asset and the predictability of future tax operating profitability of the character necessary to realize the net deferred tax asset;
- liability for unpaid losses and loss adjustment expenses (loss reserves);
- reinsurance assets;
- valuation of future policy benefit liabilities and timing and extent of loss recognition;
- valuation of liabilities for guaranteed benefit features of variable annuity products;
- estimated gross profits to value deferred policy acquisition costs for investment-oriented products;

- impairment charges, including other-than-temporary impairments on available for sale securities, impairments on other invested assets, including investments in life settlements, and goodwill impairment;
- liability for legal contingencies; and
- fair value measurements of certain financial assets and liabilities.

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

2. Summary of Significant Accounting Policies

Accounting Standards Adopted During 2017

Derivative Contract Novations

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

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

Contingent Put and Call Options in Debt Instruments

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

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

Simplifying the Transition to the Equity Method of Accounting

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

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

Interest Held through Related Parties that are under Common Control

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

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

Future Application of Accounting Standards

Revenue Recognition

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

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

Recognition and Measurement of Financial Assets and Financial Liabilities

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

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

Leases

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

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

Financial Instruments - Credit Losses

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

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

Classification of Certain Cash Receipts and Cash Payments

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

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

Intra-Entity Transfers of Assets Other than Inventory

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

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

Restricted Cash

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

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

Clarifying the Definition of a Business

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

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

Simplifying the Test for Goodwill Impairment

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

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

Gains and Losses from the Derecognition of Nonfinancial Assets

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

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

Improving the Presentation of Net Periodic Pension and Postretirement Benefit Cost

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

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

Premium Amortization on Purchased Callable Debt Securities

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

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

Modification of Share-Based Payment Awards

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

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

Derivatives and Hedging

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

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

3. Segment Information

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

We report our results of operations as follows:

- Commercial Insurance business is presented as two operating segments:

- Liability and Financial Lines
- Property and Special Risks

• Consumer Insurance business is presented as four operating segments:

- Individual Retirement
- Group Retirement
- Life Insurance
- Personal Insurance

• The Other Operations category consists of:

- Institutional Markets
- Income from assets held by AIG Parent and other corporate subsidiaries
- General operating expenses not attributable to specific reporting segments
- Interest expense
- United Guaranty Corporation (United Guaranty) — The sale of this business was completed on December 31, 2016
- AIG Fuji Life Insurance Company, Ltd. (Fuji Life) — The sale of this business was completed on April 30, 2017

• The Legacy Portfolio segment consists of:

- Legacy Property and Casualty Run-Off Insurance Lines
- Legacy Life Insurance Run-Off Lines
- Legacy Investments

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

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

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

Nine Months Ended September 30,	**2017**	
	Total	Pre-Tax Operating
(in millions)	Revenues	Income (Loss)
Commercial Insurance		
Liability and Financial Lines	**$ 8,443**	**$ 903**
Property and Special Risks	**5,365**	**(2,200)**
Total Commercial Insurance	**13,808**	**(1,297)**

Consumer Insurance				
Individual Retirement	**4,099**	**1,815**	4,382	1,72
Group Retirement	**2,116**	**758**	2,053	67
Life Insurance	**3,043**	**272**	2,862	(27
Personal Insurance	**8,618**	**471**	8,735	51
Total Consumer Insurance	**17,876**	**3,316**	18,032	2,88
Other Operations	**3,207**	**(835)**	3,015	(565
Legacy Portfolio	**3,235**	**1,059**	3,003	(94
AIG Consolidation and elimination	**(237)**	**75**	(406)	
Total AIG Consolidated revenues and pre-tax operating income	**37,889**	**2,318**	39,902	4,50
Reconciling Items from revenues and pre-tax operating income to revenues and pre-tax income:				
Changes in fair value of securities used to hedge guaranteed living benefits	**117**	**117**	270	27
Changes in benefit reserves and DAC, VOBA and SIA related to net realized capital gains	**-**	**195**	-	(91
(Unfavorable) favorable prior year development and related amortization changes ceded under retroactive reinsurance agreements	**-**	**(258)**	-	1
Gain (Loss) on extinguishment of debt	**-**	**4**	-	(76
Net realized capital losses	**(1,106)**	**(1,106)**	(829)	(829
Gain (loss) from divested businesses	**-**	**(173)**	-	35
Non-operating litigation reserves and settlements	**17**	**86**	42	4
Net loss reserve discount (benefit) charge	**-**	**(283)**	-	(323
Pension expense related to a one-time lump sum payment to former employees	**-**	**(50)**	-	
Restructuring and other costs	**-**	**(259)**	-	(488
Other	**(32)**	**-**	(28)	
Revenues and Pre-tax income	**$ 36,885$**	**591**	$ 39,357$	3,38

4. Held-For-Sale Classification

Held-For-Sale Classification

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

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

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

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

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

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

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

5. Fair Value Measurements

Fair Value Measurements on a Recurring Basis

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

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

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

- **Level 3:** Fair value measurements based on valuation techniques that use significant inputs that are unobservable. Both observable and unobservable inputs may be used to determine the fair values of positions classified in Level 3. The circumstances for using these measurements include those in which there is little, if any, market activity for the asset or liability. Therefore, we must make certain assumptions about the inputs a hypothetical market participant would use to value that asset or liability.

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

Assets and Liabilities Measured at Fair Value on a Recurring Basis

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

September 30, 2017 *(in millions)*	Level 1	Level 2	Level 3	Counterparty Netting[b]	Cash Collateral	
Assets:						
Bonds available for sale:						
U.S. government and government sponsored entities	$ 1	$ 2,383	$ -	$ -	$ -	$
Obligations of states, municipalities and political subdivisions	-	16,460	2,371	-	-	1
Non-U.S. governments	56	15,526	11	-	-	1
Corporate debt	-	132,475	1,210	-	-	13
RMBS	-	21,095	16,414	-	-	3
CMBS	-	12,853	665	-	-	1
CDO/ABS	-	7,837	8,414	-	-	1
Total bonds available for sale	57	208,629	29,085	-	-	23
Other bond securities:						
U.S. government and government sponsored entities	33	2,796	-	-	-	
Non-U.S. governments	-	55	-	-	-	
Corporate debt	-	1,844	18	-	-	
RMBS	-	426	1,443	-	-	
CMBS	-	491	65	-	-	
CDO/ABS	-	648	4,834	-	-	
Total other bond securities	33	6,260	6,360	-	-	1
Equity securities available for sale:						
Common stock	1,051	-	5	-	-	
Preferred stock	18	559	-	-	-	
Mutual funds	74	-	-	-	-	
Total equity securities available for sale	1,143	559	5	-	-	
Other equity securities	538	-	-	-	-	
Mortgage and other loans receivable	-	-	5	-	-	
Other invested assets[a]	-	1	259	-	-	
Derivative assets:						
Interest rate contracts	2	2,252	-	-	-	
Foreign exchange contracts	-	867	-	-	-	
Equity contracts	191	209	69	-	-	
Credit contracts	-	-	1	-	-	
Other contracts	-	2	21	-	-	
Counterparty netting and cash collateral	-	-	-	(1,390)	(1,324)	(2
Total derivative assets	193	3,330	91	(1,390)	(1,324)	

Short-term investments	2,247	356	-	-	-	
Separate account assets	84,239	5,061	-	-	-	8
Total	$ 88,450	$224,196	$ 35,805	$ (1,390)	$(1,324)	$34
Liabilities:						
Policyholder contract deposits	$ -	$ 14	$ 3,974	$ -	$ -	$
Other policyholder funds	-	-	-	-	-	
Derivative liabilities:						
Interest rate contracts	-	2,228	26	-	-	
Foreign exchange contracts	-	1,298	3	-	-	
Equity contracts	56	3	-	-	-	
Credit contracts	-	4	274	-	-	
Other contracts	-	-	5	-	-	
Counterparty netting and cash collateral	-	-	-	(1,390)	(1,395)	(2
Total derivative liabilities	56	3,533	308	(1,390)	(1,395)	
Long-term debt	-	2,995	3	-	-	
Other liabilities	75	33	-	-	-	
Total	$ 131	$ 6,575	$ 4,285	$ (1,390)	$(1,395)	$

December 31, 2016 *(in millions)*	Level 1	Level 2	Level 3	Counterparty Netting[b]	Cash Collateral	
Assets:						
Bonds available for sale:						
U.S. government and government sponsored entities	$ 63	$ 1,929	$ -	$ -	$ -	$
Obligations of states, municipalities and political subdivisions	-	22,732	2,040	-	-	2
Non-U.S. governments	52	14,466	17	-	-	1
Corporate debt	-	131,047	1,133	-	-	13
RMBS	-	20,468	16,906	-	-	3
CMBS	-	12,231	2,040	-	-	1
CDO/ABS	-	8,578	7,835	-	-	1
Total bonds available for sale	115	211,451	29,971	-	-	24
Other bond securities:						
U.S. government and government sponsored entities	-	2,939	-	-	-	
Non-U.S. governments	-	51	-	-	-	
Corporate debt	-	1,755	17	-	-	
RMBS	-	420	1,605	-	-	
CMBS	-	448	155	-	-	
CDO/ABS	-	905	5,703	-	-	
Total other bond securities	-	6,518	7,480	-	-	1
Equity securities available for sale:						
Common stock	1,056	9	-	-	-	
Preferred stock	752	-	-	-	-	
Mutual funds	260	1	-	-	-	
Total equity securities available for sale	2,068	10	-	-	-	
Other equity securities	482	-	-	-	-	
Mortgage and other loans receivable	-	-	11	-	-	
Other invested assets[a]	-	1	204	-	-	
Derivative assets:						
Interest rate contracts	-	2,328	-	-	-	
Foreign exchange contracts	-	1,320	-	-	-	
Equity contracts	188	59	58	-	-	
Credit contracts	-	-	2	-	-	
Other contracts	-	6	16	-	-	
Counterparty netting and cash collateral	-	-	-	(1,265)	(903)	(2
Total derivative assets	188	3,713	76	(1,265)	(903)	
Short-term investments	2,660	681	-	-	-	
Separate account assets	77,318	5,654	-	-	-	8
Total	$ 82,831	$228,028	$ 37,742	$ (1,265)	$ (903)	$34
Liabilities:						
Policyholder contract deposits	$ -	$ 25	$ 3,033	$ -	$ -	$
Other policyholder funds	5	-	-	-	-	

Derivative liabilities:						
Interest rate contracts	-	3,039	38	-	-	
Foreign exchange contracts	-	1,358	11	-	-	
Equity contracts	12	7	-	-	-	
Credit contracts	-	-	331	-	-	
Other contracts	-	1	5	-	-	
Counterparty netting and cash collateral	-	-	-	(1,265)	(1,521)	(2
Total derivative liabilities	12	4,405	385	(1,265)	(1,521)	
Long-term debt	-	3,357	71	-	-	
Total	$ 17	$ 7,787	$ 3,489	$ (1,265)	$ (1,521)	$

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

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

Transfers of Level 1 and Level 2 Assets and Liabilities

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

We had no material transfers of preferred stock or securities issued by the U.S. government and government sponsored entities from Level 1 to Level 2 during the three-month period ended September 30, 2017. During the three- and nine-month periods ended September 30, 2017, we transferred $300 million and $352 million, respectively, of securities issued by Non-U.S. government entities from Level 1 to Level 2, as they are no longer considered actively traded. For similar reasons, during the nine-month period ended September 30, 2017, we transferred $113 million of securities issued by the U.S. government and government sponsored entities from Level 1 to Level 2. Additionally, we transferred $126 million of preferred stock from Level 1 to Level 2 during the nine-month period ended September 30, 2017. We had no material transfers from Level 2 to Level 1 during the three- and nine-month periods ended September 30, 2017.

During the three- and nine-month periods ended September 30, 2016, we transferred $635 million and $946 million, respectively, of securities issued by Non-U.S. government entities from Level 1 to Level 2, as they are no longer considered actively traded. For similar reasons, during the three- and nine-month periods ended September 30, 2016, we transferred $18 million and $34 million, respectively, of securities issued by the U.S. government and government sponsored entities from Level 1 to Level 2. We had no material transfers from Level 2 to Level 1 during the three- and nine-month periods ended September 30, 2016.

Changes in Level 3 Recurring Fair Value Measurements

The following tables present changes during the three- and nine-month periods ended September 30, 2017 and 2016 in Level 3 assets and liabilities measured at fair value on a recurring basis, and the realized and unrealized gains (losses) related to the Level 3 assets and liabilities in the Condensed Consolidated Balance Sheets at September 30, 2017 and 2016:

(in millions)	Fair Value Beginning of Period	Net Realized and Unrealized Gains (Losses) Included in Income	Other Comprehensive Income (Loss)	Purchases, Sales, Issues and Settlements, Net	Gross Transfers In
Three Months Ended September 30, 2017					
Assets:					
Bonds available for sale:					
Obligations of states, municipalities and political subdivisions	$ 2,285	$ 2	$ 38	$ 52	$ -
Non-U.S. governments	12	(5)	4	-	-
Corporate debt	932	5	(2)	(53)	449
RMBS	16,393	253	495	(731)	11
CMBS	735	2	5	(77)	-
CDO/ABS	8,605	8	(12)	(166)	-
Total bonds available for sale	28,962	265	528	(975)	460
Other bond securities:					
Corporate debt	28	1	-	-	-
RMBS	1,510	63	-	(130)	-
CMBS	66	2	-	42	-
CDO/ABS	5,234	111	-	(505)	-
Total other bond securities	6,838	177	-	(593)	-
Equity securities available for sale:					
Common stock	7	-	-	(2)	-
Total equity securities available for sale	7	-	-	(2)	-
Other equity securities	-	-	-	-	-
Mortgage and other loans receivable	5	-	-	-	-
Other invested assets	225	-	(2)	36	-
Total	$ 36,037	$ 442	$ 526	$ (1,534)	$ 460

Net
Realized and

(in millions)	Fair Value Beginning of Period	Unrealized (Gains) Losses Included in Income	Other Comprehensive Income (Loss)	Purchases, Sales, Issues and Settlements, Net	Gross Transfers In
Liabilities:					
Policyholder contract deposits	$ 3,518	$ 299	$ -	$ 157	$ -
Derivative liabilities, net:					
Interest rate contracts	30	(2)	-	(2)	-
Foreign exchange contracts	7	-	-	(4)	-
Equity contracts	(63)	(11)	-	5	-
Credit contracts	293	(19)	-	(1)	-
Other contracts	(16)	(19)	-	19	-
Total derivative liabilities, net[(a)]	251	(51)	-	17	-
Long-term debt[(b)]	61	2	-	(60)	-
Total	$ 3,830	$ 250	$ -	$ 114	$ -

(in millions)	Fair Value Beginning of Period	Net Realized and Unrealized Gains (Losses) Included in Income	Other Comprehensive Income (Loss)	Purchases, Sales, Issues and Settlements, Net	Gross Transfers In
Nine Months Ended September 30, 2017					
Assets:					
Bonds available for sale:					
Obligations of states, municipalities and political subdivisions	$ 2,040	$ 3	$ 123	$ 221	$ 8
Non-U.S. governments	17	(5)	5	(6)	-
Corporate debt	1,133	6	(2)	(219)	655
RMBS	16,906	806	992	(2,270)	19
CMBS	2,040	25	12	(699)	-
CDO/ABS	7,835	(14)	168	478	-
Total bonds available for sale	29,971	821	1,298	(2,495)	682
Other bond securities:					
Corporate debt	17	2	-	10	-
RMBS	1,605	184	-	(313)	-
CMBS	155	4	-	24	-
CDO/ABS	5,703	459	-	(1,322)	-
Total other bond securities	7,480	649	-	(1,601)	-
Equity securities available for sale:					
Common stock	-	-	-	6	-
Total equity securities available for sale	-	-	-	6	-
Other equity securities	-	-	-	-	-
Mortgage and other loans receivable	11	-	-	(6)	-
Other invested assets	204	3	(5)	58	-
Total	$ 37,666	$ 1,473	$ 1,293	$ (4,038)	$ 682

(in millions)	Fair Value Beginning of Period	Net Realized and Unrealized (Gains) Losses Included in Income	Other Comprehensive Income (Loss)	Purchases, Sales, Issues and Settlements, Net	Gross Transfers In
Liabilities:					

Policyholder contract deposits	$ 3,033	$ 594	$ -	$ 347	$ -
Derivative liabilities, net:					
Interest rate contracts	38	(3)	-	(9)	-
Foreign exchange contracts	11	1	-	(9)	-
Equity contracts	(58)	(26)	-	15	-
Credit contracts	329	(55)	-	(1)	-
Other contracts	(11)	(58)	-	56	(3)
Total derivative liabilities, net[(a)]	309	(141)	-	52	(3)
Long-term debt[(b)]	71	16	-	(84)	-
Total	$ 3,413	$ 469	$ -	$ 315	$ (3) $

(in millions)	Fair value Beginning of Period	Net Realized and Unrealized Gains (Losses) Included in Income	Other Comprehensive Income (Loss)	Purchases, Sales, Issues and Settlements, Net	Tra
Three Months Ended September 30, 2016					
Assets:					
Bonds available for sale:					
Obligations of states, municipalities and political subdivisions	$ 2,313	$ 1	$ (5)	$ 58	$
Non-U.S. governments	28	(3)	(9)	3	
Corporate debt	836	(4)	7	(6)	
RMBS	16,779	255	304	(165)	
CMBS	2,295	12	(5)	(1)	
CDO/ABS	7,075	7	16	728	
Total bonds available for sale	29,326	268	308	617	
Other bond securities:					
Corporate debt	18	1	-	-	
RMBS	1,486	30	-	(120)	
CMBS	168	6	-	(15)	
CDO/ABS	6,312	175	-	(506)	
Total other bond securities	7,984	212	-	(641)	
Equity securities available for sale:					
Common stock	-	-	-	-	
Total equity securities available for sale	-	-	-	-	
Other equity securities	14	-	-	(14)	
Mortgage and other loans receivable	11	-	-	-	
Other invested assets	241	(4)	1	18	
Total	$ 37,576	$ 476	$ 309	$ (20)	$

	Fair value Beginning of Period	Net Realized and Unrealized (Gains) Losses Included in Income	Other Comprehensive Income (Loss)	Purchases, Sales, Issues and Settlements, Net	Tra
Liabilities:					
Policyholder contract deposits	$ 3,990	$ 65	$ -	$ (33)	$
Derivative liabilities, net:					
Interest rate contracts	46	(3)	-	9	
Foreign exchange contracts	9	1	-	(1)	

Equity contracts		(52)		(5)		-		3
Credit contracts		373		(36)		-		7
Other contracts		102		(16)		-		4
Total derivatives liabilities, net[(a)]		478		(59)		-		22
Long-term debt[(b)]		67		3		-		-
Other liabilities		-		-		-		-
Total	$	4,535	$	9	$	-	$	(11) $

(in millions)	Fair value Beginning of Period	Net Realized and Unrealized Gains (Losses) Included in Income	Other Comprehensive Income (Loss)	Purchases, Sales, Issues and Settlements, Net	G Tran
Nine Months Ended September 30, 2016					
Assets:					
Bonds available for sale:					
Obligations of states, municipalities and political subdivisions	$ 2,124	$ 3	$ 189	$ 51	$
Non-U.S. governments	32	(3)	(11)	5	
Corporate debt	1,370	(1)	(10)	(42)	
RMBS	16,537	734	(55)	(337)	
CMBS	2,585	70	(83)	(169)	
CDO/ABS	6,169	27	59	1,548	
Total bonds available for sale	28,817	830	89	1,056	
Other bond securities:					
Corporate debt	17	3	-	(1)	
RMBS	1,581	7	-	(174)	
CMBS	193	4	-	(38)	
CDO/ABS	7,055	151	-	(1,225)	
Total other bond securities	8,846	165	-	(1,438)	
Equity securities available for sale:					
Common stock	-	-	-	-	
Total equity securities available for sale	-	-	-	-	
Other equity securities	14	-	-	(14)	
Mortgage and other loans receivable	11	-	-	-	
Other invested assets	332	(5)	2	(19)	
Total	$ 38,020	$ 990	$ 91	$ (415)	$

(in millions)	Fair value Beginning of Period	Net Realized and Unrealized (Gains) Losses Included in Income	Other Comprehensive Income (Loss)	Purchases, Sales, Issues and Settlements, Net	G Tran
Liabilities:					
Policyholder contract deposits	$ 2,289	$ 1,508	$ -	$ 225	$
Derivative liabilities, net:					
Interest rate contracts	50	4	-	(2)	
Foreign exchange contracts	7	3	-	(1)	

Equity contracts	(54)	(5)	-	5
Credit contracts	505	(70)	-	(91)
Other contracts	48	14	-	28
Total derivatives liabilities, net[(a)]	556	(54)	-	(61)
Long-term debt[(b)]	183	3	-	(3)
Total	$ 3,028 $	1,457 $	- $	161 $

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

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

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

(in millions)	Net Investment Income	Net Realized Capital Gains (Losses)	Other Income	Total
Three Months Ended September 30, 2017				
Bonds available for sale	**$ 257**	**$ 8**	**$ -**	**$ 265**
Other bond securities	**87**	**(2)**	**92**	**177**
Other invested assets	**2**	**1**	**(3)**	**-**
Nine Months Ended September 30, 2017				
Bonds available for sale	**$ 849**	**$ (28)**	**$ -**	**$ 821**
Other bond securities	**259**	**-**	**390**	**649**
Other invested assets	**5**	**(1)**	**(1)**	**3**
Three Months Ended September 30, 2016				
Bonds available for sale	$ 294	$ (27)	$ 1	$ 268
Other bond securities	37	13	162	212
Other invested assets	5	(3)	(6)	(4)
Nine Months Ended September 30, 2016				
Bonds available for sale	$ 883	$ (56)	$ 3	$ 830
Other bond securities	29	45	91	165
Other invested assets	2	29	(36)	(5)

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

Derivative liabilities, net	-	(1)	(53)	(54)
Long-term debt	-	-	3	3

The following table presents the gross components of purchases, sales, issues and settlements, net, shown above, for the three- and nine-month periods ended September 30, 2017 and 2016 related to Level 3 assets and liabilities in the Condensed Consolidated Balance Sheets:

(in millions)	Purchases	Sales	Settlements	Purchase Sales, Issues ar Settlements, Net
Three Months Ended September 30, 2017				
Assets:				
Bonds available for sale:				
Obligations of states, municipalities and political subdivisions	$ 56	$ -	$ (4)	$ 5
Non-U.S. governments	7	-	(7)	
Corporate debt	6	(5)	(54)	(5
RMBS	194	(16)	(909)	(73
CMBS	-	(17)	(60)	(7
CDO/ABS	402	(136)	(432)	(16
Total bonds available for sale	665	(174)	(1,466)	(97
Other bond securities:				
Corporate debt	-	-	-	
RMBS	-	(51)	(79)	(13
CMBS	42	-	-	4
CDO/ABS	-	(57)	(448)	(50
Total other bond securities	42	(108)	(527)	(59
Equity securities available for sale	4	-	(6)	(
Other equity securities	-	-	-	
Other invested assets	46	(9)	(1)	3
Total assets	$ 757	$ (291)	$ (2,000)	$ (1,53
Liabilities:				
Policyholder contract deposits	$ -	$ 79	$ 78	$ 15
Derivative liabilities, net	-	-	17	1
Long-term debt[(b)]	-	-	(60)	(6
Total liabilities	$ -	$ 79	$ 35	$ 1
Three Months Ended September 30, 2016				
Assets:				
Bonds available for sale:				
Obligations of states, municipalities and political subdivisions	$ 98	$ -	$ (40)	$ 5
Non-U.S. governments	7	-	(4)	
Corporate debt	-	-	(6)	(
RMBS	754	(23)	(896)	(16
CMBS	50	(24)	(27)	(
CDO/ABS	902	(22)	(152)	72
Total bonds available for sale	1,811	(69)	(1,125)	61

Other bond securities:							
Corporate debt		-		-		-	
RMBS		12		(74)		(58)	(12
CMBS		-		(14)		(1)	(1
CDO/ABS		-		(340)		(166)	(50
Total other bond securities		12		(428)		(225)	(64
Equity securities available for sale		-		-		-	
Other equity securities		-		-		(14)	(1
Other invested assets		21		-		(3)	
Total assets	$	1,844	$	(497)	$	(1,367)	$ (2
Liabilities:							
Policyholder contract deposits	$	-	$	95	$	(128)	$ (3
Derivative liabilities, net		(2)		-		24	2
Long-term debt[(b)]		-		-		-	
Total liabilities	$	(2)	$	95	$	(104)	$ (1

(in millions)		Purchases	Sales	Settlements	Purchase Sales, Issues ar Settlements, Net
Nine Months Ended September 30, 2017					
Assets:					
Bonds available for sale:					
Obligations of states, municipalities and political subdivisions	$	**279**	$ **(16)**	$ **(42)**	$ **22**
Non-U.S. governments		**7**	**(1)**	**(12)**	**(**
Corporate debt		**36**	**(59)**	**(196)**	**(21**
RMBS		**834**	**(260)**	**(2,844)**	**(2,27**
CMBS		**39**	**(128)**	**(610)**	**(69**
CDO/ABS		**1,609**	**(136)**	**(995)**	**47**
Total bonds available for sale		**2,804**	**(600)**	**(4,699)**	**(2,49**
Other bond securities:					
Corporate debt		**11**	**-**	**(1)**	**1**
RMBS		**112**	**(218)**	**(207)**	**(31**
CMBS		**42**	**(11)**	**(7)**	**2**
CDO/ABS		**-**	**(65)**	**(1,257)**	**(1,32**
Total other bond securities		**165**	**(294)**	**(1,472)**	**(1,60**
Equity securities available for sale		**12**	**-**	**(6)**	
Other equity securities		**-**	**-**	**-**	
Mortgage and other loans receivable		**-**	**(6)**	**-**	**(**
Other invested assets		**89**	**(11)**	**(20)**	**5**
Total assets	**$**	**3,070**	**$ (911)**	**$ (6,197)**	**$ (4,03**
Liabilities:					
Policyholder contract deposits	**$**	**-**	**$ 231**	**$ 116**	**$ 34**
Derivative liabilities, net		**-**	**-**	**52**	**5**
Long-term debt[(b)]		**-**	**-**	**(84)**	**(8**
Total liabilities	**$**	**-**	**$ 231**	**$ 84**	**$ 31**
Nine Months Ended September 30, 2016					
Assets:					
Bonds available for sale:					
Obligations of states, municipalities and political subdivisions	$	144	$ (7)	$ (86)	$ 5
Non-U.S. governments		10	-	(5)	
Corporate debt		29	(25)	(46)	(4
RMBS		2,297	(81)	(2,553)	(33
CMBS		156	(82)	(243)	(16
CDO/ABS		2,053	(33)	(472)	1,54
Total bonds available for sale		4,689	(228)	(3,405)	1,05
Other bond securities:					
Corporate debt		-	-	(1)	(
RMBS		101	(100)	(175)	(17

CMBS	53	(85)	(6)	(3
CDO/ABS	69	(376)	(918)	(1,22
Total other bond securities	223	(561)	(1,100)	(1,43
Equity securities available for sale	-	-	-	
Other equity securities	14	-	(28)	(1
Other invested assets	39	(2)	(56)	(1
Total assets	$ 4,965	$ (791)	$ (4,589)	$ (41
Liabilities:				
Policyholder contract deposits	$ -	$ 365	$ (140)	$ 22
Derivative liabilities, net	(5)	-	(56)	(6
Long-term debt(b)	-	-	(3)	(
Total liabilities	$ (5)	$ 365	$ (199)	$ 1

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

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

Both observable and unobservable inputs may be used to determine the fair values of positions classified in Level 3 in the tables above. As a result, the unrealized gains (losses) on instruments held at September 30, 2017 and 2016 may include changes in fair value that were attributable to both observable (e.g., changes in market interest rates) and unobservable inputs (e.g., changes in unobservable long-dated volatilities).

Transfers of Level 3 Assets and Liabilities

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

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

Transfers of Level 3 Assets

During the three- and nine-month periods ended September 30, 2017 and 2016, transfers into Level 3 assets primarily included certain investments in private placement corporate debt, RMBS and CDO/ABS. Transfers of private placement corporate debt and certain ABS into Level 3 assets were primarily the result of limited market pricing information that required us to determine fair value for these securities based on inputs that are adjusted to better reflect our own assumptions regarding the characteristics of a specific security or associated market liquidity. The transfers of investments in RMBS and CDO and certain ABS into Level 3 assets were due to decreases in market transparency and liquidity for individual security types.

During the three- and nine-month periods ended September 30, 2017 and 2016, transfers out of Level 3 assets primarily included private placement and other corporate debt, CMBS, RMBS, CDO/ABS and certain investments in municipal securities. Transfers of certain investments municipal securities, corporate debt, RMBS, CMBS and CDO/ABS out of Level 3 assets were based on consideration of market liquidity as well as related transparency of pricing and associated observable inputs for these investments. Transfers of certain investments in private placement corporate debt and certain ABS out of Level 3 assets were primarily the result of using observable pricing information that reflects the fair value of those securities without the need for adjustment based on our own assumptions regarding the characteristics of a specific security or the current liquidity in the market.

Transfers of Level 3 Liabilities

There were no significant transfers of derivative or other liabilities into or out of Level 3 for the three- and nine-month periods ended September 30, 2017 and 2016.

Quantitative Information about Level 3 Fair Value Measurements

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

(in millions)	Fair Value at September 30, 2017	Valuation Technique	Unobservable Input[b]	Range (Weighted Average)
Assets:				
Obligations of states, municipalities and political subdivisions	$ 1,578	Discounted cash flow	Yield	3.71% - 4.49% (4.10%)
Corporate debt	430	Discounted cash flow	Yield	4.18% - 4.52% (4.35%)
RMBS[a]	16,472	Discounted cash flow	Constant prepayment rate	2.54% - 11.06% (6.80%)
			Loss severity	47.05% - 79.54% (62.97%)
			Constant default rate	3.21% - 7.87% (5.54%)
			Yield	2.27% - 4.88% (3.58%)
CDO/ABS[a]	5,086	Discounted cash flow	Yield	3.26% - 4.99% (4.12%)
CMBS	488	Discounted cash flow	Yield	1.86% - 9.12% (5.49%)
Liabilities:				

Embedded derivatives within Policyholder contract deposits:				
Guaranteed minimum withdrawal benefits (GMWB)	**2,104**	Discounted cash flow	Equity volatility	5.00% - 40.00%
			Base lapse rate	0.35% - 14.00%
			Dynamic lapse multiplier	30.00% - 170.00%
			Mortality multiplier(c)	40.00% - 153.00%
			Utilization	100.00%
			Equity / interest-rate correlation	20.00% - 40.00%
Index Annuities	**1,375**	Discounted cash flow	Lapse rate	0.50% - 40.00%
			Mortality multiplier(c)	42.00% - 162.00%
Indexed Life	**477**	Discounted cash flow	Base lapse rate	2.00% to 19.00%
			Mortality rate	0.00% to 40.00%

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

				42.00% - 161.00%
			Utilization	100.00%
			Equity / interest-rate correlation	20.00% - 40.00%
Index Annuities	859	Discounted cash flow	Lapse rate	1.00% - 66.00%
			Mortality multiplier(c)	101.00% - 103.00%
Indexed Life	381	Discounted cash flow	Base lapse rate	2.00% - 19.00%
			Mortality rate	0.00% - 40.00%

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

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

(c) Mortality inputs are shown as multipliers of the 2012 Individual Annuity Mortality Basic table.

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

Sensitivity to Changes in Unobservable Inputs

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

Obligations of States, Municipalities and Political Subdivisions

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

Corporate Debt

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

RMBS and CDO/ABS

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

CMBS

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

Embedded derivatives within Policyholder contract deposits

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

- Long-term equity volatilities represent equity volatility beyond the period for which observable equity volatilities are available. Increases in assumed volatility will generally increase the fair value of both the projected cash flows from rider fees as well as the projected cash flows related to benefit payments. Therefore, the net change in the fair value of the liability may be either a decrease or an increase, depending on the relative changes in projected rider fees and projected benefit payments.

- Equity / interest rate correlation estimates the relationship between changes in equity returns and interest rates in the economic scenario generator used to value our GMWB embedded derivatives. In general, a higher positive correlation assumes that equity markets and interest rates move in a more correlated fashion, which generally increases the fair value of the liability.

- Base lapse rate assumptions are determined by company experience and are adjusted at the contract level using a dynamic lapse function, which reduces the base lapse rate when the contract is in-the-money (when the contract holder's guaranteed value, as estimated by the company, is worth more than their underlying account value). Lapse rates are also generally assumed to be lower in periods when a surrender charge applies. Increases in assumed lapse rates will generally decrease the fair value of the liability, as fewer policyholders would persist to collect guaranteed withdrawal amounts, but in certain scenarios, increases in assumed lapse rates may increase the fair value of the liability.

- Mortality rate assumptions, which vary by age and gender, are based on company experience and include a mortality improvement assumption. Increases in assumed mortality rates will decrease the fair value of the liability, while lower mortality rate assumptions will generally increase the fair value of the liability, because guaranteed payments will be made for a longer period of time.

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

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

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

		September 30, 2017		December 31, 2016	
(in millions)	Investment Category Includes	Fair Value Using NAV Per Share (or its equivalent)	Unfunded Commitments	Fair Value Using NAV Per Share (or its equivalent)	Unfunded Commitments
Investment Category					
Private equity funds:					
Leveraged buyout	Debt and/or equity investments made as part of a transaction in which assets of mature companies are acquired from the current shareholders, typically with the use of financial leverage	**$ 1,310**	**$ 761**	$ 1,424	$ 750
Real Estate / Infrastructure	Investments in real estate properties and infrastructure positions, including power plants and other energy generating facilities	**226**	**185**	258	208
Venture capital	Early-stage, high-potential, growth companies expected to generate a return through an	**127**	**44**	137	31

	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	119	43	123	44
Other	Includes multi-strategy, mezzanine and other strategies	400	237	312	215
Total private equity funds		**2,182**	**1,270**	2,254	1,248
Hedge funds:					
Event-driven	Securities of companies undergoing material structural changes, including mergers, acquisitions and other reorganizations	1,228	-	1,453	9
Long-short	Securities that the manager believes are undervalued, with corresponding short positions to hedge market risk	1,317	-	1,429	-
Macro	Investments that take long and short positions in financial instruments based on a top-down view of certain economic and capital market conditions	1,016	-	992	-
Distressed	Securities of companies that are in default, under bankruptcy protection or troubled	278	7	416	8
Other	Includes investments held in funds that are less liquid, as well as other strategies which allow for broader allocation between public and private investments	222	4	197	14
Total hedge funds		**4,061**	**11**	4,487	31
Total		**$ 6,243**	**$ 1,281**	$ 6,741	$ 1,279

Private equity fund investments included above are not redeemable, because distributions from the funds will be received when underlying investments of the funds are liquidated. Private equity funds are generally expected to have 10-year lives at their inception, but these lives may be extended at the fund manager's discretion, typically in one or two-year increments. At September 30, 2017, assuming average original expected lives of 10 years for the funds, 62 percent of the total fair value using net asset value per share (or its equivalent) presented above would have expected remaining lives of three years or less, 17 percent between four and six years and 21 percent between seven and 10 years.

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

Fair Value Option

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

	Gain (Loss) Three Months Ended September 30,		Gain (Loss) Nine Months Ended September 30,	
(in millions)	**2017**	2016	**2017**	2016
Assets:				
Bond and equity securities	**$ 289**	$ 331	**$ 1,088**	$ 629
Alternative Investments[(a)]	**129**	154	**406**	(60)
Other, including Short-term investments	**1**	-	**1**	-
Liabilities:				
Long-term debt[(b)]	**(18)**	8	**(66)**	(239)
Other liabilities	**(1)**	-	**(2)**	-
Total gain	**$ 400**	$ 493	**$ 1,427**	$ 330

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

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

We recognized gains of $2 million during both three- and nine-month periods ended September 30, 2017 and gains of $6 million and $14 million during the three- and nine-month periods ended September 30, 2016, respectively, attributable to the observable effect of changes in credit spreads on our own liabilities for which the fair value option was elected. We calculate the effect of these credit spread changes using discounted cash flow techniques that incorporate current market interest rates, our observable credit spreads on these liabilities and other factors that mitigate the risk of nonperformance such as cash collateral posted.

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

	September 30, 2017			December 31, 2016		
(in millions)	Fair Value	Outstanding Principal Amount	Difference	Fair Value	Outstanding Principal Amount	Difference
Assets:						
Mortgage and other loans receivable	**$ 5**	**$ 5**	**$ -**	$ 11	$ 8	$ 3
Liabilities:						
Long-term debt*	**$ 2,998**	**$ 2,353**	**$ 645**	$ 3,428	$ 2,628	$ 800

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

FAIR VALUE MEASUREMENTS ON A NON-RECURRING BASIS

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

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

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

FAIR VALUE INFORMATION ABOUT FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

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

	Estimated Fair Value				Carrying
(in millions)	Level 1	Level 2	Level 3	Total	Value
September 30, 2017					
Assets:					
Mortgage and other loans receivable	**$ -**	**$ 155**	**$ 36,750**	**$ 36,905**	**$ 36,084**
Other invested assets	**-**	**665**	**6**	**671**	**661**
Short-term investments	**-**	**7,172**	**-**	**7,172**	**7,172**
Cash	**2,433**	**-**	**-**	**2,433**	**2,433**
Liabilities:					
Policyholder contract deposits associated with investment-type contracts	**-**	**353**	**123,656**	**124,009**	**114,070**

Other liabilities	-	4,896	-	4,896	4,896
Long-term debt	-	23,687	3,486	27,173	28,041
December 31, 2016					
Assets:					
Mortgage and other loans receivable	$ -	$ 161	$ 33,575	$ 33,736	$ 33,229
Other invested assets	-	955	2,053	3,008	3,474
Short-term investments	-	8,961	-	8,961	8,961
Cash	1,868	-	-	1,868	1,868
Liabilities:					
Policyholder contract deposits associated with investment-type contracts	-	382	121,742	122,124	112,705
Other liabilities	-	4,196	-	4,196	4,196
Long-term debt	-	23,117	3,333	26,450	27,484

6. Investments

Securities Available for Sale

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

(in millions)	Amortized Cost or Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Othe Ter Impa in
September 30, 2017					
Bonds available for sale:					
U.S. government and government sponsored entities	$ **2,252**	$ **152**	$ **(20)**	$ **2,384**	$
Obligations of states, municipalities and political subdivisions	**17,637**	**1,235**	**(41)**	**18,831**	
Non-U.S. governments	**14,885**	**808**	**(100)**	**15,593**	
Corporate debt	**126,014**	**8,519**	**(848)**	**133,685**	
Mortgage-backed, asset-backed and collateralized:					
RMBS	**34,270**	**3,421**	**(182)**	**37,509**	
CMBS	**13,154**	**456**	**(92)**	**13,518**	
CDO/ABS	**15,931**	**374**	**(54)**	**16,251**	
Total mortgage-backed, asset-backed and collateralized	**63,355**	**4,251**	**(328)**	**67,278**	
Total bonds available for sale[b]	**224,143**	**14,965**	**(1,337)**	**237,771**	
Equity securities available for sale:					
Common stock	**708**	**357**	**(9)**	**1,056**	
Preferred stock	**504**	**73**	**-**	**577**	
Mutual funds	**62**	**12**	**-**	**74**	
Total equity securities available for sale	**1,274**	**442**	**(9)**	**1,707**	
Total	$ **225,417**	$ **15,407**	$ **(1,346)**	$ **239,478**	$
December 31, 2016					
Bonds available for sale:					
U.S. government and government sponsored entities	$ 1,870	$ 148	$ (26)	$ 1,992	$
Obligations of states, municipalities and political subdivisions	24,025	1,001	(254)	24,772	
Non-U.S. governments	14,018	773	(256)	14,535	
Corporate debt	126,648	7,271	(1,739)	132,180	
Mortgage-backed, asset-backed and collateralized:					
RMBS	35,311	2,541	(478)	37,374	
CMBS	14,054	409	(192)	14,271	
CDO/ABS	16,315	278	(180)	16,413	
Total mortgage-backed, asset-backed and collateralized	65,680	3,228	(850)	68,058	
Total bonds available for sale[b]	232,241	12,421	(3,125)	241,537	
Equity securities available for sale:					
Common stock	708	369	(12)	1,065	

Preferred stock	748	4	-	752	
Mutual funds	241	23	(3)	261	
Total equity securities available for sale	1,697	396	(15)	2,078	
Total	$ 233,938	$ 12,817	$ (3,140)	$ 243,615	$

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

(b) At September 30, 2017 and December 31, 2016, bonds available for sale held by us that were below investment grade or not rated totaled $31.2 billion and $33.6 billion, respectively.

Securities Available for Sale in a Loss Position

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

	Less than 12 Months		12 Months or More		Total	
(in millions)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gr Unreali Los
September 30, 2017						
Bonds available for sale:						
U.S. government and government sponsored entities	**$ 766**	**$ 10**	**$ 237**	**$ 10**	**$ 1,003**	**$**
Obligations of states, municipalities and political subdivisions	**871**	**9**	**638**	**32**	**1,509**	
Non-U.S. governments	**2,354**	**17**	**793**	**83**	**3,147**	
Corporate debt	**13,155**	**272**	**7,984**	**576**	**21,139**	
RMBS	**5,861**	**99**	**2,287**	**83**	**8,148**	
CMBS	**2,663**	**37**	**1,173**	**55**	**3,836**	
CDO/ABS	**1,864**	**24**	**755**	**30**	**2,619**	
Total bonds available for sale	**27,534**	**468**	**13,867**	**869**	**41,401**	**1,**
Equity securities available for sale:						
Common stock	**149**	**9**	**1**	**-**	**150**	
Mutual funds	**6**	**-**	**-**	**-**	**6**	
Total equity securities available for sale	**155**	**9**	**1**	**-**	**156**	
Total	**$27,689**	**$ 477**	**$13,868**	**$ 869**	**$41,557**	**$ 1,**
December 31, 2016						
Bonds available for sale:						
U.S. government and government sponsored entities	$ 720	$ 26	$ -	$ -	$ 720	$
Obligations of states, municipalities and political subdivisions	5,814	221	231	33	6,045	
Non-U.S. governments	3,865	162	489	94	4,354	
Corporate debt	28,184	1,013	6,080	726	34,264	1,
RMBS	8,794	252	4,045	226	12,839	
CMBS	4,469	152	479	40	4,948	
CDO/ABS	5,362	102	1,961	78	7,323	
Total bonds available for sale	57,208	1,928	13,285	1,197	70,493	3,
Equity securities available for sale:						
Common stock	125	12	-	-	125	
Mutual funds	64	3	-	-	64	
Total equity securities available for sale	189	15	-	-	189	
Total	$57,397	$ 1,943	$13,285	$ 1,197	$70,682	$ 3,

At September 30, 2017, we held 6,115 and 75 individual fixed maturity and equity securities, respectively, that were in an unrealized loss position, of which 1,721 and three individual fixed maturity and equity securities, respectively, were in a continuous unrealized loss position for 12 months or more. We did not recognize the unrealized losses in earnings on these fixed maturity securities at September 30, 2017 because we neither intend to sell the securities nor do we believe that it is more likely than not that we will be required to sell these securities before recovery of their amortized cost basis. For fixed maturity securities with significant declines, we performed fundamental credit analyses on a security-by-security basis, which included consideration of credit enhancements, expected defaults on underlying collateral, review of relevant industry analyst reports and forecasts and other available market data.

Contractual Maturities of Fixed Maturity Securities Available for Sale

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

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

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

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

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2017		2016		**2017**		2016	
	Gross Realized	Gross Realized	Gross Realized	Gross Realized	Gross Realized	Gross Realized	Gross Realized	Gross Realized

(in millions)	Gains	Losses	Gains	Losses	Gains	Losses	Gains	Losses
Fixed maturity securities	**$ 93**	**$ 39**	$ 189	$ 54	**$ 637**	**$ 263**	$ 593	$ 696
Equity securities	**6**	**2**	54	1	**106**	**20**	1,066	15
Total	**$ 99**	**$ 41**	$ 243	$ 55	**$ 743**	**$ 283**	$ 1,659	$ 711

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

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

Other Securities Measured at Fair Value

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

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

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

Other Invested Assets

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

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

All other investments	**1,106**	1,422
Total	**$ 22,590**	$ 24,538

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

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

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

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

Net Investment Income

The following table presents the components of Net investment income:

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

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

Net Realized Capital Gains and Losses

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2017**	2016	**2017**	2016
Sales of fixed maturity securities	**$ 54**	$ 135	**$ 374**	$ (103)
Sales of equity securities	**4**	53	**86**	1,051
Other-than-temporary impairments:				
Severity	**-**	(10)	**(2)**	(15)
Change in intent	**(1)**	(2)	**(9)**	(35)
Foreign currency declines	**(1)**	(7)	**(11)**	(14)
Issuer-specific credit events	**(85)**	(77)	**(197)**	(303)
Adverse projected cash flows	**(1)**	(6)	**(4)**	(47)
Provision for loan losses	**(38)**	8	**(56)**	8
Foreign exchange transactions	**66**	(639)	**299**	(1,197)
Variable annuity embedded derivatives, net of related hedges	**(430)**	(309)	**(1,023)**	(482)
All other derivatives and hedge accounting	**(136)**	83	**(217)**	353
Impairments on investments in life settlements	**(273)**	(80)	**(360)**	(329)
Other*	**(81)**	86	**14**	284

Net realized capital losses	**$ (922)**	$ (765)	**$ (1,106)**	$ (829)

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

Change in Unrealized Appreciation (Depreciation) of Investments

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

	Three Months Ended September 30,		Nine M End Septemb	
(in millions)	**2017**	2016	**2017**	
Increase (decrease) in unrealized appreciation (depreciation) of investments:				
Fixed maturity securities	**$1,059**	$1,595	**$4,332**	$
Equity securities	**9**	(19)	**52**	
Other investments	**10**	(29)	**(127)**	
Total Increase (decrease) in unrealized appreciation (depreciation) of investments*	**$1,078**	$1,547	**$4,257**	$

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

Evaluating Investments for Other-Than-Temporary Impairments

For a discussion of our policy for evaluating investments for other-than-temporary impairments see Note 6 to the Consolidated Financial Statements in the 2016 Annual Report.

Credit Impairments

The following table presents a rollforward of the cumulative credit losses in other-than-temporary impairments recognized in earnings for available for sale fixed maturity securities:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2017**	2016	**2017**	2016
Balance, beginning of period	**$ 762**	$ 1,298	**$ 1,098**	$ 1,747
Increases due to:				
Credit impairments on new securities subject to impairment losses	**58**	23	**116**	146
Additional credit impairments on previously impaired securities	**12**	37	**49**	166
Reductions due to:				
Credit impaired securities fully disposed of for which there was no prior intent or requirement to sell	**(44)**	(39)	**(99)**	(282)
Accretion on securities previously impaired due to credit*	**(147)**	(187)	**(523)**	(645)
Impairments on securities reclassified to Assets held for sale	**-**	(2)	**-**	(2)
Balance, end of period	**$ 641**	$ 1,130	**$ 641**	$ 1,130

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

Purchased Credit Impaired (PCI) Securities

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

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

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

(in millions)	**At Date of Acquisition**
Contractually required payments (principal and interest)	**$ 36,228**
Cash flows expected to be collected*	**29,649**
Recorded investment in acquired securities	**19,944**

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

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

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

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

Pledged Investments

Secured Financing and Similar Arrangements

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

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

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

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

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

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

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

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

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

Corporate debt	-	791	1,466	-	-	2,257
CMBS	-	-	61	-	-	61
Total	$ -	$ 812	$ 1,577	$ -	$ -	$ 2,389

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

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

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

Insurance – Statutory and Other Deposits

The total carrying value of cash and securities deposited by our insurance subsidiaries under requirements of regulatory authorities or other insurance-related arrangements, including certain annuity-related obligations and certain reinsurance treaties, was $4.9 billion at both September 30, 2017 and December 31, 2016.

Other Pledges and Restrictions

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

Certain GIAs have provisions that require collateral to be posted or payments to be made by us upon a downgrade of our long-term debt ratings. The actual amount of collateral required to be posted to the counterparties in the event of such downgrades, and the aggregate amount of payments that we could be required to make, depend on market conditions, the fair value of outstanding affected transactions and other factors prevailing at and after the time of the downgrade. The fair value of securities pledged as collateral with respect to these obligations was approximately $2.1 billion and $2.2 billion at September 30, 2017 and December 31, 2016, respectively. This collateral primarily consists of securities of the U.S. government and government sponsored entities and generally cannot be repledged or resold by the counterparties.

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

7. Lending Activities

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

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

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

Credit Quality of Commercial Mortgages

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

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

(a) The debt service coverage ratio compares a property's net operating income to its debt service payments, including principal and interest. Our weighted average debt service coverage ratio was 1.8X and

1.9X at September 30, 2017 and December 31, 2016, respectively.

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

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

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

(a) Loans that have been modified in troubled debt restructurings and are performing according to their restructured terms. *For additional discussion of troubled debt restructurings see Note 7 to the Consolidated Financial Statements in the 2016 Annual Report.*

(b) Does not reflect allowance for credit losses.

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

Allowance for Credit Losses

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

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

Nine Months Ended September 30,	2017			2016		
(in millions)	Commercial Mortgages	Other Loans	Total	Commercial Mortgages	Other Loans	Total
Allowance, beginning of year	$ 194	$ 103	$ 297	$ 171	$ 137	$ 308
Loans charged off	(5)	(2)	(7)	(13)	(2)	(15)
Recoveries of loans previously charged off	-	-	-	11	-	11
Net charge-offs	(5)	(2)	(7)	(2)	(2)	(4)
Provision for loan losses	75	(20)	55	20	(25)	(5)
Other	-	-	-	-	-	-
Allowance, end of period	$ 264 *	$ 81	$ 345	$ 189 *	$ 110	$ 299

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

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

8. Variable Interest Entities

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

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

Balance Sheet Classification and Exposure to Loss

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

(in millions)	Real Estate and Investment Entities[d]	Securitization Vehicles[e]	Structured Investment Vehicle	Affordable Housing Partnerships	Other	Total
September 30, 2017						
Assets:						
Bonds available for sale	$ -	$ 10,144	$ -	$ -	$ -	$ 10,144
Other bond securities	-	4,427	-	-	4	4,431
Mortgage and other loans receivable	-	1,641	-	-	-	1,641
Other invested assets	1,047	218	-	3,050	25	4,340
Other [a]	358	1,196	4	463	83	2,104
Total assets[b]	**$ 1,405**	**$ 17,626**	**$ 4**	**$ 3,513**	**$ 112**	**$ 22,660**
Liabilities:						
Long-term debt	$ 465	$ 1,099	$ 3	$ 1,861	$ 5	$ 3,433
Other [c]	112	137	-	209	27	485
Total liabilities	**$ 577**	**$ 1,236**	**$ 3**	**$ 2,070**	**$ 32**	**$ 3,918**

December 31, 2016						
Assets:						
Bonds available for sale	$ -	$ 10,233	$ -	$ -	$ -	$ 10,233
Other bond securities	-	4,858	266	-	5	5,129
Mortgage and other loans receivable	1	1,442	-	-	104	1,547
Other invested assets	1,052	321	-	2,821	28	4,222
Other [(a)]	365	1,104	50	384	92	1,995
Total assets[(b)]	$ 1,418	$ 17,958	$ 316	$ 3,205	$ 229	$ 23,126
Liabilities:						
Long-term debt	$ 444	$ 771	$ 56	$ 1,696	$ 6	$ 2,973
Other[(c)]	224	203	1	211	38	677
Total liabilities	$ 668	$ 974	$ 57	$ 1,907	$ 44	$ 3,650

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

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

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

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

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

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

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

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

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

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

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

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

9. Derivatives and Hedge Accounting

We use derivatives and other financial instruments as part of our financial risk management programs and as part of our investment operations.

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

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

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

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

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

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

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

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

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

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

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

Collateral

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

Collateral posted by us to third parties for derivative transactions was $3.1 billion and $4.5 billion at September 30, 2017 and December 31, 2016, respectively. In the case of collateral posted under derivative transactions that are not subject to clearing, this collateral can generally be repledged or resold by the counterparties. Collateral provided to us from third parties for derivative transactions was $1.3 billion and $1.5 billion at September 30, 2017 and December 31, 2016, respectively. In the case of collateral provided to us under derivative transactions that are not subject to clearing, we generally can repledge or resell collateral.

Offsetting

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

Hedge Accounting

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

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

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

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

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

Realized capital gains/(losses)	28	(28)	-	-	-

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

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

Derivatives Not Designated as Hedging Instruments

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

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

Credit Risk-Related Contingent Features

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

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

Additional collateral postings upon downgrade are estimated based on the factors in the individual collateral posting provisions of the CSA with each counterparty and current exposure as of September 30, 2017.

Factors considered in estimating the termination payments upon downgrade include current market conditions and the terms of the respective CSA provisions. Our estimates are also based on the assumption that counterparties will terminate based on their net exposure to us. The actual termination payments could differ from our estimates given market conditions at the time of downgrade and the level of uncertainty in estimating both the number of counterparties who may elect to exercise their right to terminate and the payment that may be triggered in connection with any such exercise.

Hybrid Securities with Embedded Credit Derivatives

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

We elect to account for our investments in these hybrid securities with embedded written credit derivatives at fair value, with changes in fair value recognized in Net investment income and Other income. Our investments in these hybrid securities are reported as Other bond securities in the Condensed Consolidated Balance Sheets. The fair values of these hybrid securities were $4.2 billion and $4.8 billion at September 30, 2017 and December 31, 2016, respectively. These securities have par amounts of $9.3 billion and $10.1 billion at September 30, 2017 and December 31, 2016, respectively, and have remaining stated maturity dates that extend to 2052.

10. Insurance Liabilities

Liability for Unpaid Losses and Loss Adjustment Expenses (Loss Reserves)

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

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

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

	Three Months Ended September 30,		Nine M Sep
(in millions)	**2017**	2016	**2**
Liability for unpaid loss and loss adjustment expenses, beginning of period	**$ 76,422**	$ 74,143	**$ 77,**
Reinsurance recoverable	**(27,660)**	(14,520)	**(15,5**
Net Liability for unpaid loss and loss adjustment expenses, beginning of period	**48,762**	59,623	**61,**
Foreign exchange effect	**330**	(147)	
Dispositions[(a)]	**-**	-	
Retroactive reinsurance adjustment (net of discount)[(b)]	**22**	-	**(11,4**
Total	**49,114**	59,476	**50,**
Losses and loss adjustment expenses incurred:			
Current year	**7,511**	4,960	**16,**
Prior years, excluding discount and amortization of deferred gain	**901**	274	**1,**

Prior years, discount charge (benefit)	**48**	32	
Prior years, amortization of deferred gain on retroactive reinsurance[c]	**(75)**	-	**(**
Total losses and loss adjustment expenses incurred	**8,385**	5,266	**17,**
Losses and loss adjustment expenses paid:			
Current year	**(1,634)**	(1,948)	**(3,3**
Prior years	**(3,395)**	(3,779)	**(12,4**
Total losses and loss adjustment expenses paid	**(5,029)**	(5,727)	**(15,7**
Reclassified to liabilities held for sale[d]	**8**	(1,060)	
Liability for unpaid loss and loss adjustment expenses, end of period:			
Net liability for unpaid losses and loss adjustment expenses	**52,478**	57,955	**52,**
Reinsurance recoverable	**27,609**	14,501	**27,**
Total	**$ 80,087**	$ 72,456	**$ 80,**

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

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

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

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

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

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

Discounting of Loss Reserves

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

- Certain asbestos claims are discounted when allowed by the regulator and when payments are fixed and determinable, based on the investment yields of the companies and the payout pattern for the claims. At December 31, 2016, the discount for asbestos reserves was fully amortized.

- The tabular workers' compensation discount is calculated based on a 3.5 percent interest rate and the mortality rate used in the 2007 U.S. Life Table.

- The non-tabular workers' compensation discount is calculated separately for companies domiciled in New York and Pennsylvania, and follows the statutory regulations (prescribed or permitted) for each state. For New York companies, the discount is based on a 5 percent interest rate and the companies' own payout patterns. In 2012, for Pennsylvania companies, the statute has specified discount factors for accident years 2001 and prior, which are based on a 6 percent interest rate and an industry payout pattern. For accident years 2002 and subsequent, the discount is based on the payout patterns and investment yields of the companies.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11. Contingencies, Commitments and Guarantees

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

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

Legal Contingencies

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

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

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

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

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

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

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

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

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

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

Starr International Litigation

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

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

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

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

April 25, 2013, had to return opt in consent forms by September 16, 2013 to participate in either class. 286,908 holders of AIG Common Stock during the two class periods have opted into the classes.

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

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

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

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

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

Other Commitments

In the normal course of business, we enter into commitments to invest in limited partnerships, private equity funds and hedge funds and to purchase and develop real estate in the U.S. and abroad. These commitments totaled $3.1 billion at September 30, 2017.

Guarantees

Subsidiaries

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

In connection with AIGFP's business activities, AIGFP has issued, in a limited number of transactions, standby letters of credit or similar facilities to equity investors of structured leasing transactions in an amount equal to the termination value owing to the equity investor by the lessee in the event of a lessee default (the equity termination value). The total amount outstanding at September 30, 2017 was $139 million. In those transactions, AIGFP has agreed to pay such amount if the lessee fails to pay. The amount payable by AIGFP is, in certain cases, partially offset by amounts payable under other instruments typically equal to the present value of scheduled payments to be made by AIGFP. In the event that AIGFP is required to make a payment to the equity investor, the lessee is unconditionally obligated to reimburse AIGFP. To the extent that the equity investor is paid the equity termination value from the standby letter of credit and/or other sources, including payments by the lessee, AIGFP takes an assignment of the equity investor's rights under the lease of the underlying property. Because the obligations of the lessee under the lease transactions are generally economically defeased, lessee bankruptcy is the most likely circumstance in which AIGFP would be required to pay without reimbursement.

AIG Parent files a consolidated federal income tax return with certain subsidiaries and acts as an agent for the consolidated tax group when making payments to the Internal Revenue Service (IRS). AIG Parent and its subsidiaries have adopted, pursuant to a written agreement, a method of allocating consolidated federal income taxes. Under an Amended and Restated Tax Payment Allocation Agreement dated June 6, 2011 between AIG Parent and one of its Bermuda-domiciled insurance subsidiaries, AIG Life of Bermuda, Ltd.

(AIGB), AIG Parent has agreed to indemnify AIGB for any tax liability (including interest and penalties) resulting from adjustments made by the IRS or other appropriate authorities to taxable income, special deductions or credits in connection with investments made by AIGB in certain affiliated entities.

Asset Dispositions

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

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

Other

- *For additional discussion on commitments and guarantees associated with VIEs see Note 8 to the Condensed Consolidated Financial Statements.*

- *For additional disclosures about derivatives see Note 9 to the Condensed Consolidated Financial Statements.*

- *For additional disclosures about guarantees of outstanding debt see Note 16 to the Condensed Consolidated Financial Statements*.

12. Equity

Shares Outstanding

The following table presents a rollforward of outstanding shares:

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

Dividends

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

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

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