AMERICAN INTERNATIONAL GROUP INC
Form 10-Q
May 02, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2016 **Commission File Number 1-8787**

American International Group, Inc.

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

As of April 27, 2016, there were 1,119,032,377 shares outstanding of the registrant’s common stock.

AMERICAN INTERNATIONAL GROUP, INC.

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

March 31, 2016

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

American International Group, Inc.

CONDENSED Consolidated Balance Sheets *(unaudited)*

(in millions, except for share data)

Assets:

Investments:

Fixed maturity securities:

Bonds available for sale, at fair value (amortized cost: 2016 - $241,730; 2015 - $240,968)

Other bond securities, at fair value (See Note 5)

Equity Securities:

Common and preferred stock available for sale, at fair value (cost: 2016 - $1,329; 2015 - $1,379)

Other common and preferred stock, at fair value (See Note 5)

Mortgage and other loans receivable, net of allowance (portion measured at fair value: 2016 - $11; 2015 - $11)

Other invested assets (portion measured at fair value: 2016 - $7,996; 2015 - $8,912)

Short-term investments (portion measured at fair value: 2016 - $2,468; 2015 - $2,591)

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 $181 in 2016 and $170 in 2015

Separate account assets, at fair value

Total assets

Liabilities:

Liability for unpaid losses and loss adjustment expenses

Unearned premiums

Future policy benefits for life and accident and health insurance contracts

Policyholder contract deposits (portion measured at fair value: 2016 - $3,290; 2015 - $2,325)

Other policyholder funds (portion measured at fair value: 2016 - $6; 2015 - $6)
Other liabilities (portion measured at fair value: 2016 - $175; 2015 - $62)
Long-term debt (portion measured at fair value: 2016 - $3,902; 2015 - $3,670)
Separate account liabilities
Total liabilities
Contingencies, commitments and guarantees (see Note 9)

AIG shareholders' equity:
Common stock, $2.50 par value; 5,000,000,000 shares authorized; shares issued: 2016 - 1,906,671,492 and 2015 - 1,906,671,492
Treasury stock, at cost; 2016 - 775,933,133 shares; 2015 - 712,754,875 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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Item 1 / Financial statements

American International Group, Inc.

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

Three Months Ended March 31, *(dollars in millions, except per share data)*		2016		2
Revenues:				
Premiums	$	8,806	$	8
Policy fees		687		
Net investment income		3,013		3
Net realized capital gains (losses):				
Total other-than-temporary impairments on available for sale securities		(209)		
Portion of other-than-temporary impairments on available for sale fixed maturity securities recognized in Other comprehensive income		7		
Net other-than-temporary impairments on available for sale securities recognized in net income (loss)		(202)		
Other realized capital gains (losses)		(904)		1
Total net realized capital gains (losses)		(1,106)		1
Other income		379		1
Total revenues		11,779		15
Benefits, losses and expenses:				
Policyholder benefits and losses incurred		6,387		6
Interest credited to policyholder account balances		950		
Amortization of deferred policy acquisition costs		1,262		1
General operating and other expenses		3,003		2
Interest expense		306		
Loss on extinguishment of debt		83		
Net loss on sale of properties and divested businesses		2		
Total benefits, losses and expenses		11,993		12
Income (loss) from continuing operations before income tax expense (benefit)		(214)		3
Income tax expense (benefit)		(58)		1
Income (loss) from continuing operations		(156)		2
Income (loss) from discontinued operations, net of income tax expense		(47)		
Net income (loss)		(203)		2
Less:				
Net income (loss) from continuing operations attributable to noncontrolling interests		(20)		
Net income (loss) attributable to AIG	$	(183)	$	2

Income per common share attributable to AIG:				
Basic:				
Income (loss) from continuing operations	**$**	**(0.12)**	$	
Loss from discontinued operations	**$**	**(0.04)**	$	
Net income (loss) attributable to AIG	**$**	**(0.16)**	$	
Diluted:				
Income (loss) from continuing operations	**$**	**(0.12)**	$	
Loss from discontinued operations	**$**	**(0.04)**	$	
Net income (loss) attributable to AIG	**$**	**(0.16)**	$	
Weighted average shares outstanding:				
Basic		**1,156,548,459**		1,365,951
Diluted		**1,156,548,459**		1,386,263
Dividends declared per common share	**$**	**0.320**	$	0

See accompanying Notes to Condensed Consolidated Financial Statements.

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American International Group, Inc.

CONDENSED Consolidated Statements of Comprehensive Income *(unaudited)*

Three Months Ended March 31, *(in millions)*	**2016**	2015
Net income (loss)	**$ (203)**	$ 2,477
Other comprehensive income, net of tax		
Change in unrealized depreciation of fixed maturity investments on which other-than-temporary credit impairments were taken	**(349)**	(72)
Change in unrealized appreciation of all other investments	**3,427**	539
Change in foreign currency translation adjustments	**(92)**	(459)
Change in retirement plan liabilities adjustment	**2**	29
Other comprehensive income	**2,988**	37
Comprehensive income	**2,785**	2,514
Comprehensive income (loss) attributable to noncontrolling interests	**(20)**	6
Comprehensive income attributable to AIG	**$ 2,805**	$ 2,508

See accompanying Notes to Condensed Consolidated Financial Statements.

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American International Group, Inc.

CONDENSED CONSOLIDATED Statements of Equity *(unaudited)*

(in millions)	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	To
Three Months Ended March 31, 2016						
Balance, beginning of year	$ 4,766	$ (30,098)	$ 81,510	$ 30,943	$ 2,537	$
Common stock issued under stock plans	-	-	-	-	-	
Purchase of common stock	-	(3,486)	-	-	-	
Net loss attributable to AIG or noncontrolling interests	-	-	-	(183)	-	
Dividends	-	-	-	(363)	-	
Other comprehensive income (loss)	-	-	-	-	2,988	
Current and Deferred income taxes	-	-	2	-	-	
Net increase due to acquisitions and consolidations	-	-	-	-	-	
Contributions from noncontrolling interests	-	-	-	-	-	
Distributions to noncontrolling interests	-	-	-	-	-	
Other	-	-	(97)	(1)	-	
Balance, end of period	$ 4,766	$ (33,584)	$ 81,415	$ 30,396	$ 5,525	$
Three Months Ended March 31, 2015						
Balance, beginning of year	$ 4,766	$ (19,218)	$ 80,958	$ 29,775	$ 10,617	$
Purchase of common stock	-	(1,602)	-	-	-	
Net income attributable to AIG or other noncontrolling interests	-	-	-	2,468	-	
Dividends	-	-	-	(170)	-	
Other comprehensive income (loss)	-	-	-	-	40	
Net increase due to acquisitions and consolidations	-	-	-	-	-	
Contributions from noncontrolling interests	-	-	-	-	-	
Distributions to noncontrolling interests	-	-	-	-	-	
Other	-	-	345	-	-	
Balance, end of period	$ 4,766	$ (20,820)	$ 81,303	$ 32,073	$ 10,657	$

See accompanying Notes to Condensed Consolidated Financial Statements.

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Item 1 / Financial statements

American International Group, Inc.

CONDENSED Consolidated Statements of Cash Flows *(unaudited)*

Three Months Ended March 31,	
(in millions)	**20**
Cash flows from operating activities:	
Net Income (loss)	**$ (20**
(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) losses on sales of securities available for sale and other assets	**2**
Net loss on sale of divested businesses	
Losses on extinguishment of debt	
Unrealized losses in earnings - net	**6**
Equity in (income) loss from equity method investments, net of dividends or distributions	**3**
Depreciation and other amortization	**1,1**
Impairments of assets	**4**
Changes in operating assets and liabilities:	
Insurance reserves	
Premiums and other receivables and payables - net	**(86**
Reinsurance assets and funds held under reinsurance treaties	**(84**
Capitalization of deferred policy acquisition costs	**(1,36**
Current and deferred income taxes - net	**(10**
Other, net	**(59**
Total adjustments	**(81**
Net cash provided by (used in) operating activities	**(96**
Cash flows from investing activities:	
Proceeds from (payments for)	
Sales or distributions of:	
Available for sale investments	**5,7**
Other securities	**1,6**
Other invested assets	**1,6**
Maturities of fixed maturity securities available for sale	**6,0**
Principal payments received on and sales of mortgage and other loans receivable	**1,1**
Purchases of:	
Available for sale investments	**(12,45**
Other securities	**(17**
Other invested assets	**(74**
Mortgage and other loans receivable	**(2,43**

Net change in restricted cash	**(5**
Net change in short-term investments	**(57**
Other, net	**5**
Net cash provided by investing activities	**3**
Cash flows from financing activities:	
Proceeds from (payments for)	
Policyholder contract deposits	**4,8**
Policyholder contract withdrawals	**(3,17**
Issuance of long-term debt	**3,2**
Repayments of long-term debt	**(95**
Purchase of common stock	**(3,48**
Dividends paid	**(36**
Other, net	**3**
Net cash provided by (used in) financing activities	**4**
Effect of exchange rate changes on cash	
Net increase (decrease) in cash	**(13**
Cash at beginning of year	**1,6**
Change in cash of businesses held-for-sale	
Cash at end of period	**$ 1,4**

Supplementary Disclosure of Condensed Consolidated Cash Flow Information

Cash paid during the period for:		
Interest	**$ 362**	$ 307
Taxes	**$ 39**	$ 140
Non-cash investing/financing activities:		
Interest credited to policyholder contract deposits included in financing activities	**$ 913**	$ 937

See accompanying Notes to Condensed Consolidated Financial Statements.

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Item 1 / NOTE 1. BASIS OF PRESENTATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

1. BASIS OF PRESENTATION

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

These unaudited Condensed Consolidated Financial Statements do not include all disclosures that are normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States (GAAP) and should be read in conjunction with the audited Consolidated Financial Statements and the related notes included in our Annual Report on Form 10-K for the year ended December 31, 2015 (2015 Annual Report). The condensed consolidated financial information as of December 31, 2015 included herein has been derived from the audited Consolidated Financial Statements in the 2015 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 recorded. In the opinion of management, these Condensed Consolidated Financial Statements contain normal recurring adjustments, including eliminations of material intercompany accounts and transactions, necessary for a fair statement of the results presented herein.

Interim-period operating results may not be indicative of the operating results for a full year. We evaluated the need to recognize or disclose events that occurred subsequent to March 31, 2016 and prior to the issuance of these Condensed Consolidated Financial Statements.

Sale of ILFC

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

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

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

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Item 1 / NOTE 1. BASIS OF PRESENTATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Use of Estimates

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

- income tax assets and liabilities, including recoverability of our net deferred tax asset and the predictability of future tax operating profitability of the character necessary to realize the net deferred tax asset;
- liability for unpaid losses and loss adjustment expenses;
- reinsurance assets;
- valuation of future policy benefit liabilities and timing and extent of loss recognition;
- valuation of liabilities for guaranteed benefit features of variable annuity products;
- estimated gross profits to value deferred acquisition costs for investment-oriented products;
- impairment charges, including other-than-temporary impairments on available for sale securities, impairments on 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 2016

Accounting for Share-Based Payments with Performance Targets

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

We adopted the standard prospectively on its required effective date of January 1, 2016. The adoption of this standard did not have a material effect on our consolidated financial condition, results of operations or cash flows.

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

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

We adopted the standard retrospectively on its required effective date of January 1, 2016. The adoption of this standard did not have a material effect on our consolidated financial condition, results of operations or cash flows.

Consolidation: Amendments to the Consolidation Analysis

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

We adopted the standard prospectively on its required effective date of January 1, 2016. The adoption of this standard did not have a material effect on our consolidated financial condition, results of operations or cash flows.

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

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

We adopted this standard prospectively on its required effective date of January 1, 2016. The adoption of this standard did not have a material effect on our consolidated financial condition, results of operations or cash flows.

Simplifying the Presentation of Debt Issuance Costs

In April 2015, the FASB issued an accounting standard that amends the guidance for debt issuance costs by requiring such costs to be presented as a deduction to the corresponding debt liability, rather than as an asset, and for the amortization of such costs to be reported as interest expense. The amendments are intended to simplify the presentation of debt issuance costs and make it consistent with the presentation of debt discounts or premiums. The amendments, however, do not change the recognition and measurement guidance applicable to debt issuance costs.

We adopted this standard on a retrospective basis on January 1, 2016, its required effective date. Because the new standard did not affect accounting recognition or measurement of debt issuance costs, the adoption of the standard did not have a material effect on our consolidated financial condition, results of operations, or cash flows.

Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)

In May 2015, the FASB amended guidance on fair value disclosures for investments for which fair value is measured using the net asset value (NAV) per share (or its equivalent) as a practical expedient. The amendments in this update remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the NAV per

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

share practical expedient. In addition, the amendment removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the NAV per share as a practical expedient.

We adopted the standard on its required effective date of January 1, 2016 on a retrospective basis. 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.

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

Short Duration Insurance Contracts

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

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

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Item 1 / NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Recognition and Measurement of Financial Assets and Financial Liabilities

In January 2016, the FASB issued an accounting standard that affects the recognition, measurement, presentation, and disclosure of financial instruments. Specifically, under the new standard, equity investments (other than those accounted for using the equity method of accounting or those subject to consolidation) will be measured at fair value with changes in fair value recognized in earnings. Also, for those financial liabilities for which fair value option accounting has been elected, the new standard requires changes in fair value due to instrument-specific credit risk to be presented separately in other comprehensive income. The standard updates certain fair value disclosure requirements for financial instruments carried at amortized cost.

The standard is effective for interim and annual reporting periods beginning after December 15, 2017. Early adoption of certain provisions is permitted. We are assessing the impact of the standard on our consolidated financial condition, results of operations and cash flows.

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.

The standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted using a modified retrospective approach. We expect to adopt this guidance when effective and are currently assessing the impact of the standard on our consolidated financial condition, results of operations and cash flows.

3. SEGMENT INFORMATION

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

Commercial Insurance and Consumer Insurance as well as a Corporate and Other category. The Corporate and Other category consists of businesses and items not allocated to our reportable segments.

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

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Item 1 / NOTE 3. SEGMENT INFORMATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The following tables present our operations by reportable segment:

Three Months Ended March 31,	**2016**		
(in millions)	Total Revenues	Pre-Tax Operating Income (Loss)	T Revenu
Commercial Insurance			
Property Casualty	$ 5,278	$ 720	$ 5,
Mortgage Guaranty	261	163	
Institutional Markets	619	6	
Total Commercial Insurance	6,158	889	6,
Consumer Insurance			
Retirement	2,114	461	2,
Life	1,597	105	1,
Personal Insurance	2,821	222	2,
Total Consumer Insurance	6,532	788	6,
Corporate and Other*	206	(733)	1,
AIG Consolidation and elimination	(159)	10	(1
Total AIG Consolidated revenues and pre-tax operating income	$ 12,737	$ 954	$ 14,
Reconciling Items from pre-tax operating income to pre-tax income (loss) :			
Changes in fair value of securities used to hedge guaranteed living benefits	133	133	
Changes in benefit reserves and DAC, VOBA and SIA related to net realized capital gains	-	40	
Other income (expense) - net	-	7	
Loss on extinguishment of debt	-	(83)	
Net realized capital gains	(1,106)	(1,106)	1,
Income from divested businesses	-	(2)	
Non-operating litigation reserves and settlements	34	31	
Reserve development related to non-operating run-off insurance business	-	-	
Restructuring and other costs	-	(188)	
Other	(19)	-	
Pre-tax income (loss)	$ 11,779	$ (214)	$ 15,

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

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

4. FAIR VALUE MEASUREMENTS

Fair Value Measurements on a Recurring Basis

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

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

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

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

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

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Item 1 / NOTE 4. FAIR VALUE MEASUREMENTS

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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:

March 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	$ 7	$ 2,034	$ -	$ -	$ -	$
Obligations of states, municipalities and political subdivisions	-	25,562	2,196	-	-	2
Non-U.S. governments	708	17,877	30	-	-	1
Corporate debt	-	137,924	1,024	-	-	13
RMBS	-	20,060	16,162	-	-	3
CMBS	-	12,069	2,368	-	-	1
CDO/ABS	-	9,172	6,592	-	-	1
Total bonds available for sale	715	224,698	28,372	-	-	25
Other bond securities:						
U.S. government and government sponsored entities	30	3,373	-	-	-	
Obligations of states, municipalities and political subdivisions	-	-	-	-	-	
Non-U.S. governments	-	53	-	-	-	
Corporate debt	-	1,861	18	-	-	
RMBS	-	440	1,513	-	-	
CMBS	-	517	170	-	-	
CDO/ABS	-	793	6,576	-	-	
Total other bond securities	30	7,037	8,277	-	-	1
Equity securities available for sale:						
Common stock	2,274	-	-	-	-	
Preferred stock	23	-	-	-	-	
Mutual funds	471	2	-	-	-	
Total equity securities available for sale	2,768	2	-	-	-	
Other equity securities	862	-	15	-	-	
Mortgage and other loans receivable	-	-	11	-	-	
Other invested assets[a]	1	32	263	-	-	
Derivative assets:						

Interest rate contracts	-	4,391	14	-	-	
Foreign exchange contracts	-	877	-	-	-	
Equity contracts	123	69	51	-	-	
Commodity contracts	-	-	-	-	-	
Credit contracts	-	-	3	-	-	
Other contracts	-	1	21	-	-	
Counterparty netting and cash collateral	-	-	-	(2,023)	(2,036)	(4
Total derivative assets	123	5,338	89	(2,023)	(2,036)	
Short-term investments	1,367	1,101	-	-	-	
Separate account assets	74,470	5,062	-	-	-	7
Total	$ 80,336	$243,270	$ 37,027	$ (2,023)	$(2,036)	$35

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Liabilities:						
Policyholder contract deposits	$ -	$ 39	$ 3,251	$ -	$ -	$ 3,290
Other policyholder funds	6	-	-	-	-	6
Derivative liabilities:						
Interest rate contracts	-	3,048	62	-	-	3,110
Foreign exchange contracts	4	1,371	9	-	-	1,384
Equity contracts	-	30	-	-	-	30
Commodity contracts	-	-	-	-	-	-
Credit contracts	-	-	493	-	-	493
Other contracts	-	-	142	-	-	142
Counterparty netting and cash collateral	-	-	-	(2,023)	(992)	(3,015)
Total derivative liabilities	4	4,449	706	(2,023)	(992)	2,144
Long-term debt	-	3,718	184	-	-	3,902
Other liabilities	134	41	-	-	-	175
Total	$ 144	$ 8,247	$ 4,141	$ (2,023)	$ (992)	$ 9,517

December 31, 2015 *(in millions)*	Level 1	Level 2	Level 3	Counterparty Netting	Cash Collateral [(b)]	Total
Assets:						
Bonds available for sale:						
U.S. government and government sponsored entities	$ -	$ 1,844	$ -	$ -	$ -	$ 1,844
Obligations of states, municipalities and political subdivisions	-	25,199	2,124	-	-	27,323
Non-U.S. governments	683	17,480	32	-	-	18,195
Corporate debt	-	134,618	1,370	-	-	135,988
RMBS	-	19,690	16,537	-	-	36,227
CMBS	-	10,986	2,585	-	-	13,571
CDO/ABS	-	8,928	6,169	-	-	15,097
Total bonds available for sale	683	218,745	28,817	-	-	248,245
Other bond securities:						
U.S. government and government sponsored entities	-	3,369	-	-	-	3,369
Obligations of states, municipalities and political subdivisions	-	75	-	-	-	75
Non-U.S. governments	-	50	-	-	-	50
Corporate debt	-	2,018	17	-	-	2,035
RMBS	-	649	1,581	-	-	2,230
CMBS	-	557	193	-	-	750
CDO/ABS	-	1,218	7,055	-	-	8,273
Total other bond securities	-	7,936	8,846	-	-	16,782
Equity securities available for sale:						

Common stock	2,401	-	-	-	-	2,401
Preferred stock	22	-	-	-	-	22
Mutual funds	491	1	-	-	-	492
Total equity securities available for sale	2,914	1	-	-	-	2,915
Other equity securities	906	1	14	-	-	921
Mortgage and other loans receivable	-	-	11	-	-	11
Other invested assets[(a)]	2	1	332	-	-	335

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Derivative assets:						
Interest rate contracts	-	3,150	12	-	-	3,162
Foreign exchange contracts	-	766	-	-	-	766
Equity contracts	91	32	54	-	-	177
Commodity contracts	-	-	-	-	-	-
Credit contracts	-	-	3	-	-	3
Other contracts	-	2	21	-	-	23
Counterparty netting and cash collateral	-	-	-	(1,268)	(1,554)	(2,822)
Total derivative assets	91	3,950	90	(1,268)	(1,554)	1,309
Short-term investments	1,416	1,175	-	-	-	2,591
Separate account assets	73,699	5,875	-	-	-	79,574
Total	$ 79,711	$ 237,684	$ 38,110	$ (1,268)	$ (1,554)	$ 352,683
Liabilities:						
Policyholder contract deposits	$ -	$ 36	$ 2,289	$ -	$ -	$ 2,325
Other policyholder funds	6	-	-	-	-	6
Derivative liabilities:						
Interest rate contracts	-	2,137	62	-	-	2,199
Foreign exchange contracts	-	1,197	7	-	-	1,204
Equity contracts	-	68	-	-	-	68
Commodity contracts	-	-	-	-	-	-
Credit contracts	-	-	508	-	-	508
Other contracts	-	-	69	-	-	69
Counterparty netting and cash collateral	-	-	-	(1,268)	(760)	(2,028)
Total derivative liabilities	-	3,402	646	(1,268)	(760)	2,020
Long-term debt	-	3,487	183	-	-	3,670
Other liabilities	-	62	-	-	-	62
Total	$ 6	$ 6,987	$ 3,118	$ (1,268)	$ (760)	$ 8,083

(a) Excludes investments that are measured at fair value using the NAV per share (or its equivalent), which totaled \$7.7 billion and \$8.6 billion as of March 31, 2016 and December 31, 2015, 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.

During the three-month periods ended March 31, 2016 and 2015, we transferred $83 million and $72 million, respectively, of securities issued by Non-U.S. government entities from Level 1 to Level 2, because they are no longer considered actively traded. For similar reasons, during the three-month period ended March 31, 2015, we transferred $115 million of securities issued by the U.S. government and government sponsored entities from Level 1 to Level 2; there were no such transfers during the three-month period ended March 31, 2016. We had no material transfers from Level 2 to Level 1 during the three-month periods ended March 31, 2016 and 2015.

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Changes in Level 3 Recurring Fair Value Measurements

The following tables present changes during the three-month periods ended March 31, 2016 and 2015 in Level 3 assets and liabilities measured at fair value on a recurring basis, and the realized and unrealized gains (losses) related to the Level 3 assets and liabilities in the Condensed Consolidated Balance Sheets at March 31, 2016 and 2015:

(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
Three Months Ended March 31, 2016				
Assets:				
Bonds available for sale:				
Obligations of states, municipalities and political subdivisions	$ 2,124	$ -	$ 58	$ 14
Non-U.S. governments	32	-	(2)	-
Corporate debt	1,370	1	(24)	29
RMBS	16,537	245	(420)	(233)
CMBS	2,585	42	(88)	(81)
CDO/ABS	6,169	12	(50)	438
Total bonds available for sale	28,817	300	(526)	167
Other bond securities:				
Corporate debt	17	1	-	-
RMBS	1,581	(37)	-	(13)
CMBS	193	(2)	-	(21)
CDO/ABS	7,055	(133)	-	(411)
Total other bond securities	8,846	(171)	-	(445)
Equity securities available for sale:				
Common stock	-	-	-	-
Total equity securities available for sale	-	-	-	-
Other equity securities	14	1	-	-
Mortgage and other loans receivable	11	-	-	-
Other invested assets	332	11	(5)	(21)

Total	$ 38,020	$ 141	$ (531)	$ (299)	$ 2

(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	Gros Transfe
Three Months Ended March 31, 2016					
Liabilities:					
Policyholder contract deposits	$ 2,289	$ 845	$ -	$ 117	$
Derivative liabilities, net:					
Interest rate contracts	50	4	-	(6)	
Foreign exchange contracts	7	1	-	1	
Equity contracts	(54)	4	-	(1)	
Commodity contracts	-	-	-	-	
Credit contracts	505	(6)	-	(9)	
Other contracts	48	54	-	19	
Total derivative liabilities, net[(a)]	556	57	-	4	
Long-term debt[(b)]	183	2	-	(1)	
Total	$ 3,028	$ 904	$ -	$ 120	$

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(in millions)	Fair Value Beginning of Period	Net Realized and Unrealized Gains (Losses) Included in Income	Other Comprehensive Income (Loss)	Purchases, Sales, Issues and Settlements, Net	Gro Transfe
Three Months Ended March 31, 2015					
Assets:					
Bonds available for sale:					
Obligations of states, municipalities and political subdivisions	$ 2,159	$ 1	$ 45	$ 65	$
Non-U.S. governments	30	-	-	4	
Corporate debt	1,883	-	17	(61)	4
RMBS	16,805	258	(72)	354	
CMBS	2,696	24	10	30	
CDO/ABS	6,110	33	29	402	
Total bonds available for sale	29,683	316	29	794	4
Other bond securities:					
Corporate debt	-	-	-	-	
RMBS	1,105	(19)	-	204	2
CMBS	369	-	-	(100)	
CDO/ABS	7,449	132	-	(238)	58
Total other bond securities	8,923	113	-	(134)	62
Equity securities available for sale:					
Common stock	1	-	-	-	
Total equity securities available for sale	1	-	-	-	
Other equity securities	-	-	-	-	2
Mortgage and other loans receivable	6	-	-	-	
Other invested assets	1,042	410	(492)	(538)	
Total	$ 39,655	$ 839	$ (463)	$ 122	$ 69

(in millions)	Fair Value Beginning of Period	Net Realized and Unrealized (Gains) Losses Included in Income	Other Comprehensive Income (Loss)	Purchases, Sales, Issues and Settlements, Net	Gro Transfe

Three Months Ended March 31, 2015					
Liabilities:					
Policyholder contract deposits	$	1,509 $	275 $	- $	51 $
Derivative liabilities, net:					
Interest rate contracts		74	4	-	(9)
Foreign exchange contracts		8	(1)	-	1
Equity contracts		(47)	(8)	-	(11)
Commodity contracts		-	-	-	-
Credit contracts		978	(147)	-	(40)
Other contracts		59	(14)	(2)	16
Total derivative liabilities, net[(a)]		1,072	(166)	(2)	(43)
Long-term debt[(b)]		213	(15)	-	(12)
Total	$	2,794 $	94 $	(2) $	(4) $

(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.

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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 (Loss) as follows:

(in millions)	Net Investment Income	Net Realized Capital Gains (Losses)	Other Income	Total
Three Months Ended March 31, 2016				
Bonds available for sale	**$ 298**	**$ 1**	**$ 1**	**$ 300**
Other bond securities	**(34)**	**-**	**(137)**	**(171)**
Other equity securities	**1**	**-**	**-**	**1**
Other invested assets	**(2)**	**51**	**(38)**	**11**
Three Months Ended March 31, 2015				
Bonds available for sale	$ 311	$ (9)	$ 14	$ 316
Other bond securities	18	6	89	113
Other invested assets	(7)	417	-	410

(in millions)	Net Investment Income	Net Realized Capital (Gains) Losses	Other Income	Total
Three Months Ended March 31, 2016				
Policyholder contract deposits	**-**	**845**	**-**	**845**
Derivative liabilities, net	**-**	**4**	**53**	**57**
Long-term debt	**-**	**-**	**2**	**2**
Three Months Ended March 31, 2015				
Policyholder contract deposits	-	275	-	275
Derivative liabilities, net	(19)	(6)	(141)	(166)
Long-term debt	-	-	(15)	(15)

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The following table presents the gross components of purchases, sales, issues and settlements, net, shown above, for the three-month periods ended March 31, 2016 and 2015 related to Level 3 assets and liabilities in the Condensed Consolidated Balance Sheets:

(in millions)	Purchases	Sales	Settlements	Purch Sales, Issue Settlements,
Three Months Ended March 31, 2016				
Assets:				
Bonds available for sale:				
Obligations of states, municipalities and political subdivisions	**$ 29**	**$ -**	**$ (15)**	**$**
Non-U.S. governments	**1**	**-**	**(1)**	
Corporate debt	**29**	**-**	**-**	
RMBS	**503**	**(58)**	**(678)**	
CMBS	**102**	**(31)**	**(152)**	
CDO/ABS	**539**	**-**	**(101)**	
Total bonds available for sale	**1,203**	**(89)**	**(947)**	
Other bond securities:				
RMBS	**63**	**(26)**	**(50)**	
CMBS	**53**	**(71)**	**(3)**	
CDO/ABS	**8**	**(17)**	**(402)**	
Total other bond securities	**124**	**(114)**	**(455)**	
Equity securities available for sale	**-**	**-**	**-**	
Equity securities trading	**14**	**-**	**(14)**	
Other invested assets	**9**	**-**	**(30)**	
Total assets	**$ 1,350**	**$ (203)**	**$ (1,446)**	**$**
Liabilities:				
Policyholder contract deposits	**$ -**	**$ 130**	**$ (13)**	**$**
Derivative liabilities, net	**(2)**	**-**	**6**	
Long-term debt[(b)]	**-**	**-**	**(1)**	
Total liabilities	**$ (2)**	**$ 130**	**$ (8)**	**$**
Three Months Ended March 31, 2015				
Assets:				
Bonds available for sale:				
Obligations of states, municipalities and political subdivisions	$ 107	$ (22)	$ (20)	$
Non-U.S. governments	6	-	(2)	
Corporate debt	6	(50)	(17)	

RMBS	961	(22)	(585)	
CMBS	72	(27)	(15)	
CDO/ABS	579	(23)	(154)	
Total bonds available for sale	1,731	(144)	(793)	
Other bond securities:				
RMBS	245	(6)	(35)	
CMBS	-	(36)	(64)	
CDO/ABS	214	(40)	(412)	
Total other bond securities	459	(82)	(511)	
Equity securities available for sale	-	-	-	
Other invested assets	69	(585)	(22)	
Total assets	$ 2,259	$ (811)	$ (1,326)	$
Liabilities:				
Policyholder contract deposits	$ -	$ 73	$ (22)	$
Derivative liabilities, net	(15)	-	(28)	
Long-term debt(b)	-	-	(12)	
Total liabilities	$ (15)	$ 73	$ (62)	$

(a) There were no issuances during the three-month periods ended March 31, 2016 and 2015, respectively.

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

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Both observable and unobservable inputs may be used to determine the fair values of positions classified in Level 3 in the tables above. As a result, the unrealized gains (losses) on instruments held at March 31, 2016 and 2015 may include changes in fair value that were attributable to both observable (e.g., changes in market interest rates) and unobservable inputs (e.g., changes in unobservable long-dated volatilities).

Transfers of Level 3 Assets and Liabilities

We record transfers of assets and liabilities into or out of Level 3 classification at their fair values as of the end of each reporting period, consistent with the date of the determination of fair value. The Net realized and unrealized gains (losses) included in income (loss) or Other comprehensive income (loss) as shown in the table above excludes $13 million of net losses and $18 million of net gains related to assets and liabilities transferred into Level 3 during the three-month periods ended March 31, 2016 and 2015, respectively, and includes $45 million of net losses and $3 million of net gains related to assets and liabilities transferred out of Level 3 during the three-month periods ended March 31, 2016 and 2015, respectively.

Transfers of Level 3 Assets

During the three-month periods ended March 31, 2016 and 2015, transfers into Level 3 assets primarily included certain investments 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-month periods ended March 31, 2016 and 2015, transfers out of Level 3 assets primarily included private placement and other corporate debt, CMBS, CDO/ABS, RMBS 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-month periods ended March 31, 2016 and 2015.

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Quantitative Information About Level 3 Fair Value Measurements

The table below presents information about the significant unobservable inputs used for recurring fair value measurements for certain Level 3 instruments, and includes only those instruments for which information about the inputs is reasonably available to us, such as data from 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 March 31, 2016**	Valuation Technique	Unobservable Input[b]	Range (Weighted Average)
Assets:					
Obligations of states, municipalities and political subdivisions	**$**	**1,330**	Discounted cash flow	Yield	3.87% - 4.74% (4.31%)
Corporate debt		**884**	Discounted cash flow	Yield	3.50% - 9.37% (6.43%)
RMBS[a]		**13,110**	Discounted cash flow	Constant prepayment rate	1.29% - 8.81% (5.05%)
				Loss severity	51.03% - 79.95% (65.49%)
				Constant default rate	3.91% - 8.89% (6.40%)
				Yield	3.45% - 6.09% (4.77%)
CDO/ABS[a]		**6,845**	Discounted cash flow	Yield	4.05% - 6.81% (5.43%)
CMBS		**2,187**	Discounted cash flow	Yield	

				1.08% - 13.15% (7.12%)
Liabilities:				
Embedded derivatives within Policyholder contract deposits:				
GMWB and GMAB	**2,097**	Discounted cash flow	Equity volatility	15.00% - 50.00%
			Base lapse rate	1.00% - 17.00%
			Dynamic lapse rate	0.20% - 25.50%
			Mortality multiplier(c)	80.00% - 104.27%
			Utilization rate	0.00% - 70.00%
			Equity / interest-rate correlation	20.00% - 40.00%
Index Annuities	**824**	Discounted cash flow	Lapse rate	0.75% - 66.00%
			Mortality multiplier(c)	50.00% - 75.00%
Indexed Life	**342**	Discounted cash flow	Equity volatility	13.25% to 22.00%
			Base lapse rate	2.00% to 19.00%
			Mortality rate	0.00% to 40.00%

Transfers of Level 3 Liabilities

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(in millions)		Fair Value at December 31, 2015	Valuation Technique	Unobservable Input[b]	Range (Weighted Average)
Assets:					
Obligations of states, municipalities and political subdivisions	$	1,217	Discounted cash flow	Yield	4.32% - 5.10% (4.71%)
Corporate debt		642	Discounted cash flow	Yield	5.63% - 12.45% (9.04%)
RMBS[a]		17,280	Discounted cash flow	Constant prepayment rate	0.99% - 8.95% (4.97%)
				Loss severity	47.21% - 79.50% (63.35%)
				Constant default rate	3.49% - 9.04% (6.26%)
				Yield	3.13% - 6.14% (4.63%)
CDO/ABS[a]		3,338	Discounted cash flow	Yield	3.41% - 4.98% (4.19%)
CMBS		2,388	Discounted cash flow	Yield	0.00% - 17.65% (6.62%)
Liabilities:					
Embedded derivatives within Policyholder contract deposits:					

GMWB and GMAB	1,234	Discounted cash flow	Equity volatility	15.00% - 50.00%
			Base lapse rate	1.00% - 17.00%
			Dynamic lapse rate	0.20% - 25.50%
			Mortality multiplier(c)	80.00% - 104.27%
			Utilization rate	0.00% - 70.00%
			Equity / interest-rate correlation	20.00% - 40.00%
Index Annuities	715	Discounted cash flow	Lapse rate	0.75% - 66.00%
			Mortality multiplier(c)	50.00% - 75.00%
Indexed Life	332	Discounted cash flow	Equity volatility	13.25% to 22.00%
			Base lapse rate	2.00% to 19.00%
			Mortality rate	0.00% to 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 for GMWB and GMAB, and the 1975-1980 Modified Basic Table for index annuities.

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.

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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.

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CMBS

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

Embedded derivatives within Policyholder contract deposits

Embedded derivatives reported within Policyholder contract deposits include guaranteed minimum withdrawal benefits (GMWB) and guaranteed minimum accumulation benefits (GMAB) 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 and GMAB 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 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 rate 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 rate 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.

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

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

		March 31, 2016		December 31, 2015	
(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	**$ 1,683**	**$ 453**	$ 1,774	$ 436
Real Estate / Infrastructure	Investments in real estate properties and infrastructure positions, including power plants and other energy generating facilities	**272**	**217**	306	213
Venture capital	Early-stage, high-potential, growth companies expected to generate a return through an	**105**	**35**	107	41

	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	**142**	**42**	146	41
Other	Includes multi-strategy, mezzanine and other strategies	**277**	**267**	298	239
Total private equity funds		**2,479**	**1,014**	2,631	970
Hedge funds:					
Event-driven	Securities of companies undergoing material structural changes, including mergers, acquisitions and other reorganizations	**943**	**-**	1,194	-
Long-short	Securities that the manager believes are undervalued, with corresponding short positions to hedge market risk	**2,647**	**28**	2,978	25
Macro	Investments that take long and short positions in financial instruments based on a top-down view of certain economic and capital market conditions	**556**	**-**	555	-
Distressed	Securities of companies that are in default, under bankruptcy protection or troubled	**632**	**7**	699	8
Emerging markets	Investments in the financial markets of developing countries	**293**	**-**	353	-
Other	Includes multi-strategy, relative value and other strategies	**150**	**-**	167	-
Total hedge funds		**5,221**	**35**	5,946	33
Total		**$ 7,700**	**$ 1,049**	$ 8,577	$ 1,003

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 March 31, 2016, assuming average original expected lives of 10 years for the funds, 79 percent of the total fair value using NAV per share (or its equivalent) presented above would have expected remaining lives of three years or less, 10 percent between four and six years and 11 percent between seven and 10 years.

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The hedge fund investments included above are generally redeemable monthly (13 percent), quarterly (47 percent), semi annually (10 percent) and annually (30 percent), with redemption notices ranging from one day to 180 days. At March 31, 2016, however, investments representing approximately 73 percent of the total fair value of the hedge fund investments cannot be redeemed, either in whole or in part, because the investments include various contractual restrictions. The majority of these contractual restrictions, which may have been put in place at the fund's inception or thereafter, have pre defined end dates and are generally expected to be lifted by the end of 2017. The fund investments for which redemption is restricted only in part generally relate to certain hedge funds that hold at least one investment that the fund manager deems to be illiquid.

Fair Value Option

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

Three Months Ended March 31,	Gain (Loss)	
(in millions)	**2016**	2015
Assets:		
Bond and equity securities	**$ 50**	$ 141
Alternative investments[(a)]	**(247)**	145
Other, including Short-term investments	**-**	2
Liabilities:		
Long-term debt[(b)]	**(176)**	(76)
Other liabilities	**-**	(3)
Total gain (loss)	**$ (373)**	$ 209

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

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

We recognized gains of $5 million and $6 million during the three-month periods ended March 31, 2016 and 2015, 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:

	March 31, 2016			December 31, 2015		
(in millions)	Fair Value	Outstanding Principal Amount	Difference	Fair Value	Outstanding Principal Amount	Difference
Assets:						
Mortgage and other loans receivable	**$ 11**	**$ 8**	**$ 3**	$ 11	$ 9	$ 2
Liabilities:						
Long-term debt*	**$ 3,902**	**$ 2,800**	**$ 1,102**	$ 3,670	$ 2,675	$ 995

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

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Fair Value Measurements on a Non-Recurring Basis

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

	Assets at Fair Value Non-Recurring Basis				Impairment Charges Three Months Ended March 31,	
(in millions)	Level 1	Level 2	Level 3	Total	**2016**	2015
March 31, 2016						
Other investments	**$ -**	**$ -**	**$ 563**	**$ 563**	**$ 2**	$ 25
Investments in life settlements	**-**	**-**	**405**	**405**	**157**	70
Other assets	**-**	**-**	**9**	**9**	**-**	4
Total	**$ -**	**$ -**	**$ 977**	**$ 977**	**$ 159**	$ 99
December 31, 2015						
Other investments	$ -	$ -	$ 1,117	$ 1,117		
Investments in life settlements	-	-	828	828		
Other assets	-	-	129	129		
Total	$ -	$ -	$ 2,074	$ 2,074		

Fair Value Information About Financial Instruments Not Measured at Fair Value

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

	Estimated Fair Value				Carrying
(in millions)	Level 1	Level 2	Level 3	Total	Value
March 31, 2016					
Assets:					
Mortgage and other loans receivable	**$ -**	**$ 134**	**$ 31,838**	**$ 31,972**	**$ 30,665**
Other invested assets	**-**	**524**	**2,854**	**3,378**	**4,083**
Short-term investments	**-**	**8,446**	**-**	**8,446**	**8,446**
Cash	**1,499**	**-**	**-**	**1,499**	**1,499**
Liabilities:					

Policyholder contract deposits associated with investment-type contracts	**-**	**339**	**120,767**	**121,106**	**110,192**
Other liabilities	**-**	**3,355**	**-**	**3,355**	**3,355**
Long-term debt	**-**	**23,645**	**4,593**	**28,238**	**28,050**
December 31, 2015					
Assets:					
Mortgage and other loans receivable	$ -	$ 198	$ 30,147	$ 30,345	$ 29,554
Other invested assets	-	563	2,880	3,443	4,169
Short-term investments	-	7,541	-	7,541	7,541
Cash	1,629	-	-	1,629	1,629
Liabilities:					
Policyholder contract deposits associated with investment-type contracts	-	309	117,537	117,846	108,788
Other liabilities	-	2,852	-	2,852	2,852
Long-term debt	-	21,686	4,528	26,214	25,579

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5. INVESTMENTS

Securities Available for Sale

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

(in millions)	Amortized Cost or Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Othe Ter Impa in
March 31, 2016					
Bonds available for sale:					
U.S. government and government sponsored entities	**$ 1,835**	**$ 207**	**$ (1)**	**$ 2,041**	**$**
Obligations of states, municipalities and political subdivisions	**26,014**	**1,798**	**(54)**	**27,758**	
Non-U.S. governments	**17,676**	**1,119**	**(180)**	**18,615**	
Corporate debt	**132,514**	**8,779**	**(2,345)**	**138,948**	
Mortgage-backed, asset-backed and collateralized:					
RMBS	**34,056**	**2,672**	**(506)**	**36,222**	
CMBS	**13,813**	**722**	**(98)**	**14,437**	
CDO/ABS	**15,822**	**344**	**(402)**	**15,764**	
Total mortgage-backed, asset-backed and collateralized	**63,691**	**3,738**	**(1,006)**	**66,423**	
Total bonds available for sale[(b)]	**241,730**	**15,641**	**(3,586)**	**253,785**	
Equity securities available for sale:					
Common stock	**891**	**1,396**	**(13)**	**2,274**	
Preferred stock	**19**	**4**	**-**	**23**	
Mutual funds	**419**	**56**	**(2)**	**473**	
Total equity securities available for sale	**1,329**	**1,456**	**(15)**	**2,770**	
Total	**$ 243,059**	**$ 17,097**	**$ (3,601)**	**$ 256,555**	**$**
December 31, 2015					
Bonds available for sale:					
U.S. government and government sponsored entities	$ 1,698	$ 155	$ (9)	$ 1,844	$
Obligations of states, municipalities and political subdivisions	26,003	1,424	(104)	27,323	
Non-U.S. governments	17,752	805	(362)	18,195	

Corporate debt		133,513	6,462	(3,987)	135,988
Mortgage-backed, asset-backed and collateralized:					
RMBS		33,878	2,760	(411)	36,227
CMBS		13,139	561	(129)	13,571
CDO/ABS		14,985	360	(248)	15,097
Total mortgage-backed, asset-backed and collateralized		62,002	3,681	(788)	64,895
Total bonds available for sale[(b)]		240,968	12,527	(5,250)	248,245
Equity securities available for sale:					
Common stock		913	1,504	(16)	2,401
Preferred stock		19	3	-	22
Mutual funds		447	53	(8)	492
Total equity securities available for sale		1,379	1,560	(24)	2,915
Total	$	242,347$	14,087$	(5,274)$	251,160$

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

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(b) At March 31, 2016 and December 31, 2015, bonds available for sale held by us that were below investment grade or not rated totaled $35.6 billion and $34.9 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
March 31, 2016						
Bonds available for sale:						
U.S. government and government sponsored entities	**$ 2**	**$ -**	**$ 11**	**$ 1**	**$ 13**	**$**
Obligations of states, municipalities and political subdivisions	**550**	**25**	**545**	**29**	**1,095**	
Non-U.S. governments	**1,400**	**52**	**1,212**	**128**	**2,612**	
Corporate debt	**17,937**	**1,053**	**9,297**	**1,292**	**27,234**	**2,**
RMBS	**5,087**	**151**	**4,828**	**355**	**9,915**	
CMBS	**1,340**	**46**	**863**	**52**	**2,203**	
CDO/ABS	**8,208**	**258**	**2,221**	**144**	**10,429**	
Total bonds available for sale	**34,524**	**1,585**	**18,977**	**2,001**	**53,501**	**3,**
Equity securities available for sale:						
Common stock	**69**	**13**	**-**	**-**	**69**	
Mutual funds	**93**	**2**	**-**	**-**	**93**	
Total equity securities available for sale	**162**	**15**	**-**	**-**	**162**	
Total	**$34,686**	**$ 1,600**	**$18,977**	**$ 2,001**	**$53,663**	**$ 3,**
December 31, 2015						
Bonds available for sale:						
U.S. government and government sponsored entities	$ 483	$ 9	$ 1	$ -	$ 484	$
Obligations of states, municipalities and political subdivisions	2,382	87	268	17	2,650	
Non-U.S. governments	4,327	203	832	159	5,159	
Corporate debt	41,317	2,514	5,428	1,473	46,745	3,

RMBS	7,215	133	4,318	278	11,533	
CMBS	4,138	108	573	21	4,711	
CDO/ABS	7,064	104	2,175	144	9,239	
Total bonds available for sale	66,926	3,158	13,595	2,092	80,521	5,
Equity securities available for sale:						
Common stock	91	16	-	-	91	
Mutual funds	200	8	-	-	200	
Total equity securities available for sale	291	24	-	-	291	
Total	$67,217	$ 3,182	$13,595	$ 2,092	$80,812	$ 5,

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Transfers of Level 3 Liabilities

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At March 31, 2016, we held 9,760 and 128 individual fixed maturity and equity securities, respectively, that were in an unrealized loss position, of which 2,931 individual fixed maturity securities were in a continuous unrealized loss position for 12 months or more. We did not recognize the unrealized losses in earnings on these fixed maturity securities at March 31, 2016 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	
March 31, 2016 *(in millions)*	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	**$ 8,930**	**$ 9,092**	**$ 732**	**$ 723**
Due after one year through five years	**49,341**	**52,088**	**6,357**	**6,084**
Due after five years through ten years	**51,660**	**53,355**	**10,954**	**9,972**
Due after ten years	**68,108**	**72,827**	**15,491**	**14,175**
Mortgage-backed, asset-backed and collateralized	**63,691**	**66,423**	**23,553**	**22,547**
Total	**$ 241,730**	**$ 253,785**	**$ 57,087**	**$ 53,501**
December 31, 2015				
Due in one year or less	$ 9,176	$ 9,277	$ 1,122	$ 1,103
Due after one year through five years	47,230	49,196	9,847	9,494
Due after five years through ten years	54,120	54,459	22,296	20,686
Due after ten years	68,440	70,418	26,235	23,755
Mortgage-backed, asset-backed and collateralized	62,002	64,895	26,271	25,483
Total	$ 240,968	$ 248,245	$ 85,771	$ 80,521

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

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

Three Months Ended March 31, *(in millions)*	**2016** Gross Realized Gains	**2016** Gross Realized Losses	2015 Gross Realized Gains	2015 Gross Realized Losses
Fixed maturity securities	**$ 187**	**$ 549**	$ 149	$ 118
Equity securities	**32**	**8**	496	5
Total	**$ 219**	**$ 557**	$ 645	$ 123

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For the three-month periods ended March 31, 2016 and 2015, respectively, the aggregate fair value of available for sale securities sold was $6.1 billion and $6.9 billion, respectively, which resulted in net realized capital losses of $338 million and net realized capital gains of $522 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:

	March 31, 2016		December 31, 2015	
(in millions)	Fair Value	Percent of Total	Fair Value	Percent of Total
Fixed maturity securities:				
U.S. government and government sponsored entities	$ 3,403	21 %	$ 3,369	19%
Obligations of states, municipalities and political subdivisions	-	-	75	-
Non-U.S. governments	53	-	50	-
Corporate debt	1,879	12	2,035	12
Mortgage-backed, asset-backed and collateralized:				
RMBS	1,953	12	2,230	13
CMBS	687	4	750	4
CDO/ABS and other collateralized*	7,369	46	8,273	47
Total mortgage-backed, asset-backed and collateralized	10,009	62	11,253	64
Total fixed maturity securities	15,344	95	16,782	95
Equity securities	877	5	921	5
Total	$ 16,221	100 %	$ 17,703	100%

* Includes $592 million and $712 million of U.S. Government agency-backed ABS at March 31, 2016 and December 31, 2015, respectively.

Net Investment Income

The following table presents the components of Net investment income:

Three Months Ended March 31,

(in millions)	**2016**	2015
Fixed maturity securities, including short-term investments	**$ 2,936**	$ 2,883
Equity securities	**(22)**	15
Interest on mortgage and other loans	**389**	339
Alternative investments*	**(366)**	586
Real estate	**53**	26
Other investments	**137**	141
Total investment income	**3,127**	3,990
Investment expenses	**114**	152
Net investment income	**$ 3,013**	$ 3,838

* Beginning in the first quarter of 2016, the presentation of income on alternative investments has been refined to include only income from hedge funds, private equity funds and affordable housing partnerships. Prior period disclosures have been reclassified to conform to this presentation. 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.

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Net Realized Capital Gains and Losses

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

Three Months Ended March 31, *(in millions)*	2016	2015
Sales of fixed maturity securities	$ (362)	$ 31
Sales of equity securities	24	491
Other-than-temporary impairments:		
Severity	(2)	(2)
Change in intent	(29)	(24)
Foreign currency declines	(6)	(29)
Issuer-specific credit events	(131)	(68)
Adverse projected cash flows	(36)	(5)
Provision for loan losses	30	24
Foreign exchange transactions	(520)	254
Derivative instruments	(84)	208
Impairments on investments in life settlements	(157)	(70)
Other *	167	531
Net realized capital gains (losses)	$ (1,106)	$ 1,341

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

Change in Unrealized Appreciation (Depreciation) of Investments

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

Three Months Ended March 31, *(in millions)*	2016	2015
Increase (decrease) in unrealized appreciation (depreciation) of investments:		
Fixed maturity securities	$ 4,778	$ 2,156
Equity securities	(95)	(382)
Other investments	(148)	(503)

Total increase (decrease) in unrealized appreciation (depreciation) of investments	**$ 4,535**	$ 1,271

Evaluating Investments for Other-Than-Temporary Impairments

For a discussion of our policy for evaluating investments for other-than-temporary impairments, see Note 5 to the Consolidated Financial Statements in the 2015 Annual Report.

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Credit Impairments

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

Three Months Ended March 31, *(in millions)*	**2016**	2015
Balance, beginning of year	**$ 1,747**	$ 2,659
Increases due to:		
Credit impairments on new securities subject to impairment losses	**110**	15
Additional credit impairments on previously impaired securities	**55**	22
Reductions due to:		
Credit impaired securities fully disposed for which there was no prior intent or requirement to sell	**(150)**	(42)
Accretion on securities previously impaired due to credit*	**(239)**	(188)
Other	**-**	-
Balance, end of period	**$ 1,523**	$ 2,466

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

Purchased Credit Impaired (PCI) Securities

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

Transfers of Level 3 Liabilities

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)	$ 33,999
Cash flows expected to be collected*	27,609
Recorded investment in acquired securities	18,476

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

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(in millions)	**March 31, 2016**	December 31, 2015
Outstanding principal balance	**$ 17,011**	$ 16,871
Amortized cost	**12,442**	12,303
Fair value	**12,979**	13,164

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

Three Months Ended March 31, *(in millions)*	**2016**	2015
Balance, beginning of period	**$ 6,846**	$ 6,865
Newly purchased PCI securities	**206**	245
Disposals	**-**	-
Accretion	**(214)**	(220)
Effect of changes in interest rate indices	**(299)**	(138)
Net reclassification to/(from) non-accretable difference, including effects of prepayments	**83**	13
Balance, end of period	**$ 6,622**	$ 6,765

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)	**March 31, 2016**	December 31, 2015
Fixed maturity securities available for sale	**$ 1,455**	$ 1,145
Other bond securities, at fair value	**$ 1,897**	$ 1,740

At March 31, 2016 and December 31, 2015, amounts borrowed under repurchase and securities lending agreements totaled $3.4 billion and $2.9 billion, respectively.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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
March 31, 2016						
Other bond securities:						
Non-U.S. governments	**$ -**	**$ -**	**$ -**	**$ 52**	**$ -**	**$ 52**
Corporate debt	**-**	**229**	**447**	**1,131**	**-**	**1,807**
Total	**$ -**	**$ 229**	**$ 447**	**$ 1,183**	**$ -**	**$ 1,859**
December 31, 2015						
Bonds available for sale:						
Non-U.S. governments	$ -	$ 50	$ -	$ -	$ -	$ 50
Other bond securities:						
Non-U.S. governments	-	-	-	49	-	49
Corporate debt	-	33	332	1,326	-	1,691
Total	$ -	$ 83	$ 332	$ 1,375	$ -	$ 1,790

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
March 31, 2016						
Bonds available for sale:						
Non-U.S. governments	**$ -**	**$ -**	**$ -**	**$ 54**	**$ -**	**$ 54**
Corporate debt	**-**	**101**	**674**	**167**	**8**	**950**
RMBS	**-**	**-**	**-**	**451**	**-**	**451**
Other bond securities:						
U.S. government and government sponsored entities	**30**	**-**	**-**	**-**	**-**	**30**
RMBS	**-**	**-**	**-**	**8**	**-**	**8**
Total	**$ 30**	**$ 101**	**$ 674**	**$ 680**	**$ 8**	**$ 1,493**

December 31, 2015						
Bonds available for sale:						
Non-U.S. governments	$ -	$ -	$ 57	$ -	$ -	$ 57
Corporate debt	-	-	914	-	-	914
RMBS	-	-	-	124	-	124
Total	$ -	$ -	$ 971	$ 124	$ -	$ 1,095

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.

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

(in millions)		March 31, 2016		December 31, 2015
Securities collateral pledged to us	$	1,282	$	1,742
Amount sold or repledged by us	$	140	$	-

Insurance – Statutory and Other Deposits

Total carrying values of cash and securities deposited by our insurance subsidiaries under requirements of regulatory authorities or other insurance-related arrangements, including certain annuity-related obligations and certain reinsurance treaties, were $5.5 billion and $4.9 billion at March 31, 2016 and December 31, 2015, respectively.

Other Pledges and Restrictions

Certain of our subsidiaries are members of Federal Home Loan Banks (FHLBs) and such membership requires the members to own stock in these FHLBs. We owned an aggregate of $47 million of stock in FHLBs at both March 31, 2016 and December 31, 2015. In addition, our subsidiaries have pledged securities available for sale with a fair value of $2.1 billion and $1.2 billion at March 31, 2016 and December 31, 2015, respectively, associated with advances from the FHLBs.

Certain GIAs have provisions that require collateral to be posted or payments to be made by us upon a downgrade of our long-term debt ratings. The actual amount of collateral required to be posted to the counterparties in the event of such downgrades, and the aggregate amount of payments that we could be required to make, depend on market conditions, the fair value of outstanding affected transactions and other factors prevailing at and after the time of the downgrade. The fair value of securities pledged as collateral with respect to these obligations was approximately $2.4 billion at both March 31, 2016 and December 31, 2015. 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.

Short-term investments held in escrow accounts or otherwise subject to restriction as to their use were $496 million and $439 million at March 31, 2016 and December 31, 2015, respectively.

6. LENDING ACTIVITIES

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

(in millions)	March 31, 2016	December 31, 2015
Commercial mortgages*	$ 22,159	$ 22,067
Residential mortgages	3,084	2,758
Life insurance policy loans	2,568	2,597
Commercial loans, other loans and notes receivable	3,142	2,451
Total mortgage and other loans receivable	30,953	29,873
Allowance for credit losses	(277)	(308)
Mortgage and other loans receivable, net	$ 30,676	$ 29,565

* Commercial mortgages primarily represent loans for offices, retail properties and apartments, with exposures in New York and California representing the largest geographic concentrations (aggregating approximately 23 percent and 12 percent, respectively, at March 31, 2016, and 22 percent and 12 percent, respectively, at December 31, 2015).

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Nonperforming loans are generally those loans where payment of contractual principal or interest is more than 90 days past due. Nonperforming mortgages were not significant for all periods presented.

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

(dollars in millions)	Number of Loans	Class: Apartments	Offices	Retail	Industrial	Hotel	Others	Total[c]	Percent of Total $
March 31, 2016									
Credit Quality Indicator:									
In good standing	**816**	**$ 4,014**	**$ 7,567**	**$ 4,861**	**$ 1,835**	**$ 2,255**	**$ 1,400**	**$ 21,932**	**99%**
Restructured[a]	**5**	**-**	**151**	**18**	**-**	**16**	**-**	**185**	**1**
90 days or less delinquent	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
>90 days delinquent or in process of foreclosure	**8**	**3**	**15**	**-**	**6**	**6**	**12**	**42**	**-**
Total[b]	**829**	**$ 4,017**	**$ 7,733**	**$ 4,879**	**$ 1,841**	**$ 2,277**	**$ 1,412**	**$ 22,159**	**100%**
Allowance for credit losses:									
Specific		**-**	**4**	**1**	**6**	**1**	**-**	**12**	**-**
General		**41**	**47**	**30**	**6**	**18**	**12**	**154**	**1**
Total allowance for credit losses		**$ 41**	**$ 51**	**$ 31**	**$ 12**	**$ 19**	**$ 12**	**$ 166**	**1%**
December 31, 2015									
Credit Quality Indicator:									
In good standing	830	$ 3,916	$ 7,484	$ 4,809	$ 1,902	$ 2,082	$ 1,435	$ 21,628	98%
Restructured[a]	9	-	156	25	6	16	6	209	1
90 days or less delinquent	1	-	-	4	-	-	-	4	-
>90 days delinquent or in process of foreclosure	9	3	205	-	6	-	12	226	1
Total[b]	849	$ 3,919	$ 7,845	$ 4,838	$ 1,914	$ 2,098	$ 1,453	$ 22,067	100%
Allowance for credit losses:									
Specific		-	16	1	6	1	-	24	-
General		35	47	29	8	15	13	147	1
Total allowance for credit losses		$ 35	$ 63	$ 30	$ 14	$ 16	$ 13	$ 171	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 6 to the Consolidated Financial Statements in the 2015 Annual Report.

(b) Does not reflect allowance for credit losses.

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

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Item 1 / NOTE 6. LENDING ACTIVITIES

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Allowance for Credit Losses

See Note 6 to the Consolidated Financial Statements in the 2015 Annual Report for a discussion of our accounting policy for evaluating Mortgage and other loans receivable for impairment.

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

	2016			2015		
Three Months Ended March 31, *(in millions)*	Commercial Mortgages	Other Loans	Total	Commercial Mortgages	Other Loans	Total
Allowance, beginning of year	**$ 171**	**$ 137**	**$ 308**	$ 159	$ 112	$ 271
Loans charged off	**(11)**	**-**	**(11)**	-	(1)	(1)
Recoveries of loans previously charged off	**11**	**-**	**11**	4	-	4
Net charge-offs	**-**	**-**	**-**	4	(1)	3
Provision for loan losses	**(5)**	**(26)**	**(31)**	(20)	(4)	(24)
Other	**-**	**-**	**-**	-	-	-
Allowance, end of period	**$ 166 ***	**$ 111**	**$ 277**	$ 143 *	$ 107	$ 250

* Of the total allowance, $12 million and $45 million relate to individually assessed credit losses on $298 million and $131 million of commercial mortgage loans at March 31, 2016 and 2015, respectively.

During the three-month period ended March 31, 2015, loans with a carrying value of $65 million were modified in troubled debt restructurings. No loans were modified in troubled debt restructurings during the three-month period ended March 31, 2016.

7. VARIABLE INTEREST ENTITIES

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

VIE, we evaluate the design of the VIE as well as the related risks the entity was designed to expose the variable interest holders to.

The primary beneficiary of a VIE 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.

Item 1 / NOTE 7. VARIABLE INTEREST ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Balance Sheet Classification and Exposure to Loss

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

(in millions)	Real Estate and Investment Entities[d]	Securitization Vehicles	Structured Investment Vehicle	Affordable Housing Partnerships	Other	Total
March 31, 2016						
Assets:						
Bonds available for sale	**$ -**	**$ 10,294**	**$ -**	**$ -**	**$ 15**	**$ 10,309**
Other bond securities	**-**	**5,379**	**358**	**-**	**9**	**5,746**
Mortgage and other loans receivable	**1**	**1,743**	**-**	**-**	**125**	**1,869**
Other invested assets	**2,074**	**467**	**-**	**2,846**	**24**	**5,411**
Other [a]	**574**	**918**	**58**	**301**	**159**	**2,010**
Total assets[b]	**$ 2,649**	**$ 18,801**	**$ 416**	**$ 3,147**	**$ 332**	**$ 25,345**
Liabilities:						
Long-term debt	**$ 1,545**	**$ 915**	**$ 52**	**$ 1,636**	**$ 5**	**$ 4,153**
Other [c]	**259**	**194**	**1**	**229**	**146**	**829**
Total liabilities	**$ 1,804**	**$ 1,109**	**$ 53**	**$ 1,865**	**$ 151**	**$ 4,982**
December 31, 2015						
Assets:						
Bonds available for sale	$ -	$ 10,309	$ -	$ -	$ 15	$ 10,324
Other bond securities	-	5,756	387	-	24	6,167
Mortgage and other loans receivable	1	1,960	-	-	132	2,093
Other invested assets	489	477	-	2,608	24	3,598
Other [a]	29	1,349	94	293	159	1,924
Total assets[b]	$ 519	$ 19,851	$ 481	$ 2,901	$ 354	$ 24,106
Liabilities:						
Long-term debt	$ -	$ 1,025	$ 53	$ 1,513	$ 6	$ 2,597
Other[c]	34	236	1	214	71	556
Total liabilities	$ 34	$ 1,261	$ 54	$ 1,727	$ 77	$ 3,153

(a) Comprised primarily of Short-term investments and Other assets at March 31, 2016 and December 31, 2015.

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

(c) Comprised primarily of Other liabilities and Derivative liabilities, at fair value, at March 31, 2016 and December 31, 2015.

(d) At March 31, 2016 and December 31, 2015, off-balance sheet exposure primarily consisting of commitments to real estate and investment entities was $113 million and $131 million, respectively.

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

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

		Maximum Exposure to Loss			
(in millions)	Total VIE Assets	On-Balance Sheet[a]	Off-Balance Sheet		Total
March 31, 2016					
Real estate and investment entities[d]	**$ 512,798**	**$ 13,724**	**$ 2,038**		**$ 15,762**
Affordable housing partnerships	**4,992**	**837**	**-**		**837**
Other	**4,367**	**273**	**1,099**	**(b)**	**1,372**
Total [c]	**$ 522,157**	**$ 14,834**	**$ 3,137**		**$ 17,971**
December 31, 2015					
Real estate and investment entities[d]	$ 21,951	$ 3,072	$ 398		$ 3,470
Affordable housing partnerships	5,255	774	-		774
Other	1,110	215	1,000	(b)	1,215
Total	$ 28,316	$ 4,061	$ 1,398		$ 5,459

(a) At March 31, 2016 and December 31, 2015, $14.4 billion and $3.8 billion, respectively, of our total unconsolidated VIE assets were recorded as Other invested assets.

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

(c) As discussed in Note 2, on January 1, 2016, we adopted accounting guidance that resulted in an increase in the number of our investment entities classified as VIEs.

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

See Note 9 to the Consolidated Financial Statements in the 2015 Annual Report for additional information on VIEs.

8. DERIVATIVES AND HEDGE ACCOUNTING

We use derivatives and other financial instruments as part of our financial risk management programs and as part of our investment operations. See Note 10 to the Consolidated Financial Statements in the 2015 Annual Report for a discussion of our accounting policies and procedures regarding derivatives and hedge accounting.

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

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

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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

	March 31, 2016				December 31, 2015			
	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	**$ 512**	**$ 4**	**$ 527**	**$ 3**	$ 301	$ 1	$ 725	$ 2
Foreign exchange contracts	**2,607**	**209**	**1,369**	**65**	2,903	207	914	56
Equity contracts	**-**	**-**	**116**	**13**	-	-	121	23
Derivatives not designated as hedging instruments:[(a)]								
Interest rate contracts	**62,278**	**4,401**	**36,183**	**3,107**	45,846	3,161	65,733	2,197
Foreign exchange contracts	**8,564**	**668**	**11,325**	**1,319**	9,472	559	8,900	1,148
Equity contracts	**9,648**	**243**	**6,040**	**17**	6,656	177	5,028	45
Commodity contracts	**-**	**-**	**-**	**-**	-	-	-	-
Credit contracts[(b)]	**4**	**3**	**1,152**	**493**	4	3	1,289	508
Other contracts[(c)]	**38,550**	**22**	**213**	**142**	37,586	23	203	69
Total derivatives, gross	**$ 122,163**	**$ 5,550**	**$ 56,925**	**$ 5,159**	$ 102,768	$ 4,131	$ 82,913	$ 4,048
Counterparty netting[(d)]		**(2,023)**		**(2,023)**		(1,268)		(1,268)
Cash collateral[(e)]		**(2,036)**		**(992)**		(1,554)		(760)
Total derivatives on condensed consolidated balance sheets[(f)]		**$ 1,491**		**$ 2,144**		$ 1,309		$ 2,020

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

(b) As of March 31, 2016 and December 31, 2015, included super senior multi-sector CDOs with a net notional amount of $1.0 billion and $1.1 billion (fair value liability of $468 million and $483 million), respectively. The expected weighted average maturity as of March 31, 2016 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 March 31, 2016 and December 31, 2015, 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 $0 at both March 31, 2016 and December 31, 2015. Fair value of liabilities related to bifurcated Embedded derivatives was $3.3 billion and $2.3 billion, respectively, at March 31, 2016 and December 31, 2015. 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 $3.3 billion and $3.0 billion at March 31, 2016 and December 31, 2015, respectively. In the case of collateral posted under derivative transactions that are not subject to clearing, this collateral can generally be repledged or resold by the counterparties. Collateral provided to us from third parties for derivative transactions was $2.1 billion and $1.6 billion at March 31, 2016 and December 31, 2015, 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-month periods ended March 31, 2016 and 2015, we recognized gains (losses) of $(5) million and $94 million, respectively, included in Change in foreign currency translation adjustment in Other comprehensive income related to the net investment hedge relationships.

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

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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 March 31, 2016					
Interest rate contracts:					
Realized capital gains/(losses)	$ 1	$ (1)	$ -	$ -	$ -
Other income	-	2	-	-	2
Gain/(Loss) on extinguishment of debt	-	-	-	-	-
Foreign exchange contracts:					
Realized capital gains/(losses)	34	(64)	-	(29)	(1)
Other income	-	7	-	-	7
Gain/(Loss) on extinguishment of debt	-	-	-	-	-
Equity contracts:					
Realized capital gains/(losses)	10	(12)	-	(2)	-
Three Months Ended March 31, 2015					
Interest rate contracts:					
Realized capital gains/(losses)	$ 1	$ (1)	$ -	$ -	$ -
Other income	-	3	-	-	3
Gain/(Loss) on extinguishment of debt	-	13	-	-	13
Foreign exchange contracts:					
Realized capital gains/(losses)	132	(128)	-	1	3
Interest credited to policyholder account balances	-	(1)	-	-	(1)
Other income	-	6	-	-	6
Gain/(Loss) on extinguishment of debt	-	16	-	-	16
Equity contracts					
Realized capital gains/(losses)	(6)	5	-	(1)	-

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

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

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Derivatives Not Designated as Hedging Instruments

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

	Gains (Losses) Recognized in Earnings	
Three Months Ended March 31, *(in millions)*	**2016**	2015
By Derivative Type:		
Interest rate contracts	**$ 770**	$ 356
Foreign exchange contracts	**(28)**	322
Equity contracts	**(131)**	(90)
Commodity contracts	**-**	(1)
Credit contracts	**6**	147
Other contracts	**16**	23
Embedded derivatives	**(772)**	(173)
Total	**$ (139)**	$ 584
By Classification:		
Policy fees	**$ 20**	$ 19
Net investment income	**(1)**	27
Net realized capital gains (losses)	**(35)**	171
Other income (losses)	**(130)**	362
Policyholder benefits and claims incurred	**7**	5
Total	**$ (139)**	$ 584

Credit Risk-Related Contingent Features

The aggregate fair value of our derivative instruments that contain credit risk-related contingent features that were in a net liability position at March 31, 2016 and December 31, 2015, was approximately $2.2 billion and $2.0 billion, respectively. The aggregate fair value of assets posted as collateral under these contracts at March 31, 2016 and December 31, 2015, was $2.3 billion and $2.1 billion, respectively.

We estimate that at March 31, 2016, based on our outstanding financial derivative transactions, a downgrade of our long-term senior debt ratings to BBB+, BBB or BBB– by Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, 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 $148 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 March 31, 2016. 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.

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Hybrid Securities with Embedded Credit Derivatives

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

We elect to account for our investments in these hybrid securities with embedded written credit derivatives at fair value, with changes in fair value recognized in Net investment income and Other income. Our investments in these hybrid securities are reported as Other bond securities in the Condensed Consolidated Balance Sheets. The fair values of these hybrid securities were $5.3 billion and $5.7 billion at March 31, 2016 and December 31, 2015, respectively. These securities have par amounts of $10.9 billion and $11.2 billion at March 31, 2016 and December 31, 2015, respectively, and have remaining stated maturity dates that extend to 2052.

9. CONTINGENCIES, COMMITMENTS AND GUARANTEES

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

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

Legal Contingencies

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

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

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

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and liquidity constraints relating to our securities lending program and related disclosure and other matters (Subprime Exposure Issues).

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

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

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

On March 27, 2015, an additional securities action was filed in state court in Orange County, California asserting a claim against AIG pursuant to Section 11 of the Securities Act (the California Action) that is substantially similar to those in the Consolidated 2008 Securities Litigation and the two remaining Individual Securities Litigations pending in the Southern District of New York. On July 10, 2015, AIG filed a motion to stay the California Action. On September 18, 2015, the court denied AIG's motion to stay the California Action. On October 23, 2015, AIG filed an appeal of the court's denial. On January 28, 2016, the California appellate court summarily denied AIG's appeal. On February 8, 2016, AIG filed a petition for review in the California Supreme Court, which was denied on March 30, 2016. On April 11, 2016, AIG filed a demurrer to dismiss all of the claims asserted in the California Action.

On April 29, 2015, AIG filed a complaint for declaratory relief in the Southern District of New York seeking a declaration that the Section 11 claims filed in the California Action are time-barred (the SDNY Action). On July 10, 2015, AIG filed a motion for summary judgment and the plaintiff in the California Action cross moved to dismiss the SDNY Action. On April 18, 2016, the court in the SDNY Action granted the plaintiff's motion to dismiss, and denied AIG's motion for summary judgment 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.

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

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

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

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False Claims Act Complaint

On February 25, 2010, a complaint was filed in the United States District Court for the Southern District of California by two individuals (Relators) seeking to assert claims on behalf of the United States against AIG and certain other defendants, including Goldman Sachs and Deutsche Bank, under the False Claims Act. Relators filed a first amended complaint on September 30, 2010, adding certain additional defendants, including Bank of America and Société Générale. The first amended complaint alleged that defendants engaged in fraudulent business practices in respect of their activities in the over-the-counter market for collateralized debt obligations, and submitted false claims to the United States in connection with the FRBNY Credit Facility and Maiden Lane II LLC and Maiden Lane III LLC entities (the Maiden Lane Interests) through, among other things, misrepresenting AIG's ability and intent to repay amounts drawn on the FRBNY Credit Facility, and misrepresenting the value of the securities that the Maiden Lane Interests acquired from AIG and certain of its counterparties. The first amended complaint sought unspecified damages pursuant to the False Claims Act in the amount of three times the damages allegedly sustained by the United States as well as interest, attorneys' fees, costs and expenses. The complaint and the first amended complaint were initially filed and maintained under seal while the United States considered whether to intervene in the action. On or about April 28, 2011, after the United States declined to intervene, the District Court lifted the seal, and Relators served the first amended complaint on AIG on July 11, 2011. On April 19, 2013, the Court granted AIG's motion to dismiss, dismissing the first amended complaint in its entirety, without prejudice, giving the Relators the opportunity to file a second amended complaint. On May 24, 2013, the Relators filed a second amended complaint, which attempted to plead the same claims as the prior complaints and did not specify an amount of alleged damages. AIG and its co-defendants filed motions to dismiss the second amended complaint on August 9, 2013. On March 29, 2014, the Court dismissed the second amended complaint with prejudice. On April 30, 2014, the Relators filed a Notice of Appeal to the Ninth Circuit. We are unable to reasonably estimate the possible loss or range of losses, if any, arising from this litigation.

Litigation Matters Relating to AIG's Insurance Operations

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

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

On August 15, 2012, the trial court entered an order granting plaintiffs' motion for class certification, and on September 12, 2014, the Alabama Supreme Court affirmed that order. AIG and the other defendants' petition for rehearing of that decision was denied on February 27, 2015. The matter has been remanded to the trial court for general discovery and adjudication of the merits. On November 24, 2015, the trial court ruled that the defendants had a duty to disclose the amount of insurance available at the settlement approval hearings and that the defendants breached that duty. On February 22, 2016, the court rescheduled the trial date to May 16, 2016. Thereafter, the parties settled this matter in principle, subject to formal documentation and court approval. We have accrued our current estimate of loss with respect to this litigation.

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Regulatory and Related Matters

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

On December 17, 2010, AIG and the lead states reached an agreement to settle all regulatory liabilities arising out of the subjects of the multistate examination. This regulatory settlement agreement, which was agreed to by all 50 states and the District of Columbia, included, among other terms, (i) AIG's payment of $100 million in regulatory fines and penalties; (ii) AIG's payment of $46.5 million in outstanding premium taxes and assessments; (iii) AIG's agreement to enter into a compliance plan describing agreed-upon specific steps and standards for evaluating AIG's ongoing compliance with state regulations governing the setting of workers' compensation insurance premium rates and the reporting of workers' compensation premiums; and (iv) AIG's agreement to pay up to $150 million in contingent fines in the event that AIG fails to comply substantially with the compliance plan requirements. In furtherance of the compliance plan, the agreement provided for a monitoring period from May 29, 2012 to May 29, 2014 leading up to a compliance plan examination. After the close of the monitoring period, as part of preparation for the actual conduct of the compliance plan examination, on or about October 1, 2014, AIG and the lead states agreed upon corrective action plans to address particular issues identified during the monitoring period. The compliance plan examination is ongoing. There can be no assurance that the result of the compliance plan examination will not result in a fine, have a material adverse effect on AIG's ongoing operations or lead to civil litigation.

In connection with a multi state examination of certain accident and health products, including travel products, issued by National Union Fire Insurance Company of Pittsburgh, Pa. (National Union), AIG Property Casualty Inc. (formerly Chartis Inc.), on behalf of itself, National Union, and certain of AIG Property Casualty Inc.'s insurance and non insurance companies (collectively, the AIG PC parties) entered into a Regulatory Settlement Agreement with regulators from 50 U.S. jurisdictions effective November 29,

2012. Under the agreement, and without admitting any liability for the issues raised in the examination, the AIG PC parties (i) paid a civil penalty of $50 million, (ii) entered into a corrective action plan describing agreed upon specific steps and standards for evaluating the AIG PC parties' ongoing compliance with laws and regulations governing the issues identified in the examination, and (iii) agreed to pay a contingent fine in the event that the AIG PC parties fail to satisfy certain terms of the corrective action plan. National Union and other AIG companies are also currently subject to civil litigation relating to the conduct of their accident and health business, and may be subject to additional litigation relating to the conduct of such business from time to time in the ordinary course. There can be no assurance that any regulatory action resulting from the issues identified will not have a material adverse effect on our ongoing operations of the business subject to the agreement, or on similar business written by other AIG carriers.

Other Commitments

In the normal course of business, we enter into commitments to invest in limited partnerships, private equity funds and hedge funds and to purchase and develop real estate in the U.S. and abroad. These commitments totaled $2.7 billion at March 31, 2016.

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Guarantees

Subsidiaries

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

In connection with AIGFP's business activities, AIGFP has issued, in a limited number of transactions, standby letters of credit or similar facilities to equity investors of structured leasing transactions in an amount equal to the termination value owing to the equity investor by the lessee in the event of a lessee default (the equity termination value). The total amount outstanding at March 31, 2016 was $208 million. In those transactions, AIGFP has agreed to pay such amount if the lessee fails to pay. The amount payable by AIGFP is, in certain cases, partially offset by amounts payable under other instruments typically equal to the present value of scheduled payments to be made by AIGFP. In the event that AIGFP is required to make a payment to the equity investor, the lessee is unconditionally obligated to reimburse AIGFP. To the extent that the equity investor is paid the equity termination value from the standby letter of credit and/or other sources, including payments by the lessee, AIGFP takes an assignment of the equity investor's rights under the lease of the underlying property. Because the obligations of the lessee under the lease transactions are generally economically defeased, lessee bankruptcy is the most likely circumstance in which AIGFP would be required to pay without reimbursement.

Asset Dispositions

General

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

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

Other

- See Note 7 to the Condensed Consolidated Financial Statements for additional discussion on commitments and guarantees associated with VIEs.
- See Note 8 to the Condensed Consolidated Financial Statements for additional disclosures about derivatives.
- See Note 14 to the Condensed Consolidated Financial Statements for additional disclosures about guarantees of outstanding debt.

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10. EQUITY

Shares Outstanding

The following table presents a rollforward of outstanding shares:

	Common Stock Issued	Treasury Stock	Common Stock Outstanding
Three Months Ended March 31, 2016			
Shares, beginning of year	1,906,671,492	(712,754,875)	1,193,916,617
Shares issued	-	10,968	10,968
Shares repurchased	-	(63,189,226)	(63,189,226)
Shares, end of period	1,906,671,492	(775,933,133)	1,130,738,359

Dividends

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

On March 28, 2016, we paid a dividend of $0.32 per share on AIG Common Stock to shareholders of record on March 14, 2016.

See Note 18 to the Consolidated Financial Statements in the 2015 Annual Report for a discussion of restrictions on payments of dividends to AIG Parent by its subsidiaries.

Repurchase of AIG Common Stock

Our Board of Directors has authorized the repurchase of shares of AIG Common Stock through a series of actions. On February 11, 2016, our Board of Directors authorized an additional increase of $5.0 billion to its previous share repurchase authorization. As of March 31, 2016, approximately $4.6 billion remained under our share repurchase authorization. Shares may be repurchased from time to time in the open market, private purchases, through forward, derivative, accelerated repurchase or automatic repurchase transactions or otherwise (including through the purchase of warrants). Certain of our share repurchases have been and may from time to time be effected through Exchange Act Rule 10b5-1 repurchase plans.

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We repurchased approximately 63 million shares of AIG Common Stock in the three-month period ended March 31, 2016 for an aggregate purchase price of approximately $3.5 billion, and we repurchased 10 million warrants to purchase shares of AIG Common Stock for an aggregate purchase price of $173 million.

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

Accumulated Other Comprehensive Income

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

(in millions)		Unrealized Appreciation (Depreciation) of Fixed Maturity Investments on Which Other-Than-Temporary Credit Impairments Were Taken		Unrealized Appreciation (Depreciation) of All Other Investments		Foreign Currency Translation Adjustments
Balance, December 31, 2015, net of tax	$	696	$	5,566	$	(2,879)
Change in unrealized appreciation (depreciation) of investments		(548)		5,083		-
Change in deferred policy acquisition costs adjustment and other		15		(360)		-
Change in future policy benefits		-		(728)		-
Change in foreign currency translation adjustments		-		-		(132)
Change in net actuarial loss		-		-		-
Change in prior service cost		-		-		-
Change in deferred tax asset (liability)		184		(568)		40
Total other comprehensive income (loss)		(349)		3,427		(92)
Noncontrolling interests		-		-		-
Balance, March 31, 2016, net of tax	$	347	$	8,993	$	(2,971)

Balance, December 31, 2014, net of tax	$	1,043	$	12,327	$	(1,784)
Change in unrealized appreciation (depreciation) of investments		(59)		1,330		-
Change in deferred policy acquisition costs adjustment and other		(19)		80		-
Change in future policy benefits		(23)		(380)		-
Change in foreign currency translation adjustments		-		-		(632)
Change in net actuarial loss		-		-		-
Change in prior service credit		-		-		-
Change in deferred tax asset (liability)		29		(491)		173
Total other comprehensive income (loss)		(72)		539		(459)
Noncontrolling interests		-		-		(3)
Balance, March 31, 2015, net of tax	$	971	$	12,866	$	(2,240)

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The following table presents the other comprehensive income reclassification adjustments for the three-month periods ended March 31, 2016 and 2015, respectively:

(in millions)	Unrealized Appreciation (Depreciation) of Fixed Maturity Investments on Which Other-Than-Temporary Credit Impairments Were Recognized	Unrealized Appreciation (Depreciation) of All Other Investments	Foreign Currency Translation Adjustments	Retirement Plan Liabilities Adjustment	T
March 31, 2016					
Unrealized change arising during period	**$ (458)**	**$ 3,640**	**$ (132)**	**$ 1**	**$3,**
Less: Reclassification adjustments included in net income	**75**	**(355)**	**-**	**(4)**	**(2**
Total other comprehensive income (loss), before income tax expense (benefit)	**(533)**	**3,995**	**(132)**	**5**	**3,**
Less: Income tax expense (benefit)	**(184)**	**568**	**(40)**	**3**	
Total other comprehensive income (loss), net of income tax expense (benefit)	**$ (349)**	**$ 3,427**	**$ (92)**	**$ 2**	**$2,**
March 31, 2015					
Unrealized change arising during period	$ (92)	$ 1,507	$ (632)	$ 7	$
Less: Reclassification adjustments included in net income	9	477	-	(24)	
Total other comprehensive income (loss), before income tax expense (benefit)	(101)	1,030	(632)	31	
Less: Income tax expense (benefit)	(29)	491	(173)	2	
Total other comprehensive income (loss), net of income tax expense (benefit)	$ (72)	$ 539	$ (459)	$ 29	$

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

Amount
Reclassified
from
Accumulated

(in millions)	Other Comprehensive Income Three Months Ended March 31, **2016**	2015	Affected Line Item in the Condensed Consolidated Statements of Income
Unrealized appreciation (depreciation) of fixed maturity investments on which other-than-temporary credit impairments were recognized			
Investments	**$ 75**	$ 9	Other realized capital gains
Total	**75**	9	
Unrealized appreciation (depreciation) of all other investments			
Investments	**(413)**	512	Other realized capital gains
Deferred policy acquisition costs adjustment	**58**	(35)	Amortization of deferred policy acquisition costs
Future policy benefits	**-**	-	Policyholder benefits and losses incurred
Total	**(355)**	477	

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Item 1 / NOTE 10. EQUITY

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Change in retirement plan liabilities adjustment				
Prior-service costs		**4**	12	*
Actuarial losses		**(8)**	(36)	*
Total		**(4)**	(24)	
Total reclassifications for the period	**$**	**(284)**	$ 462	

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

11. EARNINGS PER SHARE (EPS)

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

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

Three Months Ended March 31, *(dollars in millions, except per share data)*		**2016**		2015
Numerator for EPS:				
Income (loss) from continuing operations	**$**	**(156)**	$	2,476
Less: Net income from continuing operations attributable to noncontrolling interests		**(20)**		9
Income (loss) attributable to AIG common shareholders from continuing operations		**(136)**		2,467
Income (loss) from discontinued operations, net of income tax expense		**(47)**		1
Net income (loss) attributable to AIG common shareholders	**$**	**(183)**	$	2,468
Denominator for EPS:				
Weighted average shares outstanding — basic		**1,156,548,459**		1,365,951,690
Dilutive shares[a]		**-**		20,311,859
Weighted average shares outstanding — diluted[b]		**1,156,548,459**		1,386,263,549
Income per common share attributable to AIG:				

Basic:		
Income (loss) from continuing operations	**$ (0.12)**	$ 1.81
Loss from discontinued operations	**$ (0.04)**	$ -
Income (loss) attributable to AIG	**$ (0.16)**	$ 1.81
Diluted:		
Income (loss) from continuing operations	**$ (0.12)**	$ 1.78
Income (loss) from discontinued operations	**$ (0.04)**	$ -
Income (loss) attributable to AIG	**$ (0.16)**	$ 1.78

(a) Shares in the diluted EPS calculation represent basic shares for the three-month period ended March 31, 2016 due to the net loss in that period.

(b) Dilutive shares include our share based employee compensation plans and a weighted average portion of the warrants issued to AIG shareholders as part of AIG's recapitalization in January 2011. The number of shares excluded from diluted shares outstanding was 0.6 and 0.6 million for both the three-month periods ended March 31, 2016 and 2015, because the effect of including those shares in the calculation would have been anti-dilutive.

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Item 1 / NOTE 12. EMPLOYEE BENEFITS

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

12. EMPLOYEE BENEFITS

We sponsor various defined benefit pension plans, post-retirement medical and life insurance plans for eligible employees and retirees in the U.S. and certain non-U.S. countries. Effective January 1, 2016, the U.S. defined benefit pension plans were frozen for current participants and closed to new hires. Accordingly, compensation-based benefits are no longer credited to the cash balance accounts of plan participants.

In addition, we changed the method used to measure interest cost for pension and postretirement benefits for our U.S. plans and largest non-U.S. plans in the fourth quarter of 2015. Previously, we measured interest cost utilizing a single weighted-average discount rate derived from the yield curve used to measure the benefit obligations. For 2016, interest cost is measured by applying the specific spot rates along the yield curve to the plans' corresponding discounted cash flows that comprise the obligation (the Spot Rate Approach). The new method provides a more precise measurement of interest cost by aligning the timing of the plans' discounted cash flows to the corresponding spot rates on the yield curve. We accounted for this change as a change in accounting estimate, which is applied prospectively. The measurement of our pension and postretirement benefit obligations was not affected.

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

	Pension			Postretirement		
(in millions)	U.S. Plans	Non-U.S. Plans	Total	U.S. Plans	Non-U.S. Plans	Total
Three Months Ended March 31, 2016						
Components of net periodic benefit (income) cost:						
Service cost	**$ 4**	**$ 8**	**$ 12**	**$ 1**	**$ 1**	**$ 2**
Interest cost	**46**	**5**	**51**	**1**	**1**	**2**
Expected return on assets	**(73)**	**(7)**	**(80)**	**-**	**-**	**-**
Amortization of prior service credit	**-**	**-**	**-**	**(2)**	**-**	**(2)**
Amortization of net loss	**6**	**2**	**8**	**-**	**-**	**-**
Curtailment gain	**-**	**(2)**	**(2)**	**-**	**-**	**-**
Net periodic benefit (income) cost	**$ (17)**	**$ 6**	**$ (11)**	**$ -**	**$ 2**	**$ 2**
Three Months Ended March 31, 2015						
Components of net periodic benefit cost:						
Service cost	$ 52	$ 11	$ 63	$ 2	$ 1	$ 3

Interest cost	55	6	61	2	1	3
Expected return on assets	(72)	(6)	(78)	-	-	-
Amortization of prior service credit	(8)	(1)	(9)	(3)	-	(3)
Amortization of net loss	32	3	35	-	-	-
Net periodic benefit cost	$ 59	$ 13	$ 72	$ 1	$ 2	$ 3

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

13. INCOME TAXES

Interim Tax Calculation Method

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

Interim Tax Expense (Benefit)

For the three-month period ended March 31, 2016, the effective tax rate on loss from continuing operations was 27.1 percent. The effective tax rate on loss from continuing operations differs from the statutory tax rate of 35 percent primarily due to tax charges and related interest associated with increases in uncertain tax positions related to cross border financing transactions, partially offset by tax benefits associated with the impact of an agreement reached with the Internal Revenue Service (IRS) related to certain tax issues under audit, reclassifications from accumulated other comprehensive income to income from continuing operations related to the disposal of available for sale securities and a decrease in the deferred tax asset valuation allowances associated with certain foreign jurisdictions.

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

Assessment of Deferred Tax Asset Valuation Allowance

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

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Item 1 / NOTE 13. INCOME TAXES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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

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

In performing our assessment of the recoverability of the deferred tax asset under this framework, we consider tax laws governing the utilization of the net operating loss, capital loss and foreign tax credit carryforwards in each applicable jurisdiction. Under U.S. tax law, a company generally must use its net operating loss carryforwards before it can use its foreign tax credit carryforwards, even though the carryforward period for the foreign tax credit is shorter than for the net operating loss. Our U.S. federal consolidated income tax group includes both life companies and non-life companies. While the U.S. taxable income of our non-life companies can be offset by the net operating loss carryforwards, only a portion (no more than 35 percent) of the U.S. taxable income of our life companies can be offset by those net operating loss carryforwards. The remaining tax liability of our life companies can be offset by the foreign tax credit carryforwards. Accordingly, we utilize both the net operating loss and foreign tax credit carryforwards concurrently which enables us to realize our tax attributes prior to expiration. As of March 31, 2016, based on all available evidence, it is more likely than not that the U.S. net operating loss and foreign tax credit carryforwards will be utilized prior to expiration and, thus, no valuation allowance has been established.

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

For the three-month period ended March 31, 2016, recent changes in market conditions, including falling interest rates, impacted the unrealized tax gains and losses in the U.S. Life Insurance Companies' available for sale securities portfolio, resulting in a decrease to the related deferred tax asset. The deferred tax asset relates to the unrealized losses for which the carryforward period has not yet begun, and as such, when assessing its recoverability, we consider our ability and intent to hold the underlying securities to recovery. As of March 31, 2016, based on all available evidence, we concluded that the valuation allowance should be reduced on a portion of the deferred tax asset related to unrealized tax losses that are more-likely-than-not to be realized.

As a result, for the three-month period ended March 31, 2016, we released $800 million of valuation allowance associated with the unrealized tax losses in the U.S. Life Insurance Companies, all of which was allocated to other comprehensive income.

During the three-month period ended March 31, 2016, we recognized a net decrease of $34 million in our deferred tax asset valuation allowance associated with certain foreign jurisdictions, primarily attributable to changes in projections related to Japan.

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Item 1 / NOTE 13. INCOME TAXES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Tax Examinations and Litigation

On August 1, 2012, we filed a motion for partial summary judgment related to the disallowance of foreign tax credits associated with cross border financing transactions in the Southern District of New York. On March 29, 2013, the Southern District of New York denied our motion. On March 17, 2014, the U.S. Court of Appeals for the Second Circuit (the Second Circuit) granted our petition for an immediate appeal of the partial summary judgment decision. On September 9, 2015, the Second Circuit affirmed the decision of the Southern District of New York. On October 13, 2015, we filed a petition for a writ of certiorari to the U.S Supreme Court. On March 7, 2016 the U.S. Supreme Court denied our petition for certiorari. As a result, the case will be remanded back to the Southern District of New York for a jury trial.

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

Accounting for Uncertainty in Income Taxes

At March 31, 2016 and December 31, 2015, our unrecognized tax benefits, excluding interest and penalties, were $4.5 billion and $4.3 billion, respectively. The three-month period ended March 31, 2016 reflects an increase in amounts associated with cross border financing transactions, partially offset by benefits realized due to an agreement reached with the IRS related to certain tax issues under audit. At both March 31, 2016 and December 31, 2015, our unrecognized tax benefits related to tax positions that, if recognized, would not affect the effective tax rate because they relate to such factors as the timing, rather the permissibility, of the deduction were $0.1 billion. Accordingly, at March 31, 2016 and December 31, 2015, the amounts of unrecognized tax benefits that, if recognized, would favorably affect the effective tax rate were $4.4 billion and $4.2 billion, respectively.

Interest and penalties related to unrecognized tax benefits are recognized in income tax expense. At both March 31, 2016 and December 31, 2015, we had accrued liabilities of $1.2 billion for the payment of interest (net of the federal benefit) and penalties. For the three-month periods ended March 31, 2016 and 2015, we accrued benefits of $51 million and $12 million, respectively, for the payment of interest and penalties. The reduction in interest from December 31, 2015 was primarily due to benefits associated with an agreement reached with the IRS related to certain tax issues under audit, partially offset by an increase associated with cross border financing transactions.

We regularly evaluate adjustments proposed by taxing authorities. At March 31, 2016, such proposed adjustments would not have resulted in a material change to our consolidated financial condition, although it is possible that the effect could be material to our consolidated results of operations for an individual reporting period. Although it is reasonably possible that a change in the balance of unrecognized tax benefits may occur within the next 12 months, based on the information currently available, we do not expect any change to be material to our consolidated financial condition.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

14. INFORMATION PROVIDED IN CONNECTION WITH OUTSTANDING DEBT

The following Condensed Consolidating Financial Statements reflect the results of AIGLH, a holding company and a wholly owned subsidiary of AIG. AIG provides a full and unconditional guarantee of all outstanding debt of AIGLH.

Condensed Consolidating Balance Sheets

(in millions)	American International Group, Inc. (As Guarantor)	AIGLH	Other Subsidiaries	Reclassifications and Eliminations	Consolidated AIG
March 31, 2016					
Assets:					
Short-term investments	$ 4,391	$ -	$ 10,635	$ (4,112)	$ 10,914
Other investments[a]	5,437	-	326,495	-	331,932
Total investments	9,828	-	337,130	(4,112)	342,846
Cash	36	7	1,456	-	1,499
Loans to subsidiaries[b]	35,109	-	411	(35,520)	-
Investment in consolidated subsidiaries[b]	55,010	30,908	-	(85,918)	-
Other assets, including deferred income taxes	24,470	125	137,311	(3,474)	158,432
Total assets	$ 124,453	$ 31,040	$ 476,308	$ (129,024)	$ 502,777
Liabilities:					
Insurance liabilities	$ -	$ -	$ 274,789	$ -	$ 274,789
Long-term debt	22,133	678	9,141	-	31,952
Other liabilities, including intercompany balances[a]	13,407	54	101,237	(7,743)	106,955
Loans from subsidiaries[b]	395	-	35,125	(35,520)	-
Total liabilities	35,935	732	420,292	(43,263)	413,696
Total AIG shareholders' equity	88,518	30,308	55,453	(85,761)	88,518
Non-redeemable noncontrolling interests	-	-	563	-	563
Total equity	88,518	30,308	56,016	(85,761)	89,081

Total liabilities and equity	**$ 124,453**	**$31,040**	**$ 476,308**	**$ (129,024)**	**$502,777**
December 31, 2015					
Assets:					
Short-term investments	$ 4,042	$ -	$ 9,637	$ (3,547)	$ 10,132
Other investments[a]	7,425	-	320,797	-	328,222
Total investments	11,467	-	330,434	(3,547)	338,354
Cash	34	116	1,479	-	1,629
Loans to subsidiaries[b]	35,927	-	578	(36,505)	-
Investment in consolidated subsidiaries[b]	51,151	30,239	-	(81,390)	-
Other assets, including deferred income taxes	23,299	258	135,690	(2,388)	156,859
Total assets	$ 121,878	$30,613	$ 468,181	$ (123,830)	$496,842
Liabilities:					
Insurance liabilities	$ -	$ -	$ 271,645	$ -	$271,645
Long-term debt	19,777	704	8,768	-	29,249
Other liabilities, including intercompany balances[a]	11,869	201	99,777	(6,109)	105,738
Loans from subsidiaries[b]	574	3	35,928	(36,505)	-
Total liabilities	32,220	908	416,118	(42,614)	406,632
Total AIG shareholders' equity	89,658	29,705	51,511	(81,216)	89,658
Non-redeemable noncontrolling interests	-	-	552	-	552
Total equity	89,658	29,705	52,063	(81,216)	90,210
Total liabilities and equity	$ 121,878	$30,613	$ 468,181	$ (123,830)	$496,842

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

(b) Eliminated in consolidation.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Condensed Consolidating Statements of Income

(in millions)	American International Group, Inc. (As Guarantor)	AIGLH	Other Subsidiaries	Reclassif Elim
Three Months Ended March 31, 2016				
Revenues:				
Equity in earnings of consolidated subsidiaries*	$ **(944)**	$ **(1,683)**	$ **-**	$
Other income	**(63)**	**5**	**12,038**	
Total revenues	**(1,007)**	**(1,678)**	**12,038**	
Expenses:				
Interest expense	**244**	**14**	**49**	
Loss on extinguishment of debt	**77**	**-**	**6**	
Other expenses	**191**	**7**	**11,605**	
Total expenses	**512**	**21**	**11,660**	
Income (loss) from continuing operations before income tax expense (benefit)	**(1,519)**	**(1,699)**	**378**	
Income tax expense (benefit)	**(1,337)**	**(6)**	**1,285**	
Income (loss) from continuing operations	**(182)**	**(1,693)**	**(907)**	
Loss from discontinued operations, net of income taxes	**(1)**	**-**	**(46)**	
Net income (loss)	**(183)**	**(1,693)**	**(953)**	
Less:				
Total net loss attributable to noncontrolling interests	**-**	**-**	**(20)**	
Net income (loss) attributable to AIG	$ **(183)**	$ **(1,693)**	$ **(933)**	$
Three Months Ended March 31, 2015				
Revenues:				
Equity in earnings of consolidated subsidiaries*	$ 2,757	$ 773	$ -	$
Other income	150	-	15,914	
Total revenues	2,907	773	15,914	
Expenses:				
Interest expense	289	16	65	

Loss on extinguishment of debt		61	-	-
Other expenses		246	(5)	11,609
Total expenses		596	11	11,674
Income (loss) from continuing operations before income tax expense (benefit)		2,311	762	4,240
Income tax expense (benefit)		(157)	(43)	1,501
Income (loss) from continuing operations		2,468	805	2,739
Income from discontinued operations, net of income taxes		-	-	1
Net income (loss)		2,468	805	2,740
Less:				
Total net loss attributable to noncontrolling interests		-	-	9
Net income (loss) attributable to AIG	$	2,468 $	805 $	2,731 $

* Eliminated in consolidation.

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Condensed Consolidating Statements of Comprehensive Income

(in millions)	American International Group, Inc. (As Guarantor)	AIGLH	Other Subsidiaries	Recla
Three Months Ended March 31, 2016				
Net income (loss)	**$ (183)**	**$ (1,693)**	**$ (953)**	**$**
Other comprehensive income (loss)	**2,988**	**(474)**	**55,554**	
Comprehensive income (loss)	**2,805**	**(2,167)**	**54,601**	
Total comprehensive loss attributable to noncontrolling interests	**-**	**-**	**(20)**	
Comprehensive income (loss) attributable to AIG	**$ 2,805**	**$ (2,167)**	**$ 54,621**	**$**
Three Months Ended March 31, 2015				
Net income (loss)	$ 2,468	$ 805	$ 2,740	$
Other comprehensive income (loss)	38	908	(1,061)	
Comprehensive income (loss)	2,506	1,713	1,679	
Total comprehensive income attributable to noncontrolling interests	-	-	6	
Comprehensive income (loss) attributable to AIG	$ 2,506	$ 1,713	$ 1,673	$

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Item 1 / NOTE 14. INFORMATION PROVIDED IN CONNECTION WITH OUTSTANDING DEBT

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Condensed Consolidating Statements of Cash Flows

(in millions)	American International Group, Inc. (As Guarantor)	AIGLH	Other Subsidiaries*	Reclassifications and Eliminations*
Three Months Ended March 31, 2016				
Net cash (used in) provided by operating activities	$ 1,483	$ 97	$ (1,481)	$ (1,067)
Cash flows from investing activities:				
Sales of investments	392	-	17,004	(1,154)
Purchase of investments	(322)	-	(16,634)	1,154
Loans to subsidiaries - net	880	-	180	(1,060)
Contributions from (to) subsidiaries - net	644	-	-	(644)
Net change in restricted cash	-	-	(59)	-
Net change in short-term investments	(1,022)	-	445	-
Other, net	(127)	-	708	-
Net cash (used in) provided by investing activities	445	-	1,644	(1,704)
Cash flows from financing activities:				
Issuance of long-term debt	2,986	-	303	-
Repayments of long-term debt	(710)	(26)	(222)	-
Purchase of common stock	(3,486)	-	-	-
Intercompany loans - net	(180)	(3)	(877)	1,060
Cash dividends paid	(363)	(177)	(890)	1,067
Other, net	(173)	-	1,500	644
Net cash (used in) provided by financing activities	(1,926)	(206)	(186)	2,771
Effect of exchange rate changes on cash	-	-	-	-
Change in cash	2	(109)	(23)	-
Cash at beginning of year	34	116	1,479	-
Cash at end of period	$ 36	$ 7	$ 1,456	$ -
Three Months Ended March 31, 2015				
Net cash (used in) provided by operating activities	$ 1,111	$ 284	$ 2,257	$ (3,264)
Cash flows from investing activities:				
Sales of investments	505	-	15,995	(1,271)

Purchase of investments	(897)	-	(13,483)	1,271
Loans to subsidiaries - net	1,091	-	395	(1,486)
Contributions from (to) subsidiaries - net	(70)	-	-	70
Net change in restricted cash	-	-	(47)	-
Net change in short-term investments	(1,035)	-	231	-
Other, net	-	-	(955)	-
Net cash (used in) provided by investing activities	(406)	-	2,136	(1,416)
Cash flows from financing activities:				
Issuance of long-term debt	2,342	-	243	-
Repayments of long-term debt	(977)	-	(916)	-
Purchase of common stock	(1,398)	-	-	-
Intercompany loans - net	(394)	-	(1,092)	1,486
Cash dividends paid	(170)	(367)	(2,897)	3,264
Other, net	(69)	-	411	(70)
Net cash (used in) provided by financing activities	(666)	(367)	(4,251)	4,680
Effect of exchange rate changes on cash	-	-	(33)	-

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Change in cash	39	(83)	109	-	65
Cash at beginning of year	26	91	1,641	-	1,758
Cash at end of period	$ 65	$ 8	$ 1,750	$ -	$ 1,823

Supplementary Disclosure of Condensed Consolidating Cash Flow Information

(in millions)	American International Group, Inc. (As Guarantor)	AIGLH	Other Subsidiaries*	Reclassifications and Eliminations*	C
Cash (paid) received during the 2016 period for:					
Interest:					
Third party	**$ (285)**	**$ (24)**	**$ (53)**	**$ -**	**$**
Intercompany	**-**	**-**	**-**	**-**	
Taxes:					
Income tax authorities	**$ (1)**	**$ -**	**$ (38)**	**$ -**	**$**
Intercompany	**182**	**-**	**(182)**	**-**	
Cash (paid) received during the 2015 period for:					
Interest:					
Third party	$ (240)	$ (27)	$ (40)	$ -	$
Intercompany	-	-	-	-	
Taxes:					
Income tax authorities	$ (1)	$ -	$ (139)	$ -	$
Intercompany	291	-	(291)	-	

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

Three Months Ended March 31, *(in millions)*	**2016**	2015
Intercompany non-cash financing and investing activities:		

Capital contributions	**$ 2,904**	$ 111
Dividends received in the form of securities	**697**	140

15. SUBSEQUENT EVENTS

Dividends Declared

On May 2, 2016, our Board of Directors declared a cash dividend on AIG Common Stock of $0.32 per share, payable on June 27, 2016 to shareholders of record on June 13, 2016.

Sale of PICC P&C Shares

On May 2, 2016, we announced the pricing of the sale of 740 million ordinary H shares of PICC P&C by means of a placing to institutional investors. Upon the closing of the placing, which is scheduled for May 5, 2016, and is subject to customary closing conditions, we anticipate receiving gross proceeds of approximately $1.25 billion and recognizing a pre-tax realized capital gain of approximately $0.9 billion.

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

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

American International Group, Inc. (AIG) has incorporated into this discussion a number of cross-references to additional information included throughout this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2015 (2015 Annual Report) to assist readers seeking additional information related to a particular subject.

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

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

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

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

- changes in market conditions;
- negative impacts on customers, business partners and other stakeholders;
- the occurrence of catastrophic events, both natural and man-made;
- significant legal proceedings;
- the timing and applicable requirements of any new regulatory framework to which we are subject as a nonbank systemically important financial institution (SIFI) and as a global systemically important insurer (G SII);
- concentrations in our investment portfolios;
- actions by credit rating agencies;
- judgments concerning casualty insurance underwriting and insurance liabilities;
- our ability to successfully manage run-off insurance portfolios;
- our ability to successfully reduce costs and expenses and make business and organizational changes without negatively impacting client relationships or our competitive position;
- our ability to successfully dispose of, or monetize, businesses or assets;
- judgments concerning the recognition of deferred tax assets;
- judgments concerning estimated restructuring charges and estimated cost savings; and
- such other factors discussed in:
- Part I, Item 2. MD&A and Part II, Item 1A. Risk Factors of this Quarterly Report on Form 10 Q; and
- Part I, Item 1A. Risk Factors and Part II, Item 7. MD&A of our 2015 Annual Report.

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

The MD&A is organized as follows:

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Item 2 / USE OF NON-GAAP MEASURES

Throughout this MD&A, we present our financial condition and results of operations in the way we believe will be most meaningful and representative of our business results. Some of the measurements we use are "non GAAP financial measures" under SEC rules and regulations. GAAP is the acronym for "accounting principles generally accepted in the United States." The non GAAP financial measures we present may not be comparable to similarly named measures reported by other companies.

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

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

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

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Item 2 / USE OF NON-GAAP MEASURES

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

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

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

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

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

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

- **Accident year loss and combined ratios, as adjusted:** both the accident year loss and combined ratios, as adjusted, exclude catastrophe losses and related reinstatement premiums, prior year development, net of premium adjustments, and the impact of reserve discounting. Natural catastrophe losses are generally weather or seismic events having a net impact in excess of $10 million each. Catastrophes also include certain man-made events, such as terrorism and civil disorders that meet the $10 million threshold.

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

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

• changes in fair value of securities used to hedge guaranteed living benefits;	• changes in benefit reserves and DAC, VOBA and SIA related to net realized capital gains and losses; and
• net realized capital gains and losses;	• non-operating litigation reserves and settlements.

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

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

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

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

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Item 2 / EXECUTIVE OVERVIEW

This overview of the MD&A highlights selected information and may not contain all of the information that is important to current or potential investors in AIG's securities. You should read this Quarterly Report on Form 10 Q, together with the 2015 Annual Report, in its entirety for a complete description of events, trends, uncertainties, risks and critical accounting estimates affecting us.

We report our results of operations as follows:

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

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

- **Corporate and Other** – Corporate and Other consists of income from assets held by AIG Parent and other corporate subsidiaries, general operating expenses not attributable to specific reportable segments and interest expense. It also includes run-off lines of insurance business.

On January 26, 2016, we announced several actions designed to create a leaner, more profitable and focused insurer. These actions include a plan to reorganize our operating model into "modular", more self-contained business units to enhance transparency and accountability. Additionally, we are introducing a new Legacy Portfolio that aims to maximize value and release capital of certain run-off non-strategic assets and highlight progress on improving the return on equity (ROE) of our Operating Portfolio. When the new operating structure is finalized, the presentation of our segment results may be modified and prior periods' presentation may be revised to conform to the new structure.

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Financial Performance

Commercial Insurance pre tax operating income decreased in the first quarter of 2016 compared to the same period in the prior year primarily due to a decrease in net investment income slightly offset by improved underwriting results.

Consumer Insurance pre-tax operating income decreased in the first quarter of 2016 compared to the same period in the prior year, primarily due to lower net investment income (reflecting lower income on alternative investments from negative performance in hedge funds) and higher DAC amortization in Retirement and Life; partially offset by improved underwriting results in Personal Insurance due to lower accident year losses, as adjusted, primarily in the U.S. personal property business, strategic actions to reduce expenses and refocus direct marketing activities, net favorable prior year loss reserve development in the first quarter of 2016 compared to net adverse prior year loss reserve development in the same period in the prior year, and lower catastrophe losses.

Corporate and Other reported a pre-tax operating loss in the first quarter of 2016 compared to pre-tax operating income in the prior-year quarter, primarily due to fair value losses on assets for which the fair value option was elected, including ABS CDOs and part of our holdings in People's Insurance Company (Group) of China Limited (PICC Group). In addition, the first quarter of 2015 included our share of AerCap's pre-tax income, which was accounted for under the equity method through the date of sale of most of our shares in the second quarter of 2015.

Our investment portfolio performance declined in the first quarter of 2016 compared to the same period in the prior year due to lower income on alternative investments, primarily related to negative performance in hedge funds, and lower reinvestment yields.

Net realized capital gains decreased, with net losses in the first quarter of 2016 compared to net gains in the same period in the prior year, due to realized capital losses from sales of investments, an increase in other-than-temporary impairment charges, and foreign exchange transaction losses. See MD&A – Investments – Net Realized Capital Gains and Losses for further discussion.

In keeping with our broad and on-going efforts to transform AIG for long-term competitiveness, results for the first quarter of 2016 include approximately $0.2 billion of pre-tax restructuring and other costs, primarily composed of employee severance and contract termination charges.

We continue to execute initiatives focused on organizational simplification, operational efficiency, and business rationalization, which are expected to result in pre-tax restructuring and other costs of approximately $0.9 billion (of which approximately $0.7 billion has been recognized) as well as generate pre-tax annualized savings of approximately $0.7 billion to $0.8 billion when fully implemented.

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Our Performance – Selected Indicators

Three Months Ended March 31,				
(in millions, except per share data and ratios)		2016		2015
Results of operations data:				
Total revenues	$	11,779	$	15,975
Income (loss) from continuing operations		(156)		2,476
Net income (loss) attributable to AIG		(183)		2,468
Net Income (loss) per common share attributable to AIG (diluted)		(0.16)		1.78
After-tax operating income attributable to AIG	$	773	$	1,691
After-tax operating income per common share attributable to AIG (diluted)		0.65		1.22
Key metrics:				
Commercial Insurance				
Pre-tax operating income	$	889	$	1,462
Property Casualty combined ratio		96.9		97.1
Property Casualty accident year loss ratio, as adjusted		64.5		64.4
Property Casualty accident year combined ratio, as adjusted		93.2		93.4
Property Casualty net premiums written	$	4,307	$	5,047
Mortgage Guaranty domestic first-lien new insurance written		8,827		10,542
Institutional Markets premiums and deposits		304		146
Consumer Insurance				
Pre-tax operating income	$	788	$	945
Personal Insurance combined ratio		93.9		103.2
Personal Insurance accident year loss ratio, as adjusted		53.2		56.4
Personal Insurance accident year combined ratio, as adjusted		94.6		100.8
Personal Insurance net premiums written	$	2,812	$	2,915
Retirement premiums and deposits		6,853		5,509
Life premiums and deposits		1,251		1,223
Life Insurance Companies assets under management		346,057		340,785

Common Stock Repurchases:		
Aggregate repurchases of common stock	**$ 3,486**	$ 1,398
Total number of common shares repurchased	**63**	29*
Aggregate repurchase of warrants	**173**	-
Total number of warrants repurchased	**10**	-

* The total number of shares of AIG Common Stock repurchased in the three-month period ended March 31, 2015 includes (but the aggregate purchase price does not include) approximately 3.5 million shares of AIG Common Stock received in January 2015 upon the settlement of an ASR agreement executed in the fourth quarter of 2014.

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(in millions, except per share data)	March 31, 2016	December 31, 2015
Balance sheet data:		
Total assets	**$ 502,777**	$ 496,842
Long-term debt	**31,952**	29,249
Total AIG shareholders' equity	**88,518**	89,658
Book value per common share	**78.28**	75.10
Book value per common share, excluding AOCI	**73.40**	72.97
Book value per common share, excluding AOCI and DTA	**58.52**	58.94

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015	Year Ended December 31, 2015
Return on equity	**(0.8) %**	9.2 %	2.2%
Return on equity - after-tax operating income, excluding AOCI	**3.6**	7.0	3.1
Return on equity - after-tax operating income, excluding AOCI and DTA	**4.5**	8.4	3.7

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

(in millions, except per share data)	March 31, 2016	December 31, 2015
Total AIG shareholders' equity	**$ 88,518**	$ 89,658
Accumulated other comprehensive income	**5,525**	2,537
Total AIG shareholders' equity, excluding AOCI	**82,993**	87,121
Deferred tax assets	**16,825**	16,751
Total AIG shareholders' equity, excluding AOCI and DTA	**$ 66,168**	$ 70,370
Total common shares outstanding	**1,130,738,359**	1,193,916,617
Book value per common share	**$ 78.28**	$ 75.10
Book value per common share, excluding AOCI	**73.40**	72.97
Book value per common share, excluding AOCI and DTA	**$ 58.52**	$ 58.94

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

information.

	Three Months Ended March 31,		Year Ended December 31,
(dollars in millions)	**2016**	2015	2015
Actual or annualized net income (loss) attributable to AIG	**$ (732)**	$ 9,872	$ 2,196
Actual or annualized after-tax operating income attributable to AIG	**3,092**	6,764	2,927
Average AIG Shareholders' equity	**89,088**	107,439	101,558
Average AOCI	**4,031**	10,637	7,598
Average AIG Shareholders' equity, excluding average AOCI	**85,057**	96,802	93,960
Average DTA	**16,788**	15,862	15,803
Average AIG Shareholders' equity, excluding average AOCI and DTA	**$ 68,269**	$ 80,940	$ 78,157
ROE	**(0.8)%**	9.2%	2.2%
ROE - after-tax operating income, excluding AOCI	**3.6**	7.0	3.1
ROE - after-tax operating income, excluding AOCI and DTA	**4.5**	8.4	3.7

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Total revenues

(in millions)

Income (loss) from continuing operations

(in millions)

Net income (loss) ATTRIBUTABLE TO AIG

(in millions)

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

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

(in millions)

Pre-tax operating income (loss) by segment

(in millions)

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

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

Investment Highlights

Net investment income decreased to $3.0 billion in the first quarter of 2016 compared to $3.8 billion in the same period in the prior year due to lower income on alternative investments, primarily related to negative performance in hedge funds and lower reinvestment yields. While corporate debt securities represented the core of new investment allocations, we continued to make investments in structured securities, mortgage loans and other fixed income investments with favorable risk versus return characteristics to improve yields and increase net investment income.

Net unrealized gains in our available for sale portfolio increased to approximately $13.5 billion as of March 31, 2016, from approximately $8.8 billion as of December 31, 2015, primarily due to a decline in interest rates.

The overall credit rating of our fixed maturity securities portfolio remains largely unchanged from December 31, 2015.

Liquidity and Capital Resources Highlights

We maintained financial flexibility at AIG Parent in the first quarter of 2016 through $459 million in dividends in the form of cash and fixed maturity securities from our Non-Life Insurance Companies and $774 million in dividends and loan repayments in the form of cash and fixed maturity securities from our Life Insurance Companies. AIG Parent also received $491 million in

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tax sharing payments in the form of cash and fixed maturity securities from our insurance businesses in the first quarter of 2016.

Our Board of Directors increased our previous share repurchase authorization of AIG Common Stock, par value $2.50 per share (AIG Common Stock), by an additional $5.0 billion on February 11, 2016. As of May 2, 2016, approximately $3.7 billion remained under the share repurchase authorization. During the first quarter of 2016, we repurchased approximately 63 million shares of AIG Common Stock for an aggregate purchase price of approximately $3.5 billion pursuant to this authorization, and we repurchased 10 million warrants to purchase shares of AIG Common Stock, for an aggregate purchase price of $173 million pursuant to this authorization. Pursuant to a Securities Exchange Act of 1934 (Exchange Act) Rule 10b5-1 repurchase plan, from April 1 to May 2, 2016, we have repurchased approximately $870 million of additional shares of AIG Common Stock.

We paid a cash dividend on AIG Common Stock of $0.32 per share on March 28, 2016.

Our Board of Directors declared a cash dividend on AIG Common Stock on May 2, 2016 of $0.32 per share, payable on June 27, 2016 to shareholders of record on June 13, 2016.

Industry Trends

Our business is affected by industry and economic factors such as interest rates, currency exchange rates, credit and equity market conditions, catastrophic claims events, regulation, tax policy, competition, and general economic, market and political conditions. We continued to operate under difficult market conditions in 2016, characterized by factors such as historically low interest rates, instability in the global equity markets, volatile energy markets and slowing growth in China and Euro-Zone economies.

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

Currency volatility in 2016 was particularly acute compared to recent years, as two of the three major foreign currencies (Japanese yen, euro, and British pound) (the Major Currencies) that we transact in weakened considerably against the U.S. dollar. Such volatility affected line item components of income for those businesses with substantial international operations. In particular, growth trends in net premiums written reported in U.S. dollars can differ significantly from those measured in original currencies. The net effect on underwriting results, however, is significantly mitigated, as both revenues and expenses are similarly affected.

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

See Results of Operations – Foreign Currency Impact; Results of Operations – Segment Results – First Quarter Pre-Tax Income Comparison for 2016 and 2015; Results of Operations – Commercial Insurance – Property Casualty Net Premiums Written by Region; and Results of Operations – Consumer Insurance – Personal Insurance Net Premiums Written by Region.

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AIG is focused on the following priorities for 2016:

- Improving our ROE
- Creating a leaner, more profitable and focused insurer by reorganizing our operating model into "modular", more self-contained business units to enhance transparency and accountability, including through the introduction of a new Legacy Portfolio that aims to maximize value and release capital from the run-off of non-strategic assets
- Reducing general operating expenses
- Improving the Commercial Insurance Property Casualty accident year loss ratio
- Returning excess capital to shareholders
- Growing book value per common share

The outlook for each of our businesses and management initiatives to improve growth and performance in 2016 and over the longer term is summarized below. See our 2015 Annual Report for additional information concerning strategic initiatives and opportunities for each of our businesses.

COMMERCIAL INSURANCE Outlook and Strategic initiatives

Market Conditions and Industry Trends

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

Property Casualty

Property Casualty has observed improving trends in certain key indicators that may partially offset the effect of current economic challenges. In the first quarter of 2016, the property casualty insurance industry experienced growth in certain classes of business in Property and Financial lines. Property Casualty also expects that expansion in certain growth economies will continue at a faster pace than in developed countries, but at levels lower than those previously expected due to revised economic assumptions. As a result of its ongoing strategy to optimize its portfolio and maintain underwriting discipline, Property Casualty expects that net premiums written for the U.S. Casualty line, and to a lesser extent, certain lines within Property, will continue to decline throughout the remainder of the year.

Overall, Property Casualty experienced a modest increase in rate pressure in the first quarter of 2016. Property Casualty expects that trend to continue in the near term, particularly in certain lines including in the U.S. Property Excess and Surplus market. Property Casualty continues to differentiate its underwriting capacity from its peers by leveraging its global footprint, diverse product offering, risk engineering expertise and significant underwriting experience.

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In the U.S., Property Casualty's exposure to terrorism risk is mitigated by the Terrorism Risk Insurance Program Reauthorization Act (TRIPRA) in addition to limited private reinsurance protections. For additional information on TRIPRA, see Item 1A. Risk Factors — Reserves and Exposures and Item 7. MD&A — Enterprise Risk Management — Insurance Operations Risks — Non-Life Insurance Companies Key Insurance Risks — Terrorism Risk in our 2015 Annual Report.

Mortgage Guaranty

During the first quarter of 2016, the U.S. market for purchase originations and refinance volume remained strong, favorably impacted by improving housing prices and low interest rates. In addition, the current economic environment has favorably impacted incurred losses through fewer delinquencies and higher cure rates. If the current economic environment persists, Mortgage Guaranty expects to benefit through increased purchase volume and, to a lesser extent, increased refinancing activity.

Mortgage Guaranty also expects that the delinquency rate and cure rate will continue to decline throughout 2016. Mortgage Guaranty believes the combination of the factors described above will result in favorable operating results for 2016. These favorable trends may be partially offset by an increase in competitive pricing pressure.

On December 31, 2015, the Private Mortgage Insurer Eligibility Requirements (PMIERs) issued by Fannie Mae and Freddie Mac (collectively, the GSEs) became effective. Mortgage Guaranty met the PMIERs requirements as of March 31, 2016. Subject to interpretation and the prospective amendment of the requirements by the GSEs, Mortgage Guaranty's minimum required assets under PMIERs were $3.0 billion as of March 31, 2016, and its estimated available assets were $3.3 billion, exceeding the required assets by $300 million. Available assets decreased from $3.6 billion at December 31, 2015, primarily as a result of dividend payments.

Institutional Markets

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

Strategic Initiatives

Customer — Strive to be our clients' most valued insurer by offering innovative products, superior service and access to an extensive global network.

Sharpen Commercial Focus — Achieve ROE in excess of target across our businesses primarily through improvements in our loss ratio. Improve our business portfolio through risk selection by using enhanced data, analytics and the application of science to deliver superior risk-adjusted returns. Exit or remediate targeted sub-segments of underperforming portfolios that do not meet our risk acceptance or profitability objectives.

Drive Efficiency — Reorganize our operating model into "modular", more self-contained business units to enhance decision making, transparency and accountability, driving performance improvement and strategic flexibility over time; increase capital fungibility and diversification, streamline our legal entity structure, optimize reinsurance, improve tax efficiency and reduce expenses.

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

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Customer

Our vision is to be our clients' most valued insurer. We expect that investments in underwriting, claims services, client risk services, science and data will continue to differentiate us from our peers and drive a superior client experience. For example, during the fourth quarter of 2015, we increased global commercial property limits to $2.5 billion per occurrence from $1.5 billion, in response to increased demand for capacity and services from clients managing complex global risks and increasing property values. This increase was the result of recent investments in engineering and analytical capabilities, which in turn allowed us to secure meaningful support from a panel of long-standing reinsurers.

Sharpen Commercial Focus

Exit or remediate targeted underperforming portfolios

Commercial Insurance is focused on serving our clients by providing the products and services where we have the most potential to deliver value. Experience and emerging data indicate that there are consistently under-performing sub-segments of our business. We will invest and grow where we see opportunity and we will exit or remediate underperforming portfolios. For example, in 2015 we transferred approximately $1.2 billion of loss reserves to our run-off insurance lines and in the first quarter of 2016 we transferred another $1.3 billion. This enables us to focus on growth opportunities while allowing for more proactive management of the transferred reserves by run-off specialists.

We will continue to further enhance our risk selection process and refine technical pricing through enhanced tools and analytics to achieve this goal.

Drive Efficiency

Narrow geographic footprint while continuing to maintain and improve multinational capabilities

Commercial Insurance, along with our other businesses, continues to evaluate the markets and geographies that provide the greatest opportunities, while maintaining the global footprint that our multinational clients greatly value. Additionally, we will continue to leverage our various off-shore centers, taking advantage of opportunities to centralize and standardize processes and platforms. We believe there is great opportunity to further streamline our global operating model.

Expand and optimize the use of reinsurance and other risk mitigating strategies

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

In accordance with our strategic plan, during the first quarter of 2016, we entered into a two-year reinsurance arrangement with the Swiss Re Group, under which a proportional share of our new and renewal U.S. Casualty portfolio is being ceded. This arrangement will reduce the impact of the Casualty loss ratio on our overall loss ratio.

Accelerate micro-segmentation of risks using internal and external data

Property Casualty continues to improve decision-making, risk acceptance and pricing based on its ongoing efforts to refine segmentation by customer, industry and geography. For example, after enhancing the segmentation of workers' compensation,

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Property Casualty has observed different experience and trends, which helps inform its risk appetite, pricing and loss mitigation decisions.

Invest to Grow

Grow most profitable lines

Property Casualty continues to focus on growth in our higher-value businesses while investing in transformative opportunities, continuing initiatives to modernize our technology and infrastructure, advancing our engineering capabilities, innovating new products and client risk services and delivering a better client experience. Property Casualty expects to grow in businesses such as Financial lines, including D&O, Cyber and Mergers & Acquisitions, Large Limit and Middle Market Property, Multinational and certain areas internationally.

Mortgage Guaranty expects to continue as a leading provider of mortgage insurance and seeks to differentiate itself from its competitors by utilizing its proprietary risk-based pricing strategy. This pricing strategy provides Mortgage Guaranty's customers with mortgage insurance products that are priced commensurate with the underwriting risk, which we believe will result in an appropriately priced, high-quality book of business. As announced on January 26, 2016, we plan to conduct an initial public offering of up to 19.9 percent of Mortgage Guaranty, subject to regulatory and GSE approval, as a first step towards a full separation. On March 30, 2016, an initial Form S-1 registration statement relating to Mortgage Guaranty was filed with the SEC.

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

consumer insurance outlook and STRATEGIC INITIATIVES

Market Conditions and Industry Trends

Retirement

Increasing life expectancy and reduced expectations for traditional retirement income from defined benefit programs and fixed income securities are leading Americans to seek additional financial security as they approach retirement. The strong demand for individual variable and fixed index annuities with guaranteed income features has attracted increased competition in this product space. In addition, higher tax rates and a desire for better investment returns have prompted less risk-averse investors to seek products without guaranteed living benefits, providing the opportunity to further diversify our product portfolio by offering investment-focused variable annuities.

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

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Consumer Insurance provides products and services to certain employee benefit plans that are subject to restrictions imposed by ERISA and the Internal Revenue Code, including rules that generally restrict the provision of investment advice by a fiduciary to ERISA plans and participants and Individual Retirement Accounts (IRAs) if the investment recommendation results in fees paid to the fiduciary individual advisor, his or her firm or their affiliates that vary according to the investment recommendation chosen. On April 8, 2016, the DOL published its final fiduciary duty rule (the Final Rule), substantially expanding the definition of fiduciary investment advice. As a result, the circumstances under which financial services providers and financial advisors could be deemed a fiduciary under ERISA or the Internal Revenue Code when providing investment advice with respect to ERISA plans or IRAs are greatly expanded. For additional information on the Final Rule, see the Regulatory Environment section of this MD&A. We are currently reviewing the Final Rule to evaluate its full impact on our customers, distribution partners, financial advisors and us, while continuing to prepare for compliance with the Final Rule. The Final Rule could require us, and our competitors, to make material changes to certain of our business practices, product designs, and in our ability and the ability of our distribution partners and financial advisors to sell or service certain annuities and other investment products. The initial compliance date of the final rule is April 10, 2017, with full compliance required by January 1, 2018. Once we have fully evaluated the impact of the final rule, we intend to strategically invest in the most attractive post-DOL opportunities across the market.

Life

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

Personal Insurance

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

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

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Strategic Initiatives

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

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

Sharpen Consumer Focus — Invest in areas where Consumer Insurance can grow profitably and sustainably. Target growth in select markets according to market size, growth potential, market maturity and customer demographics and narrow our footprint in less profitable markets with insufficient scale.

Operational Effectiveness — Simplify processes and enhance operating environments to increase competitiveness, improve service and product capabilities and facilitate delivery of our target customer experience.

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

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

Customer

In striving to be our clients' most valued insurer, we have implemented initiatives to better serve our target segments. Our focus on ease of doing business for consumers and producers includes enhancements to our platforms and services. We are working to expand relationships with key distribution partners to offer our products across multiple distribution channels.

Information-driven Strategy

We believe that strengthening our information-driven decision making and marketing capabilities through the use of enhanced analytics, stronger platforms and tools, a well-designed product portfolio and expanded relationships may allow us to bring more effective product solutions to our chosen markets.

We focus on rate adequacy through our global underwriting practices and tools and analytics, and seek to optimize the value of our business lines through product and portfolio management and refined technical pricing. We strive to deliver leading customer experience and efficiency through claims best practices, deployment of enhanced operating structures and standardized processes and systems, while managing claims-handling efficiency.

Sharpen Consumer Focus

Retirement Income Solutions intends to continue capitalizing on the opportunity to meet consumer demand for guaranteed income by maintaining competitive variable annuity product offerings, while managing risk from guarantee features through risk-mitigating product design and well-developed economic hedging capabilities. Retirement Income Solutions continues to invest in hedging and market risk management capabilities. Retirement Income Solutions is also focused on diversifying its product portfolio by growing sales of fixed index annuities with guarantee features, which provide additional income solutions for consumers approaching retirement, and investment-focused variable annuities, which do not offer guaranteed living benefits but include various investment options, including alternative asset classes, to investors seeking higher returns.

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

Life will continue to invest to position itself for growth, serve its customers more effectively, and maintain pricing discipline in its overall strategy. Life's organization has been aligned to focus on the demographic, governmental and socioeconomic trends unique to each area in which we operate. As part of this initiative, our Group Benefits business recently merged with our U.S. Life, Health and Disability business to focus on strong existing relationships with multi-line and specialty producers. In January 2016, we announced a plan to improve capital efficiency by using reinsurance to reduce certain statutory reserves that are above economic requirements in our domestic Life business.

Personal Insurance aims to provide clients with the products and services they desire, delivered through the channels they prefer. We continue to focus and invest in the most profitable markets and segments, while narrowing our footprint where appropriate. We are also leveraging our multinational capabilities to meet the increasing demand for cross-border coverage and services. Personal Insurance will continue to utilize its strong risk management and market expertise to foster growth by providing innovative and competitive solutions to its customers and distributors.

Operational Effectiveness

We are continuing to invest in initiatives that we believe will make our operating platforms simpler and more agile, enabling us to provide superior service and accommodate future growth. In Japan, we continue to invest in technology to improve operating efficiency and ease of doing business for our distribution partners and customers. In the U.S. Life business, we are focused on leveraging our most efficient systems and increasing automation of our underwriting process. We believe that simplifying our operating models will enhance productivity and support further profitable growth.

Investment Strategy

Our investment objective is to maintain a diversified, high quality portfolio of fixed maturity securities having weighted average durations that are matched to the duration and cash flow profile of our liabilities, to the extent practicable. Our investment strategy is to maximize net investment income and portfolio value, subject to liquidity requirements, capital constraints, diversification requirements, asset-liability matching and available investment opportunities. While a portfolio of alternative investments remains a fundamental component of the investment strategy of the Life Insurance Companies, we intend to reduce the overall size of the hedge fund portfolio, in light of changing market conditions and perceived market opportunities, and to continue reducing the size of the private equity portfolio. See Investments for additional discussion of investment strategies. If these reductions were to include the sale of alternative investments that support certain payout annuities, we could incur additional loss recognition expense on such products, due to updating assumptions to reflect reinvestment at lower future yields. See Critical Accounting Estimates — Insurance Liabilities — Future Policy Benefits for Life and Accident and Health Insurance Contracts (Life Insurance Companies) for discussion of assumptions related to loss recognition testing in our 2015 Annual Report.

Profitability and Capital Management

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

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In conjunction with our strategic active divestiture program, we announced on January 26, 2016 that we have agreed to sell AIG Advisor Group, our network of independent broker-dealers, to investment funds affiliated with Lightyear Capital LLC and PSP Investments. The transaction is expected to close in the second quarter of 2016, subject to regulatory approvals.

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

The following section provides a comparative discussion of our Results of Operations on a reported basis for the three-month periods ended March 31, 2016 and 2015. Factors that relate primarily to a specific business segment are discussed in more detail within that business segment discussion. For a discussion of the Critical Accounting Estimates that affect the Results of Operations, see the Critical Accounting Estimates section of this MD&A and Part II, Item 7. MD&A — Critical Accounting Estimates in the 2015 Annual Report.

The following table presents our consolidated results of operations:

Three Months Ended March 31,			Percentage
(in millions)	2016	2015	Change
Revenues:			
Premiums	$ 8,806	$ 8,822	-%
Policy fees	687	677	1
Net investment income	3,013	3,838	(21)
Net realized capital gains (losses)	(1,106)	1,341	NM
Other income	379	1,297	(71)
Total revenues	11,779	15,975	(26)
Benefits, losses and expenses:			
Policyholder benefits and losses incurred	6,387	6,551	(3)
Interest credited to policyholder account balances	950	935	2
Amortization of deferred policy acquisition costs	1,262	1,350	(7)
General operating and other expenses	3,003	2,949	2
Interest expense	306	340	(10)
Loss on extinguishment of debt	83	68	22
Net loss on sale of divested businesses	2	6	(67)
Total benefits, losses and expenses	11,993	12,199	(2)
Income (loss) from continuing operations before income tax expense (benefit)	(214)	3,776	NM
Income tax expense (benefit)	(58)	1,300	NM

Income (loss) from continuing operations		**(156)**	2,476	NM
Income (loss) from discontinued operations, net of income tax expense (benefit)		**(47)**	1	NM
Net income (loss)		**(203)**	2,477	NM
Less: Net income (loss) attributable to noncontrolling interests		**(20)**	9	NM
Net income (loss) attributable to AIG	**$**	**(183)**	$ 2,468	NM%

For the three-month period ended March 31, 2016, the effective tax rate on loss from continuing operations was 27.1 percent. The effective tax rate on loss from continuing operations differs from the statutory tax rate of 35 percent primarily due to tax charges and related interest associated with increases in uncertain tax positions related to cross border financing transactions, partially offset by tax benefits associated with the impact of an agreement reached with the Internal Revenue Service (IRS) related to certain tax issues under audit, reclassifications from accumulated other comprehensive income to income from continuing operations related to the disposal of available for sale securities and a decrease in the deferred tax asset valuation allowances associated with certain foreign jurisdictions.

For the three-month period ended March 31, 2015, the effective tax rate on income from continuing operations was 34.4 percent. The effective tax rate on income from continuing operations differs from the statutory tax rate of 35 percent primarily

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due to tax benefits associated with tax exempt interest income, partially offset by an increase in certain deferred tax asset valuation allowances associated with foreign jurisdictions primarily attributable to changes in statutory tax rates and the net operating loss utilization statutory limitation in Japan.

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

Three Months Ended March 31, *(in millions)*		2016		2015
Net income (loss) attributable to AIG	$	(183)	$	2,468
Uncertain tax positions and other tax adjustments		205		(42)
Deferred income tax valuation allowance (releases) charges		(37)		93
Changes in fair value of securities used to hedge guaranteed living benefits		(86)		(29)
Changes in benefit reserves and DAC, VOBA and SIA related to net realized capital gains (losses)		(26)		35
Other (income) expense - net		(5)		-
Loss on extinguishment of debt		54		44
Net realized capital (gains) losses		701		(874)
(Income) loss from discontinued operations		47		(1)
Loss from divested businesses		1		2
Non-operating litigation reserves and settlements		(20)		(5)
Restructuring and other costs		122		-
After-tax operating income attributable to AIG	$	773	$	1,691
Weighted average diluted shares outstanding		1,156,548,459		1,386,263,549
Income (loss) per common share attributable to AIG (diluted)	$	(0.16)	$	1.78
After-tax operating income per common share attributable to AIG (diluted)*	$	0.65	$	1.22

* For the quarter ended March 31, 2016, because we reported a net loss, all common stock equivalents are anti-dilutive and are therefore excluded from the calculation of diluted shares and diluted per share amounts. However, because we reported after-tax operating income, the calculation of after-tax operating income per diluted share includes 29,585,064 dilutive shares.

After-tax operating income attributable to AIG decreased in the first quarter of 2016 compared to the same period in the prior year primarily due to a decrease in income from insurance operations, reflecting decreased net investment income, and lower income on assets held by AIG Parent.

For the first quarter of 2016, the effective tax rate on pre-tax operating income was 19.2 percent. The significant factors that contributed to the difference from the statutory rate of 35 percent included tax benefits resulting from tax-exempt interest income and other permanent tax items, certain tax benefits associated with an agreement reached with the IRS related to certain tax issues under audit and the impact of other discrete tax benefits.

For the first quarter of 2015, the effective tax rate on pre-tax operating income was 32.6 percent. The significant factors that contributed to the difference from the statutory rate of 35 percent included tax benefits resulting from tax-exempt interest income, other permanent tax items, and the impact of discrete tax benefits.

SEGMENT RESULTS

We report the results of our operations through two reportable segments: Commercial Insurance and Consumer Insurance. The Corporate and Other category consists of businesses and items not allocated to our reportable segments.

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The following table summarizes the operations of each reportable segment and Corporate and Other. See also Note 3 to the Condensed Consolidated Financial Statements.

Three Months Ended March 31, *(in millions)*	**2016**	2015	Percentage Change
Commercial Insurance	$ 889	$ 1,462	(39) %
Consumer Insurance	788	945	(17)
Corporate and Other	(733)	162	NM
Consolidations, eliminations and other adjustments	10	(42)	NM
Pre-tax operating income	$ 954	$ 2,527	(62)
Changes in fair value of securities used to hedge guaranteed living benefits	133	44	202
Changes in benefit reserves and DAC, VOBA, and SIA related to net realized capital gains (losses)	40	(54)	NM
Other income (expense) – net	7	-	NM
Loss on extinguishment of debt	(83)	(68)	(22)
Net realized capital gains (losses)	(1,106)	1,341	NM
Income (loss) from divested businesses	(2)	(21)	90
Non-operating litigation reserves and settlements	31	7	343
Reserve development related to non-operating run-off insurance business	-	-	NM
Restructuring and other costs	(188)	-	NM
Pre-tax income (loss)	$ (214)	$ 3,776	NM %

pre-tax operating income

(in millions)

COMMERCIAL INSURANCE	CONSUMER INSURANCE

FIRST QUARTER PRE-TAX INCOME COMPARISON FOR 2016 AND 2015

Pre-tax results decreased in the first quarter of 2016 compared to the same period in the prior year primarily due to:

- a decrease in Commercial Insurance pre-tax operating income, which reflected lower net investment income due to lower income on alternative investments in the first quarter of 2016 compared to gains in the same period in the prior year, primarily related to hedge funds;

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- a decrease in Consumer Insurance pre-tax operating income, primarily due to lower net investment income (reflecting lower income on alternative investments from negative performance in hedge funds) and higher DAC amortization in Retirement and Life, partially offset by improved underwriting results in Personal Insurance due to lower accident year losses, as adjusted, primarily in the U.S. personal property business, strategic actions to reduce expenses and refocus direct marketing activities, net favorable prior year loss reserve development compared to net adverse prior year loss development in the same period in the prior year, and lower catastrophe losses;

- lower net realized capital gains due to realized capital losses from sales of investments, higher other-than-temporary impairment charges, and foreign exchange transaction losses in the first quarter of 2016 compared to foreign exchange transaction gains in the same period in the prior year; and

- restructuring and other costs incurred in the first quarter of 2016 but not in the first quarter of 2015.

Net Investment Income

Net investment income is attributed to the operating segments of Commercial Insurance and Consumer Insurance based on internal models consistent with the nature of the underlying businesses.

For Commercial Insurance — Property Casualty and Consumer Insurance — Personal Insurance, we estimate investable funds based primarily on loss reserves and unearned premiums. The net investment income allocation is calculated based on these estimated investable funds consistent with the approximate duration of the liabilities and the capital allocation for each operating segment.

For Commercial Insurance — Institutional Markets, Consumer Insurance — Retirement and Consumer Insurance — Life, net investment income is attributed based on invested assets from segregated product line portfolios. Invested assets in excess of liabilities are allocated to product lines based on internal capital estimates.

Foreign Currency Impact

Property Casualty, International Life and Personal Insurance businesses are transacted in most major foreign currencies. The following table presents the average of the quarterly weighted average exchange rates of the currencies that have the most significant impact on our businesses:

Three Months Ended March 31,			Percentage
Rate for 1 USD	**2016**	2015	Change
Currency:			

JPY	**118.15**	118.82	(1)%
EUR	**0.91**	0.85	7%
GBP	**0.69**	0.65	6%

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

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COMMERCIAL INSURANCE

Commercial Insurance presents its financial information in three operating segments – Property Casualty, Mortgage Guaranty and Institutional Markets.

Property Casualty provides insurance solutions for large and small businesses. The products offered by the Property Casualty operating segment include general liability, commercial automobile liability, workers' compensation, excess casualty, crisis management (including customized structured programs for large corporate and multinational customers) commercial, industrial property and energy-related property insurance products and services that cover exposures to man-made and natural disasters, including business interruption, aerospace, environmental, political risk, trade credit, surety, marine, various small and medium sized enterprises insurance lines, director and officers' liability (D&O), errors and omissions (E&O), fidelity, employment practices, fiduciary liability, cybersecurity risk, and kidnap and ransom. Property Casualty products are primarily distributed through a network of independent retail and wholesale brokers, and through an independent agency network.

Mortgage Guaranty provides mortgage insurance that protects mortgage lenders and investors against default on a portion of the unpaid principal balance of a covered mortgage. Mortgage Guaranty products and services are distributed to a comprehensive range of mortgage originators including national and regional mortgage banks, money center banks, credit unions, community banks, builder-owned mortgage lenders and internet-sourced lenders.

Institutional Markets offers retirement and savings products that are marketed to groups or large institutions. The products offered by the Institutional Markets operating segment primarily include stable value wrap products, structured settlement and terminal funding annuities, high net worth products, corporate- and bank-owned life insurance and GICs. Institutional Markets products are primarily distributed through specialized marketing and consulting firms and structured settlement brokers.

See Part I, Item 1. Business in AIG's 2015 Annual Report for further discussion of our products and geographic regions where we distribute our products.

Commercial Insurance Results

The following table presents Commercial Insurance results:

Three Months Ended March 31,			Percentage
(in millions)	**2016**	2015	Change
Revenues:			

Premiums	**$ 5,161**	$ 5,257	(2)%
Policy fees	**51**	49	4
Net investment income	**946**	1,538	(38)
Benefits and expenses:			
Policyholder benefits and losses incurred	**3,731**	3,767	(1)
Interest credited to policyholder account balances	**101**	102	(1)
Amortization of deferred policy acquisition costs	**542**	596	(9)
General operating and other expenses*	**895**	917	(2)
Pre-tax operating income	**$ 889**	$ 1,462	(39)%

* Includes general operating expenses, commissions and other acquisition expenses.

Commercial Insurance Results by Operating Segment

The following section provides a comparative discussion of Commercial Insurance results of operations for the first quarters of 2016 and 2015 by operating segment.

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Property Casualty Results

The following table presents Property Casualty results:

Three Months Ended March 31, *(in millions)*	**2016**	2015	Percentage Change
Underwriting results:			
Net premiums written	**$ 4,307**	$ 5,047	(15)%
(Increase) decrease in unearned premiums	**394**	(116)	NM
Net premiums earned	**4,701**	4,931	(5)
Losses and loss adjustment expenses incurred	**3,208**	3,360	(5)
Acquisition expenses:			
Amortization of deferred policy acquisition costs	**534**	588	(9)
Other acquisition expenses	**231**	209	11
Total acquisition expenses	**765**	797	(4)
General operating expenses	**585**	629	(7)
Underwriting income	**143**	145	(1)
Net investment income	**577**	1,025	(44)
Pre-tax operating income	**$ 720**	$ 1,170	(38)%

NET PREMIUMS WRITTEN

(in millions)

Pre-Tax oPERATING INCOME

(in millions)

Pre tax operating income decreased in the first quarter of 2016 compared to the same period in the prior year due to lower net investment income. Underwriting results were relatively unchanged compared to the same period in the prior year reflecting lower expenses, partially offset by a decline in net premiums earned as a result of the ongoing execution of our strategic initiatives. Losses and loss adjustment expenses incurred reflected:

- higher catastrophe losses,
- a net loss reserve discount benefit in the first quarter of 2016, compared to a net loss reserve discount charge in the same period in the prior year,
- decreases in current accident year losses primarily from lower production in U.S. Casualty and Specialty, as well as lower severe losses, and
- net favorable prior year loss reserve development in the first quarter of 2016, compared to net adverse prior year loss reserve development in the same period of the prior year.

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The current accident year losses for the first quarter of 2016 included six severe losses totaling $109 million compared to eight severe losses totaling $134 million in the same period in the prior year. Catastrophe losses were $222 million in the first quarter of 2016, compared to $71 million in the same period in the prior year. The net loss reserve discount benefit was $26 million in the first quarter of 2016, compared to a net loss reserve discount charge of $93 million in the same period in the prior year, primarily reflecting an update in reserve discount curve consisting of Treasury rates and credit spreads. See Insurance Reserves – Non-Life Insurance Companies – Discounting of Reserves for further discussion. Net favorable prior year loss reserve development, including return premiums of $6 million, was $10 million in the first quarter of 2016, compared to net adverse prior year loss reserve development of $28 million, including return premiums of $11 million, in the same period of the prior year. See Insurance Reserves – Non-Life Insurance Companies –Net Loss Development for further discussion.

Acquisition expenses decreased in the first quarter of 2016 compared to the same period in the prior year, primarily due to the strengthening of the U.S. dollar against the Major Currencies, except the Japanese yen, as discussed above, and lower amortization of previously deferred costs, partially offset by an increase in certain classes of business in Specialty.

General operating expenses decreased in the first quarter of 2016 compared to the same period in the prior year, primarily due to lower employee-related expenses resulting from actions to streamline our management structure and general cost containment measures commenced in 2015 and continuing through the first quarter of 2016, as well as the strengthening of the U.S. dollar against the Major Currencies, except the Japanese yen, as discussed above.

Net investment income decreased in the first quarter of 2016 compared to the same period in the prior year, primarily due to lower income on alternative investments as well as fair market value declines on assets accounted for under the fair value option. In the same period in the prior year, Property Casualty recorded net investment income on alternative investments in hedge funds.

See MD&A — Investments for additional information on the Non-Life Insurance Companies invested assets, investment strategy, and asset-liability management process.

Property Casualty Net Premiums Written

The following table presents Property Casualty's net premiums written by major line of business:

Three Months Ended March 31,			Percentage Change in	
(in millions)	**2016**	2015	U.S. dollars	Original Currency

Casualty	**$ 1,363**	$ 1,882	(28)%	(26)%
Property	**1,024**	1,007	2	6
Specialty	**890**	954	(7)	(4)
Financial lines	**1,030**	1,204	(14)	(12)
Total Property Casualty net premiums written	**$ 4,307**	$ 5,047	(15)%	(12)%

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Property Casualty NET PREMIUMS WRITTEN by Line of Business

(in millions)

Property Casualty net premiums written decreased in the first quarter of 2016 compared to the same period in the prior year, primarily due to the effect of the reinsurance arrangement with the Swiss Re Group, the continued execution of our strategy to enhance risk selection and optimize our product portfolio in the U.S. Casualty business, as well as strengthening of the U.S. dollar against the Major Currencies, except the Japanese yen. Additionally, net premiums written in the first quarter of 2015 benefited from the renewal of a multi-year policy in U.S. Financial lines. The following paragraphs discuss the changes within our lines of business exclusive of the effect of foreign exchange.

Casualty net premiums written decreased, particularly in the U.S., in the first quarter of 2016, compared to the same period in the prior year reflecting continued execution of our strategy to enhance risk selection and to optimize our product portfolio, which includes non-renewal of certain underperforming classes of business, revising rates, terms and conditions in certain underperforming portfolios, and the effect of the two-year reinsurance arrangement with the Swiss Re Group. An increase in new business in targeted growth products in the first quarter of 2016, particularly in EMEA, was more than offset by declines in that business in the U.S.

Property net premiums written increased in the first quarter of 2016 compared to the same period in the prior year, primarily due to an increase in targeted growth products, particularly in the U.S., and changes to our catastrophe reinsurance programs to retain more favorable risks, partially offset by a decline in Asia, particularly in Japan.

Specialty net premiums written decreased in the first quarter of 2016, compared to the same period in the prior year, primarily due to the execution of our strategy to restructure the U.S environmental business, and a decline in EMEA Aerospace, partially offset by an increase in certain targeted growth products in Asia.

Financial lines net premiums written decreased in the first quarter of 2016 compared to the same period in the prior year primarily due to the renewal of a multi-year E&O policy in the U.S. in the first quarter of 2015. Excluding the effect of the renewal of the multi-year policy in the prior year quarter, net premiums written increased reflecting higher new business in certain targeted growth products, particularly in EMEA.

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Property Casualty Net Premiums Written by Region

The following table presents Property Casualty's net premiums written by region:

Three Months Ended March 31, *(in millions)*	**2016**	2015	Percentage Change in U.S. dollars	Percentage Change in Original Currency
Property Casualty:				
Americas	**$ 2,323**	$ 2,949	(21)%	(21)%
Asia Pacific	**425**	482	(12)	(7)
EMEA	**1,559**	1,616	(4)	3
Total net premiums written	**$ 4,307**	$ 5,047	(15)%	(12)%

property casualty NET PREMIUMS WRITTEN by Region

(in millions)

The following paragraphs discuss the changes in net premiums written on a constant dollar basis, which exclude the effect of foreign exchange.

The Americas net premiums written decreased in the first quarter of 2016 compared to the same period in the prior year, primarily due to continued execution of our strategy to optimize our product portfolio, as well as the effect of the reinsurance arrangement with the Swiss Re Group. Additionally, net premiums written in the first quarter of 2015 benefited from the renewal of a multi-year E&O policy in U.S. Financial lines. These declines were partially offset by an increase in Property reflecting higher new business in targeted growth products and changes in catastrophe reinsurance programs to retain more favorable risks.

Asia Pacific net premiums written decreased in the first quarter of 2016 compared to the same period in the prior year, primarily due to lower new and renewal business in Casualty and a decline in Property in Japan reflecting rate pressure, partially offset by an increase in certain targeted growth products in Specialty.

EMEA net premiums written increased in the first quarter of 2016 compared to the same period in the prior year, primarily due to the increases in targeted growth products, particularly in Financial lines and Casualty, partially offset by a decline in certain classes of business, particularly in Specialty.

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Property Casualty Underwriting Ratios

The following tables present the Property Casualty combined ratios based on GAAP data and reconciliation to the accident year combined ratio, as adjusted:

Three Months Ended March 31,	**2016**	2015	Increase (Decrease)
Loss ratio	**68.2**	68.1	0.1
Catastrophe losses and reinstatement premiums	**(4.7)**	(1.4)	(3.3)
Prior year development net of premium adjustments	**0.4**	(0.4)	0.8
Net reserve discount benefit (charge)	**0.6**	(1.9)	2.5
Accident year loss ratio, as adjusted	**64.5**	64.4	0.1
Acquisition ratio	**16.3**	16.2	0.1
General operating expense ratio	**12.4**	12.8	(0.4)
Expense ratio	**28.7**	29.0	(0.3)
Combined ratio	**96.9**	97.1	(0.2)
Catastrophe losses and reinstatement premiums	**(4.7)**	(1.4)	(3.3)
Prior year development net of premium adjustments	**0.4**	(0.4)	0.8
Net reserve discount benefit (charge)	**0.6**	(1.9)	2.5
Accident year combined ratio, as adjusted	**93.2**	93.4	(0.2)

property casualty ratios **Three Months Ended March 31,**	

See Insurance Reserves – Non-Life Insurance Companies for further discussion of discounting of reserves and prior year development.

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The following tables present Property Casualty's accident year catastrophe and severe losses by region and number of events:

Catastrophes [(a)]

(in millions)	# of Events		Americas		Asia Pacific		EMEA		Total
Three Months Ended March 31, 2016									
Natural catastrophes:									
Windstorms and hailstorms	**7**	**$**	**184**	**$**	**7**	**$**	**1**	**$**	**192**
Other events	**1**		**-**		**-**		**30**		**30**
Total catastrophe-related charges	**8**	**$**	**184**	**$**	**7**	**$**	**31**	**$**	**222**
Three Months Ended March 31, 2015									
Natural catastrophes:									
Windstorms and hailstorms	1	$	71	$	-	$	-	$	71
Total catastrophe-related charges	1	$	71	$	-	$	-	$	71

(a) Natural catastrophe losses are generally weather or seismic events having a net impact on AIG in excess of $10 million each. Catastrophes also include certain man-made events, such as terrorism and civil disorders that meet the $10 million threshold.

Severe Losses[(b)]

Three Months Ended March 31, *(in millions)*	# of Events		Americas		Asia Pacific		EMEA		Total
2016	**6**	**$**	**10**	**$**	**-**	**$**	**99**	**$**	**109**
2015	8	$	113	$	-	$	21	$	134

(b) Severe losses are defined as non-catastrophe individual first party losses and surety losses greater than $10 million, net of related reinsurance and salvage and subrogation.

The combined ratio decreased in the first quarter of 2016, compared to the same period in the prior year, primarily due to a decrease in the expense ratio.

The accident year combined ratio, as adjusted, decreased in the first quarter of 2016, compared to the same period in the prior year, primarily due to lower expense ratio, partially offset by an increase in the accident year loss ratio, as adjusted.

The accident year loss ratio, as adjusted, slightly increased in the first quarter of 2016, compared to the same period in the prior year, reflecting a higher current accident year loss ratio, as adjusted, in certain lines of business in Casualty and Specialty, particularly in the U.S., and an increase in attritional losses in Property. These increases were largely offset by an improvement in Financial lines in all regions, and lower severe losses in Property. Severe losses represented approximately 2.3 points and 2.7 points of the accident year loss ratio, as adjusted, in the first quarters of 2016 and 2015, respectively.

The acquisition ratio slightly increased by 0.1 point in the first quarter of 2016, compared to the same period in the prior year, primarily due to higher expenses in certain classes of business in Specialty.

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The general operating expense ratio decreased by 0.4 points in the first quarter of 2016, compared to the same period in the prior year, primarily due to lower employee-related costs resulting from ongoing actions to streamline our management structure and general cost containment measures commenced in 2015 and continuing through the first quarter of 2016.

Mortgage Guaranty Results

The following table presents Mortgage Guaranty results:

Three Months Ended March 31, *(dollars in millions)*	**2016**	2015	Percentage Change
Underwriting results:			
Net premiums written	**$ 231**	$ 258	(10)%
Increase in unearned premiums	**(6)**	(28)	79
Net premiums earned	**225**	230	(2)
Losses and loss adjustment expenses incurred	**42**	58	(28)
Acquisition expenses:			
Amortization of deferred policy acquisition costs	**7**	7	-
Other acquisition expenses	**13**	15	(13)
Total acquisition expenses	**20**	22	(9)
General operating expenses	**36**	39	(8)
Underwriting income	**127**	111	14
Net investment income	**36**	34	6
Pre-tax operating income	**163**	145	12
Key metrics:			
Prior year loss reserve development (favorable)/unfavorable	**$ (5)**	$ -	NM%
Domestic first-lien:			
New insurance written	**$ 8,827**	$ 10,542	(16)
Combined ratio	**45.3**	53.4	
Risk in force	**$ 47,498**	$ 42,839	11
60+ day delinquency ratio on primary loans[(a)]	**3.1%**	3.9%	
Domestic second-lien:			
Risk in force[(b)]	**$ 373**	$ 436	(14)

(a) Based on number of policies.

(b) Represents the full amount of second-lien loans insured reduced for contractual aggregate loss limits on certain pools of loans, which is usually 10 percent of the full amount of loans insured in each pool. Certain second-lien pools have reinstatement provisions, which will expire as the loan balances are repaid.

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Pre-Tax oPERATING INCOME

(in millions)

domestic first-lien new insurance written ON MORTGAGE LOANS

(in millions)

The following table presents Mortgage Guaranty first-lien results:

Three Months Ended March 31, *(dollars in millions)*	2016	2015	Percentage Change
Underwriting results:			
Net premiums written	$ 219	$ 242	(10)%
Increase in unearned premiums	(5)	(27)	81
Net premiums earned	214	215	-
Losses and loss adjustment expenses incurred	46	58	(21)
Acquisition expenses:			
Amortization of deferred policy acquisition costs	7	7	-
Other acquisition expenses	13	14	(7)
Total acquisition expenses	20	21	(5)
General operating expenses	31	36	(14)
Underwriting income	117	100	17
Net investment income	33	31	6

Pre-tax operating income	**$**	**150**	$	131	15%

Pre-tax operating income increased in the first quarter of 2016 compared to the same period in the prior year, primarily due to a decline in incurred losses from lower delinquency rates and higher cure rates. The decline in net premiums written primarily reflected reductions in run-off business.

First-Lien Results

First-lien pre-tax operating income increased in the first quarter of 2016, compared to the same period in the prior year reflecting an increase in underwriting income. First-lien net premiums earned slightly decreased in the first quarter of 2016, compared to the same period in the prior year, primarily from an increase in ceded premiums. First-lien losses and loss adjustment expenses incurred in the first quarter of 2016 decreased by $12 million compared to the same period in the prior year. The combined ratio decreased by 8.1 points to 45.3 points in the first quarter of 2016, compared to the same period in the prior year, reflecting an improvement in overall underwriting results.

Acquisition expenses decreased in the first quarter of 2016 compared to the same period in the prior year, primarily as a result of a reduction in sales support activities related to the decrease in new insurance written.

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General operating expenses decreased in the first quarter of 2016 compared to the same period in the prior year, primarily due to a reduction in employee-related expenses compared to the same period in the prior year.

Other Business Results

Other business results include second-lien insurance, student loan insurance and non-domestic mortgage insurance operations.

The Other business' pre-tax operating income for the first quarter of 2016 was approximately $13 million compared to $14 million in the same period in the prior year. The slight decrease in pre-tax operating income was primarily due to a decrease in net premiums earned, partially offset by decline in losses and loss adjustment expenses and underwriting expenses.

New Insurance Written on Domestic First-Lien Mortgage Loans

In the first quarter of 2016, Mortgage Guaranty's domestic first-lien new insurance written was $8.8 billion compared to $10.5 billion for the same period in the prior year due to lower mortgage interest rates in late 2014 and early 2015 resulting in an increase in refinancing activity in early 2015.

Delinquency Inventory

The delinquency inventory for domestic first-lien business declined during the first quarter of 2016 compared to the same period in the prior year as a result of cures and paid claims exceeding the number of newly reported delinquencies. Mortgage Guaranty's first-lien primary delinquency ratio at March 31, 2016 was 3.1 percent compared to 3.9 percent at March 31, 2015. Over the last several years, Mortgage Guaranty has experienced a decline in newly reported defaults and an increase in cure rates.

The following table provides a summary of activity in Mortgage Guaranty's domestic first lien delinquency inventory:

Three Months Ended March 31, *(number of policies)*	**2016**	2015
Number of delinquencies at the beginning of the year	**31,285**	38,357
Newly reported	**9,010**	9,829
Cures	**(9,407)**	(11,063)
Claims paid	**(1,744)**	(2,454)
Other	**(729)**	(297)

Number of delinquencies at the end of the period	**28,415**	34,372

Mortgage Guaranty Underwriting Ratios

The following tables present the Mortgage Guaranty combined ratios based on GAAP data:

Three Months Ended March 31,			Increase
	2016	2015	(Decrease)
Loss ratio	**18.7**	25.2	(6.5)
Acquisition ratio	**8.9**	9.6	(0.7)
General operating expense ratio	**16.0**	16.9	(0.9)
Expense ratio	**24.9**	26.5	(1.6)
Combined ratio	**43.6**	51.7	(8.1)

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The combined ratio decreased by 8.1 points in the first quarter of 2016 compared to the same period in the prior year, primarily due to a lower loss ratio. The decrease in the loss ratio in the first quarter of 2016 was driven primarily by a decline in incurred losses driven by lower delinquencies and higher cure rates.

The acquisition ratio decreased by 0.7 points in the first quarter of 2016 compared to the same period in the prior year, primarily due to the decreases in expenses related to sales activities supporting new insurance written.

The general operating expense ratio decreased by 0.9 points in the first quarter of 2016, compared to the same period in the prior year, primarily due to a decrease in employee-related expenses.

Institutional Markets Results

The following table presents Institutional Markets results:

Three Months Ended March 31, *(in millions)*	**2016**	2015	Percentage Change
Revenues:			
Premiums	**$ 235**	$ 96	145%
Policy fees	**51**	49	4
Net investment income	**333**	479	(30)
Benefits and expenses:			
Policyholder benefits and losses incurred	**481**	349	38
Interest credited to policyholder account balances	**101**	102	(1)
Amortization of deferred policy acquisition costs	**1**	1	-
Other acquisition expenses	**11**	7	57
General operating expenses	**19**	18	6
Pre-tax operating income	**$ 6**	$ 147	(96)

INSTITUTIONAL MARKETS pre-tax OPERATING INCOME *(in millions)*

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Pre-tax operating income decreased in the first quarter of 2016, primarily due to lower income on alternative investments in hedge funds and private equity funds. The increases in premiums and benefits and expenses were primarily due to higher premiums received and future policy benefit reserves established from the sale of terminal funding annuities and structured settlements.

Net investment income in the first quarter of 2016 decreased compared to the same period in the prior year, primarily due to the lower income on alternative investments from negative performance in hedge funds in the first quarter of 2016, partially offset by higher base net investment income.

Base net investment income for the first quarter of 2016 increased compared to the same period in the prior year, due to commercial mortgage loan prepayment income in the first quarter of 2016 and growth in average base invested assets. See MD&A – Investments – Life Insurance Companies for additional information on the investment strategy, asset-liability management process and invested assets of our Life Insurance Companies, which include the invested assets of the Institutional Markets business.

General operating expenses in the first quarter of 2016 were comparable to the same period in the prior year.

Institutional Markets Premiums and Deposits

For Institutional Markets, premiums represent amounts received on traditional life insurance policies and life-contingent payout annuities or structured settlements. Premiums and deposits is a non GAAP financial measure that includes direct and assumed premiums as well as deposits received on universal life insurance and investment-type annuity contracts, including GICs and stable value wrap funding agreements.

The following table presents a reconciliation of Institutional Markets premiums and deposits to GAAP premiums:

Three Months Ended March 31,

(in millions)	**2016**	2015
Premiums and deposits	**$ 304**	$ 146
Deposits	**(61)**	(45)
Other	**(8)**	(5)
Premiums	**$ 235**	$ 96

Premiums and deposits for the first quarter of 2016 increased compared to the same period in the prior year, primarily due to higher terminal funding annuity and structured settlement sales.

CONSUMER INSURANCE

Consumer Insurance presents its operating results in three operating segments – Retirement, Life and Personal Insurance.

Retirement provides a broad portfolio of retirement products and services to individual consumers**.** The primary products offered by the Retirement operating segment include individual fixed and variable annuities, retail mutual funds and advisory services. Retirement products are distributed through affiliated channels, including The Variable Annuity Life Insurance Company (VALIC) career financial advisors, and through non-affiliated channels, which include banks, wirehouses, regional and independent broker-dealers, independent marketing organizations and independent insurance agents.

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Life products offered in the U.S. primarily include term life and universal life insurance. International products include term and whole life insurance, supplemental health, cancer and critical illness insurance. Life products are primarily distributed through independent marketing organizations, independent insurance agents, financial advisors and direct marketing. The Life operating segment also provides group products distributed through employers (both employer-paid and voluntary) and sponsored organizations, including basic and supplemental term life, universal life and disability insurance.

Personal Insurance provides accident and health and personal lines insurance products to individuals, organizations and families. The products offered by the Personal Insurance operating segment include voluntary and sponsor-paid personal accident and supplemental health products for individuals, employees, associations and other organizations as well as a broad range of travel insurance products and services for leisure and business travelers. Personal Lines products include automobile and homeowners insurance, extended warranty, and consumer specialty products, such as identity theft and credit card protection. Personal Insurance also provides insurance for high net worth individuals offered through AIG Private Client Group, including auto, homeowners, umbrella, yacht, fine art and collections insurance. Personal Insurance products and services are distributed through various channels, including agents, brokers, affinity partners, airlines and travel agents, as well as direct marketing.

See Part I, Item 1. Business in AIG's 2015 Annual Report for further discussion of our products and geographic regions where we distribute our products.

Consumer Insurance Results

The following table presents Consumer Insurance results:

Three Months Ended March 31, *(in millions)*	**2016**	2015	Percentage Change
Revenues:			
Premiums	**$ 3,560**	$ 3,553	-%
Policy fees	**637**	627	2
Net investment income	**1,828**	2,175	(16)
Other income	**507**	508	-
Benefits and expenses:			
Policyholder benefits and losses incurred	**2,520**	2,679	(6)
Interest credited to policyholder account balances	**845**	833	1
Amortization of deferred policy acquisition costs	**769**	715	8
General operating and other expenses*	**1,610**	1,691	(5)
Pre-tax operating income	**$ 788**	$ 945	(17)%

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

Consumer Insurance Results by Operating Segment

The following section provides a comparative discussion of Consumer Insurance Results of Operations for the first quarters of 2016 and 2015 by operating segment.

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Retirement Results

The following table presents Retirement results:

Three Months Ended March 31, *(in millions)*	**2016**	2015	Percentage Change
Revenues:			
Premiums	**$ 54**	$ 46	17%
Policy fees	**259**	264	(2)
Net investment income	**1,309**	1,570	(17)
Advisory fee and other income	**492**	508	(3)
Benefits and expenses:			
Policyholder benefits and losses incurred	**124**	92	35
Interest credited to policyholder account balances	**723**	709	2
Amortization of deferred policy acquisition costs	**169**	142	19
Non deferrable insurance commissions	**72**	69	4
Advisory fee expenses	**317**	332	(5)
General operating expenses	**248**	244	2
Pre-tax operating income	**$ 461**	$ 800	(42)%

RETIREMENT pre-tax OPERATING INCOME *(in millions)*

Pre-tax operating income in the first quarter of 2016 decreased compared to the same period in the prior year, primarily due to lower net investment income and higher DAC amortization. The increase in DAC amortization in the first quarter of 2016 compared to the same period in the prior year reflected the impact of lower equity market returns in Group Retirement and Retirement Income Solutions, and a higher level of amortization in Fixed Annuities due to the update of actuarial assumptions in the third quarter of 2015.

Net investment income for the first quarter of 2016 decreased compared to the same period in the prior year, primarily due to lower income on alternative investments from negative performance in hedge funds.

Base net investment income for the first quarter of 2016 increased compared to the same period in the prior year, as a result of commercial mortgage loan prepayment income and additional accretion on certain structured securities in the first quarter of 2016, which more than offset overall continued lower base yields on investment purchases. Excluding the effect of additional

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accretion on certain structured securities, Retirement fixed maturity portfolio yields in the first quarter of 2016 declined compared to the same period in the prior year, primarily as a result of investment purchases and investment of portfolio cash flows, which continued to be at rates below the weighted average yield of the existing portfolio in the sustained low interest rate environment. See Investments – Life Insurance Companies for additional information on the investment strategy, asset-liability management process and invested assets of our Life Insurance Companies, which include the invested assets of the Retirement business.

In Group Retirement, base spreads increased in the first quarter of 2016 compared to the same period in the prior year, due to the increased base net investment income in the first quarter of 2016, combined with lower average interest crediting rates, which are reset annually on January 1 for a large portion of Group Retirement's fixed option account values. In Fixed Annuities, average crediting rates and base spreads in the first quarter of 2016 were comparable to the same period in the prior year. See Spread Management below for additional discussion.

General operating expenses increased in the first quarter of 2016 compared to the same period in the prior year, due in part to technology investments.

Spread Management

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

Disciplined pricing on new business and active crediting rate management are used in the Retirement operating segment to partially offset the impact of a continued decline in base yields resulting from investment of available cash flows in the low interest rate environment.

Disciplined pricing on new business is used to pursue new sales of annuity products at targeted net investment spreads in the current rate environment. Retirement has an active product management process to ensure that new business offerings appropriately reflect the current interest rate environment. To the extent that Retirement cannot achieve targeted net investment spreads on new business, products are re-priced or no longer sold. Additionally, where appropriate, existing products that had higher minimum rate guarantees have been re-filed with lower crediting rates as permitted under state insurance laws for new sales. As a result, new sales of fixed annuity products generally have minimum interest rate guarantees of one percent.

Renewal crediting rate management is done under contractual provisions in annuity products that were designed to allow crediting rates to be reset at pre-established intervals in accordance with state and federal laws and subject to minimum crediting rate guarantees. Retirement will continue to adjust crediting rates on in-force business to mitigate the pressure on spreads from declining base yields. In addition to deferred annuity products, certain traditional long-duration products for which Retirement does not have the ability to adjust interest rates, such as payout annuities, are exposed to reduced earnings and potential loss recognition reserve increases in a sustained low interest rate environment.

As of March 31, 2016, Retirement’s fixed annuity reserves, which include fixed options offered within variable annuities sold in the Group Retirement and Retirement Income Solutions product lines as well as reserves of the Fixed Annuities product line, had minimum guaranteed interest rates ranging from 1.0 percent to 5.5 percent, with the higher rates representing guarantees on older in-force products. As indicated in the table below, approximately 72 percent of annuity account values were at their minimum crediting rates as of March 31, 2016, compared to 73 percent at December 31, 2015. As a result of disciplined pricing on new business and the run-off of older business with higher minimum crediting rates, fixed annuity account values having contractual minimum guaranteed rates above 1 percent decreased from 74 percent of total fixed annuity reserves at December 31, 2015 to 72 percent at March 31, 2016.

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The following table presents fixed annuity account values by contractual minimum guaranteed interest rate and current crediting rates:

	Current Crediting Rates			
March 31, 2016 Contractual Minimum Guaranteed Interest Rate *(in millions)*	At Contractual Minimum Guarantee	1-50 Basis Points Above Minimum Guarantee	More than 50 Basis Points Above Minimum Guarantee	Total
Fixed annuities *				
1%	$ 6,167	$ 6,067	$ 14,060	$ 26,294
> 1% - 2%	12,408	2,187	2,973	17,568
> 2% - 3%	30,559	455	577	31,591
> 3% - 4%	12,094	50	8	12,152
> 4% - 5%	7,689	-	5	7,694
> 5% - 5.5%	201	-	5	206
Total	$ 69,118	$ 8,759	$ 17,628	$ 95,505
Percentage of total	72%	9%	19%	100%

* Fixed annuities shown include fixed options within variable annuities sold in Group Retirement and Retirement Income Solutions product lines.

Retirement Premiums and Deposits, Surrenders and Net Flows

Premiums

For Retirement, premiums primarily represent amounts received on life-contingent payout annuities. Premiums and deposits is a non GAAP financial measure that includes, in addition to direct and assumed premiums, deposits received on investment-type annuity contracts and mutual funds.

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

Three Months Ended March 31, *(in millions)*	**2016**	2015
Premiums and deposits*	**$ 6,853**	$ 5,509
Deposits	**(6,801)**	(5,637)
Other	**2**	174
Premiums	**$ 54**	$ 46

* Excludes activity related to closed blocks of fixed and variable annuities.

Premiums increased in the first quarter of 2016 compared to the same period in the prior year, primarily due to higher immediate annuity premiums in the Fixed Annuities product line.

Premiums and Deposits and Net Flows

The following table presents Retirement premiums and deposits and net flows by product line:

Three Months Ended March 31, *(in millions)*	**2016**	2015	Percentage Change
Fixed Annuities	**$ 1,634**	$ 684	139%
Retirement Income Solutions	**2,038**	2,457	(17)
Retail Mutual Funds	**1,325**	857	55
Group Retirement	**1,856**	1,511	23
Total Retirement premiums and deposits*	**$ 6,853**	$ 5,509	24%

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Three Months Ended March 31, *(in millions)*	**2016**	2015
Net flows		
Fixed Annuities	$ 159	$ (746)
Retirement Income Solutions	1,197	1,525
Retail Mutual Funds	543	143
Group Retirement	35	(640)
Total Retirement net flows*	$ 1,934	$ 282

* Excludes activity related to closed blocks of fixed and variable annuities, which had reserves of approximately $4.3 billion and $5.0 billion at March 31, 2016 and 2015, respectively.

RETIREMENT PREMIUMS AND DEPOSITS by Product Line *(in millions)*

Premiums and deposits for Retirement increased in the first quarter of 2016, compared to the same period in the prior year, primarily due to higher sales in Fixed Annuities, Retail Mutual Funds and Group Retirement.

Net flows for annuity products included in Fixed Annuities, Retirement Income Solutions and Group Retirement represent premiums and deposits less death, surrender and other withdrawal benefits. Net flows from mutual funds, which are included in both Retail Mutual Funds and Group Retirement, represent deposits less withdrawals.

Total net flows for Retirement in the first quarter of 2016 increased compared to the same period in the prior year. The growth in Fixed Annuities sales and lower Group Retirement surrenders were the primary drivers of the improvement in net flows. All lines of business delivered positive net flows during the first quarter of 2016.

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Premiums and Deposits and Net Flows by Product Line

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

Fixed Annuities deposits increased significantly in the first quarter of 2016 compared to the same period in the prior year, resulting in positive net flows for the quarter, due to new product offerings and an increase in fixed deferred annuities bank channel sales.

Retirement Income Solutions premiums and deposits and net flows decreased in the first quarter of 2016, compared to the same period in the prior year, due to lower sales of variable annuities partially offset by growth in index annuities. The improvement in surrender rates (see Surrender Rates below) for the first quarter of 2016 compared to the same period in the prior year was primarily due to the significant growth in account value driven by the high volume of sales over the past twelve months, which has increased the proportion of business that is within the surrender charge period.

Retail Mutual Fund net flows increased in the first quarter of 2016 compared to the same period in the prior year, primarily due to improvement in the level of deposits. The increase in net flows in the first quarter of 2016, compared to the same period in the prior year, was primarily driven by activity within the Focused Dividend Strategy Fund.

Group Retirement net flows in the first quarter of 2016 were positive and improved significantly compared to the same period in the prior year, due to higher premiums and deposits and lower surrender activity compared to the same period in the prior year, which included a large group surrender of approximately $300 million. The large group market has been impacted by the consolidation of healthcare providers and other employers in our target markets.

Surrender Rates

The following table presents reserves for annuity product lines by surrender charge category:

	March 31, 2016			December 31, 2015		
(in millions)	Group Retirement[a]	Fixed Annuities	Retirement Income Solutions	Group Retirement[a]	Fixed Annuities	Retirement Income Solutions
No surrender charge[b]	**$ 61,421**	**$ 35,101**	**$ 14,467**	$ 60,720	$ 34,331	$ 14,184
Greater than 0% - 2%	**1,118**	**1,132**	**4,018**	1,199	1,543	4,517
Greater than 2% - 4%	**1,167**	**2,298**	**4,589**	1,363	2,285	4,565
Greater than 4%	**5,615**	**13,270**	**33,781**	5,952	13,138	31,683
Non-surrenderable	**736**	**3,703**	**350**	676	3,723	358
Total reserves	**$ 70,057**	**$ 55,504**	**$ 57,205**	$ 69,910	$ 55,020	$ 55,307

(a) Excludes mutual fund assets under management of $14.9 billion and $14.5 billion at March 31, 2016 and December 31, 2015, respectively.

(b) Group Retirement Products in this category include reserves of approximately $6.2 billion at both March 31, 2016 and December 31, 2015, that are subject to 20 percent annual withdrawal limitations.

The following table presents annualized surrender rates for deferred annuities by product line:

Three Months Ended March 31,	2016	2015
Surrenders as a percentage of average account value		
Fixed Annuities	6.9 %	6.7 %
Retirement Income Solutions	4.8	6.0
Group Retirement	7.9	9.3

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Life Results

The following table presents Life results:

Three Months Ended March 31, *(in millions)*	**2016**	2015	Percentage Change
Revenues:			
Premiums	**$ 736**	$ 708	4%
Policy fees	**378**	363	4
Net investment income	**468**	542	(14)
Other income	**15**	-	NM
Benefits and expenses:			
Policyholder benefits and losses incurred	**942**	942	-
Interest credited to policyholder account balances	**122**	124	(2)
Amortization of deferred policy acquisition costs	**120**	86	40
Non deferrable insurance commissions	**50**	59	(15)
General operating expenses	**258**	231	12
Pre-tax operating income	**$ 105**	$ 171	(39)

Life pre-tax OPERATING INCOME *(in millions)*

Pre-tax operating income decreased in the first quarter of 2016 compared to the same period in the prior year, primarily due to lower net investment income and higher DAC amortization, due in part to updated assumptions for a block of traditional participating term business. Pre-tax operating income in the first quarter of 2016 benefited from a $25 million reduction in the reserve for IBNR death claims related to enhanced claims practices.

Net investment income decreased in the first quarter of 2016 compared to the same period in the prior year, primarily due to lower income on alternative investments from negative performance in hedge funds. See Investments – Life Insurance Companies for additional discussion of the investment strategy, asset-liability management process and invested assets of our Life Insurance Companies, which include the invested assets of the Life business.

General operating expenses increased in the first quarter of 2016 compared to the same period in the prior year, primarily due to an increase in international expenses related to Laya Healthcare, which was acquired on March 31, 2015, and higher expenses in Japan.

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Spread Management

Disciplined pricing on new business is used to pursue new sales of life products at targeted net investment spreads in the current interest rate environment. Life has an active product management process to ensure that new business offerings appropriately reflect the current interest rate environment. To the extent that Life cannot achieve targeted net investment spreads on new business, products are re-priced or no longer sold. Additionally, where appropriate, existing products with higher minimum rate guarantees have been re-filed with lower crediting rates, as permitted under state insurance laws for new sales. Universal life insurance interest rate guarantees are generally two to three percent on new non-indexed products and zero to two percent on new indexed products, and are designed to meet targeted net investment spreads.

In-force Management. Crediting rates for in-force policies are adjusted in accordance with contractual provisions that were designed to allow crediting rates to be reset subject to minimum crediting rate guarantees.

The following table presents universal life account values by contractual minimum guaranteed interest rate and current crediting rates:

March 31, 2016 Contractual Minimum Guaranteed Interest Rate *(in millions)*	At Contractual Minimum Guarantee	Current Crediting Rates 1-50 Basis Points Above Minimum Guarantee	More than 50 Basis Points Above Minimum Guarantee	Total
Universal life insurance				
1%	$ -	$ -	$ 6	$ 6
> 1% - 2%	32	153	233	418
> 2% - 3%	544	315	1,486	2,345
> 3% - 4%	2,045	503	1,075	3,623
> 4% - 5%	3,925	201	-	4,126
> 5% - 5.5%	323	-	-	323
Total	$ 6,869	$ 1,172	$ 2,800	$ 10,841
Percentage of total	63%	11%	26%	100%

Life Premiums and Deposits

Premiums for Life represent amounts received on traditional life insurance policies and group benefit policies. Premiums and deposits for Life is a non GAAP financial measure that includes direct and assumed premiums as well as deposits received on universal life insurance.

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

Three Months Ended March 31, *(in millions)*	2016	2015
Premiums and deposits	$ 1,251	$ 1,223
Deposits	(364)	(378)
Other	(151)	(137)
Premiums	$ 736	$ 708

Life premiums and deposits grew four percent, excluding the effect of foreign exchange, in the first quarter of 2016, compared to the same period in the prior year, principally driven by growth in international life and health.

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Personal Insurance Results

The following table presents Personal Insurance results:

Three Months Ended March 31, *(in millions)*	**2016**	2015	Percentage Change
Underwriting results:			
Net premiums written	**$ 2,812**	$ 2,915	(4)%
Increase in unearned premiums	**(42)**	(116)	64
Net premiums earned	**2,770**	2,799	(1)
Losses and loss adjustment expenses incurred	**1,454**	1,645	(12)
Acquisition expenses:			
Amortization of deferred policy acquisition costs	**480**	487	(1)
Other acquisition expenses	**242**	278	(13)
Total acquisition expenses	**722**	765	(6)
General operating expenses	**423**	478	(12)
Underwriting income (loss)	**171**	(89)	NM
Net investment income	**51**	63	(19)
Pre-tax operating income (loss)	**$ 222**	$ (26)	NM%

NET PREMIUMS WRITTEN *(in millions)*	**Pre-Tax oPERATING INCOME (LOSS)** *(in millions)*

Pre tax operating income improved in the first quarter of 2016 from a loss in the same period in the prior year due to improved underwriting results, partially offset by a decrease in net investment income. The underwriting results reflected lower accident year losses, as adjusted, primarily in U.S. personal property, strategic actions to reduce expenses and refocus direct marketing activities, net favorable prior year loss reserve development of $48 million, compared to net adverse prior year loss reserve development of $4 million in the same period in the prior year, and lower catastrophe losses. Catastrophe losses were $29 million in the first quarter of 2016, compared to $61 million in the same period in the prior year.

Acquisition expenses decreased in the first quarter of 2016, compared to the same period in the prior year due to the effect of foreign exchange and a decrease in non-deferred direct marketing expenses. The non-deferred direct marketing expenses, excluding commissions, for the first quarter of 2016, were approximately $48 million, and, excluding the impact of foreign exchange, decreased by approximately $19 million from the same period in the prior year.

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General operating expenses decreased in the first quarter of 2016, compared to the same period in the prior year, primarily due to lower employee-related expenses arising from organization realignment activities together with lower strategic investment expenditures and the effect of foreign exchange.

Net investment income decreased in the first quarter of 2016, compared to the same period in the prior year, reflecting lower income on alternative investments from negative performance in hedge funds.

See MD&A — Investments for additional information on the Non-Life Insurance Companies invested assets, investment strategy, and asset-liability management process.

Personal Insurance Net Premiums Written

The following table presents Personal Insurance net premiums written by major line of business:

Three Months Ended March 31,			Percentage Change in	
				Original
(in millions)	**2016**	2015	U.S. dollars	Currency
Accident & Health	**$ 1,288**	$ 1,348	(4)%	(1)%
Personal Lines	**1,524**	1,567	(3)	2
Total Personal Insurance net premiums written	**$ 2,812**	$ 2,915	(4)%	1%

Personal Insurance net premiums written by line of business

(in millions)

Personal Insurance net premiums written decreased in the first quarter of 2016, compared to the same period in the prior year due to the effect of foreign exchange. Excluding the effect of foreign exchange, net premiums written increased approximately one percent in the first quarter of 2016 compared to the same period in the prior year, driven by growth in personal property, partially offset by a decrease in warranty service programs. The following paragraphs discuss the changes in net premiums written on a constant dollar basis, which excludes the effect of foreign exchange.

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Accident and Health net premiums written decreased in the first quarter of 2016 compared to the same period in the prior year, primarily due to continued underwriting discipline across our businesses together with lower sales as a result of refocusing our direct marketing activities.

Personal Lines net premiums written increased in the first quarter of 2016 compared to the same period in the prior year. The increase was primarily due to increased production in personal property business in the U.S. and Asia Pacific outside of Japan and in the automobile business in the Americas. These increases were partially offset by decreased production in personal property in Japan due to a duration restriction on long-term fire insurance put in place in the fourth quarter of 2015 and warranty service programs in the U.S., due to underwriting actions taken in the prior years. The increase in the U.S. personal property business in the first quarter of 2016 was attributable to new business sales and improved retention in the AIG Private Client Group and reflected changes to optimize our reinsurance structure to retain more favorable risks, while continuing to manage aggregate exposure.

Personal Insurance Net Premiums Written by Region

The following table presents Personal Insurance net premiums written by region:

Three Months Ended March 31,			Percentage Change in	Percentage Change in
(in millions)	**2016**	2015	U.S. dollars	Original Currency
Americas	**$ 952**	$ 912	4%	9%
Asia Pacific	**1,328**	1,430	(7)	(4)
EMEA	**532**	573	(7)	-
Total net premiums written	**$ 2,812**	$ 2,915	(4)%	1%

Personal insurance NET PREMIUMS WRITTEN by Region

(in millions)

The following paragraphs discuss the changes in net premiums written on a constant dollar basis, which exclude the effect of foreign exchange.

Americas net premiums written increased in the first quarter of 2016, compared to the same period in the prior year, primarily due to an increase in new business and improved retention in the AIG Private Client Group and the reinsurance optimization discussed above, partially offset by a decrease in warranty service programs and Accident and Health business.

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Asia Pacific net premiums written decreased in the first quarter of 2016 compared to the same period in the prior year, primarily due to decreased production in personal property reflecting the long-term fire insurance duration restriction in Japan discussed above.

EMEA net premiums written remained unchanged in the first quarter of 2016 compared to the same period in the prior year, primarily due to a slight increase in Accident and Health, which was almost entirely offset by Personal lines.

Personal Insurance Underwriting Ratios

The following tables present the Personal Insurance combined ratios based on GAAP data and reconciliation to the accident year combined ratio, as adjusted:

Three Months Ended March 31,	**2016**	2015	Increase (Decrease)
Loss ratio	**52.5**	58.8	(6.3)
Catastrophe losses and reinstatement premiums	**(1.1)**	(2.2)	1.1
Prior year development net of premium adjustments	**1.8**	(0.2)	2.0
Accident year loss ratio, as adjusted	**53.2**	56.4	(3.2)
Acquisition ratio	**26.1**	27.3	(1.2)
General operating expense ratio	**15.3**	17.1	(1.8)
Expense ratio	**41.4**	44.4	(3.0)
Combined ratio	**93.9**	103.2	(9.3)
Catastrophe losses and reinstatement premiums	**(1.1)**	(2.2)	1.1
Prior year development net of premium adjustments	**1.8**	(0.2)	2.0
Accident year combined ratio, as adjusted	**94.6**	100.8	(6.2)

Personal Insurance ratios **Three Months Ended March 31,**	

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The following tables present Personal Insurance accident year catastrophe and severe losses by region and the number of events:

Catastrophes [(a)]

(in millions)	# of Events		Americas		Asia Pacific		EMEA		Total
Three Months Ended March 31, 2016									
Windstorms and hailstorms	**7**	**$**	**22**	**$**	**7**	**$**	**-**	**$**	**29**
Wildfire	**-**		**-**		**-**		**-**		**-**
Tropical cyclone	**-**		**-**		**-**		**-**		**-**
Total catastrophe-related charges	**7**	**$**	**22**	**$**	**7**	**$**	**-**	**$**	**29**
Three Months Ended March 31, 2015									
Windstorms and hailstorms	1	$	61	$	-	$	-	$	61
Tropical cyclone	-		-		-		-		-
Earthquakes	-		-		-		-		-
Total catastrophe-related charges	1	$	61	$	-	$	-	$	61

(a) Natural catastrophe losses are generally weather or seismic events having a net impact on AIG in excess of $10 million each. Catastrophes also include certain man-made events, such as terrorism and civil disorders that meet the $10 million threshold.

Severe Losses[(b)]

Three Months Ended March 31, *(in millions)*	# of Events		Americas		Asia Pacific		EMEA		Total
2016	**-**	**$**	**-**	**$**	**-**	**$**	**-**	**$**	**-**
2015	1	$	12	$	-	$	-	$	12

(b) Severe losses are defined as non-catastrophe individual first party losses and surety losses greater than $10 million, net of related reinsurance and salvage and subrogation.

The combined ratio decreased by 9.3 points in the first quarter of 2016, compared to the same period in the prior year, reflecting an improvement in the loss ratio and expense ratio. The accident year combined ratio, as adjusted, improved by 6.2 points in the first quarter of 2016, compared to the same period in the prior year.

The improvement in the accident year loss ratio, as adjusted, of 3.2 points in the first quarter of 2016 compared to the same period in the prior year was primarily due to improved performance in U.S. personal property.

The acquisition ratio decreased by 1.2 points in the first quarter of 2016, compared to the same period in the prior year, which reflected lower Accident and Health direct marketing expenses as we refocus our activities.

The general operating expense ratio decreased by 1.8 points in the first quarter of 2016, compared to the same period in the prior year, primarily due to lower employee-related expenses arising from organization realignment activities together with lower strategic investment expenditures.

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CORPORATE AND OTHER

Corporate and Other Results

The following table presents AIG's Corporate and Other results:

Three Months Ended March 31, *(in millions)*	**2016**	2015	Percentage Change
Corporate and Other pre-tax operating income (loss):			
Equity in pre-tax operating earnings of AerCap[a]	**$ -**	$ 128	NM%
Fair value of PICC investments[b]	**(75)**	47	NM
Income from other assets, net[c]	**(138)**	564	NM
Corporate general operating expenses	**(294)**	(252)	(17)
Interest expense	**(257)**	(305)	16
Run-off insurance Lines	**31**	(19)	NM
Consolidation and eliminations	**-**	(1)	NM
Total Corporate and Other pre-tax operating income (loss)	**$ (733)**	$ 162	NM%

(a) Represents our share of AerCap's pre-tax operating income, which excludes certain post-acquisition transaction expenses incurred by AerCap in connection with its acquisition of ILFC and the difference between expensing AerCap's maintenance rights assets over the remaining lease term as compared to the remaining economic life of the related aircraft.

(b) During the first quarter of 2015, Non-Life Insurance Companies sold a portion of their investment in PICC P&C to AIG Parent.

(c) Consists of the results of investments held by AIG Parent to support various corporate needs as well as the remaining positions of AIGFP, life settlements, real estate, equipment leasing and lending and other secured lending investments held by AIG Parent and certain subsidiaries.

Corporate and Other reported a pre-tax operating loss in the first quarter of 2016, compared to pre-tax operating income in the same period in the prior year, primarily due to a decline in Income from other assets, net. Income from other assets, net decreased primarily due to fair value losses on ABS CDOs, lower credit valuation adjustments on assets for which the fair value option was elected and gains recognized in the first quarter of 2015 upon the unwinding of certain positions. The pre-tax operating results also reflected fair value losses on our People's Insurance Company (Group) of China Limited (PICC Group) investments compared to fair value gains in the same period in the prior year. In addition, the first quarter of 2015 included our share of AerCap's pre-tax income, which was accounted for under the equity method through the date of sale of most of our shares in the second quarter of 2015. These declines were partially offset by lower interest expense from ongoing liability management activities described in Liquidity and Capital Resources.

Run-off insurance lines reported pre-tax operating income of $31 million in the first quarter of 2016 compared to a pre-tax operating loss of $19 million in the same period in the prior year primarily due to lower underwriting loss and an increase in the allocation of net investment income. The decrease in underwriting losses was primarily due to a lower net loss reserve discount charge. See Insurance Reserves – Non-Life Insurance Companies – Discounting of Reserves for further discussion. Based on our internal net investment income allocation model, the allocated net investment income to run-off insurance lines increased primarily due to higher investable funds as a result of the transfers to run-off lines of certain casualty lines, including environmental liability, excess casualty and healthcare coverage that ceased to be offered by Commercial Insurance. See Results of Operations – Net Investment Income for further discussion of our internal allocation model.

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Overview

Our investment strategies are tailored to the specific business needs of each operating unit. The investment objectives are driven by the respective business models for Non-Life Insurance Companies, Life Insurance Companies and AIG Parent. The primary objectives are generation of investment income, preservation of capital, liquidity management and growth of surplus to support the insurance products. The majority of assets backing our insurance liabilities consist of intermediate and long duration fixed maturity securities.

- A decline in interest rates resulted in an increase in our net unrealized gain position in our investment portfolio. Net unrealized gains in our available for sale portfolio increased to approximately $13.5 billion as of March 31, 2016 from approximately $8.8 billion as of December 31, 2015.

- We continued to make investments in structured securities and other fixed maturity securities and increased lending activities in mortgage loans with favorable risk versus return characteristics to improve yields and increase net investment income.

- Our alternative investments portfolio performance experienced a significant decline in the first quarter of 2016 compared to the same period in the prior year due to increased volatility in equity markets, which affected the performance of our hedge fund portfolio.

- Blended investment yields on new investments were lower than blended rates on investments that were sold, matured or called.

- Other-than-temporary impairments increased due to impairments within the energy sector and in our structured securities portfolio.

- We experienced losses on sales of securities in the first quarter of 2016, which decreased our exposure in the energy sector, compared to gains in the same period in 2015 which were driven by a partial divestiture of our PICC P&C and PICC Group equity interests.

Investment Strategies

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

Some of our key investment strategies are as follows:

- Fixed maturity securities held by the U.S. insurance companies included in Non-Life Insurance Companies consist of a mix of instruments that meet our current risk-return, tax, liquidity, credit quality and diversification objectives.

- Outside of the U.S., fixed maturity securities held by Non-Life Insurance Companies consist primarily of intermediate duration high-grade securities generally denominated in the currencies of the countries in which we operate.

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• While more of a focus is placed on asset-liability management in Life Insurance Companies, our fundamental strategy across all of our investment portfolios is to optimize the duration characteristics of the assets within a target range based on comparable liability characteristics, to the extent practicable.

• AIG Parent actively manages its assets and liabilities in terms of products, counterparties and duration. AIG Parent's liquidity sources are held primarily in the form of cash, short-term investments and publicly traded, investment-grade rated fixed maturity securities. Based upon an assessment of its immediate and longer-term funding needs, AIG Parent purchases publicly traded, investment-grade rated fixed maturity securities that can be readily monetized through sales or repurchase agreements. These securities allow us to diversify sources of liquidity while reducing the cost of maintaining sufficient liquidity.

Investments by Legal Entity Category

The following tables summarize the composition of AIG's investments:

(in millions)	Non-Life Insurance Companies	Life Insurance Companies	Corporate and Other	Total
March 31, 2016				
Fixed maturity securities*:				
Bonds available for sale, at fair value	**$ 87,061**	**$ 162,463**	**$ 4,261**	**$ 253,785**
Other bond securities, at fair value	**1,316**	**3,729**	**10,299**	**15,344**
Equity securities:				
Common and preferred stock available for sale, at fair value	**2,671**	**143**	**(44)**	**2,770**
Other Common and preferred stock, at fair value	**342**	**-**	**535**	**877**
Mortgage and other loans receivable, net of allowance	**8,669**	**24,395**	**(2,388)**	**30,676**
Other invested assets	**10,088**	**11,805**	**6,587**	**28,480**
Short-term investments	**3,487**	**3,361**	**4,066**	**10,914**
Total investments	**113,634**	**205,896**	**23,316**	**342,846**
Cash	**974**	**434**	**91**	**1,499**
Total invested assets	**$ 114,608**	**$ 206,330**	**$ 23,407**	**$ 344,345**
December 31, 2015				
Fixed maturity securities*:				
Bonds available for sale, at fair value	$ 84,849	$ 157,150	$ 6,246	$ 248,245
Other bond securities, at fair value	1,463	3,589	11,730	16,782
Equity securities:				
Common and preferred stock available for sale, at fair value	2,821	144	(50)	2,915
Other Common and preferred stock, at fair value	355	-	566	921
Mortgage and other loans receivable, net of allowance	8,278	23,979	(2,692)	29,565
Other invested assets	10,571	12,398	6,825	29,794

Short-term investments	3,189	2,877	4,066	10,132
Total investments	111,526	200,137	26,691	338,354
Cash	1,011	557	61	1,629
Total invested assets	$ 112,537	$ 200,694	$ 26,752	$ 339,983

* At March 31, 2016, approximately 91 percent and 9 percent of investments were held by domestic and foreign entities, respectively, compared to approximately 90 percent and 10 percent, respectively, at December 31, 2015.

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The following table presents the components of Net Investment Income:

Three Months Ended March 31,				
(in millions)		**2016**		2015
Interest and dividends	**$**	**3,243**	$	3,187
Alternative investments[(a)]		**(366)**		586
Other investment income[(b)]		**250**		217
Total investment income		**3,127**		3,990
Investment expenses		**114**		152
Total net investment income	**$**	**3,013**	$	3,838

(a) Beginning in the first quarter of 2016, the presentation of income on alternative investments has been refined to include only income from hedge funds, private equity funds and affordable housing partnerships. Prior period disclosures have been reclassified to conform to this presentation. Hedge funds for which we elected the fair value option are recorded as of the balance sheet date. Other hedge funds are generally reported on a one-month lag, while private equity funds are generally reported on a one-quarter lag.

(b) Includes changes in fair value of certain fixed maturity securities where the fair value option has been elected and which are used to economically hedge the interest rate risk in GMWB embedded derivatives. For the quarters ended March 31, 2016 and March 31, 2015, the net investment income recorded on these securities was $133 million and $44 million, respectively.

Net investment income decreased for the first quarter of 2016 compared to the same period in the prior year due to lower income on alternative investments and lower reinvestment yields.

Non-Life Insurance Companies

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

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

Companies' liquidity, duration and credit quality objectives as well as current risk return and tax objectives.

In addition, the Non-Life Insurance Companies seek to enhance returns through selective investments in a diversified portfolio of alternative investments. Although these alternative investments are subject to periodic earnings fluctuations, they have historically achieved yields in excess of the fixed maturity portfolio yields and have provided added diversification to the broader portfolio. The Non-Life Insurance Companies' investment portfolio also includes, to a lesser extent, equity securities.

With respect to non-affiliate over the counter derivatives, the Non-Life Insurance Companies conduct business with highly rated counterparties and do not expect the counterparties to fail to meet their obligations under the contracts. The Non-Life Insurance Companies have controls in place to monitor credit exposures by limiting transactions with specific counterparties within specified dollar limits and assessing the creditworthiness of counterparties periodically. The Non-Life Insurance Companies generally use ISDA Master Agreements and Credit Support Annexes (CSAs) with bilateral collateral provisions to reduce counterparty credit exposures.

Fixed maturity investments of the Non-Life Insurance Companies domestic operations, with an intermediate duration of 4.7 years, are currently comprised primarily of tax-exempt securities, which provide attractive risk-adjusted after-tax returns, as well as taxable municipal bonds, government and agency bonds, and corporate bonds. The majority of these high quality investments are rated A or higher based on composite ratings.

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Fixed maturity investments held in the Non-Life Insurance Companies foreign operations are of high quality, primarily rated A or higher based on composite ratings, and short to intermediate duration, averaging 3.3 years.

Life Insurance Companies

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

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

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

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

The Life Insurance Companies monitor fixed income markets, including the level of interest rates, credit spreads and the shape of the yield curve. The Life Insurance Companies frequently review their interest rate assumptions and actively manage the crediting rates used for their new and in-force business. Business strategies continue to evolve to maintain profitability of the overall business in a historically low interest rate environment. The low interest rate environment makes it more difficult to profitably price many of our products and puts margin pressure on existing products, due to the challenge of investing recurring premiums and deposits and reinvesting investment portfolio cash flows in the low rate environment while maintaining satisfactory investment quality and liquidity. In addition, there is investment risk associated with future premium receipts from certain in force business. Specifically, the investment of these future premium receipts may be at a yield below that required to meet future policy liabilities.

Fixed maturity investments of the Life Insurance Companies domestic operations, with an intermediate duration of 6.6 years, are comprised of taxable corporate bonds, as well as taxable municipal and government bonds, and agency and non agency structured securities. The majority of these investments are held in the available for sale portfolio and are rated investment grade based on its composite ratings.

Fixed maturity investments held in the Life Insurance Companies foreign operations are of high quality, primarily rated A or higher based on composite ratings, and intermediate to long duration, averaging 14.1 years.

NAIC Designations of Fixed Maturity Securities

The Securities Valuation Office (SVO) of the National Association of Insurance Companies (NAIC) evaluates the investments of U.S. insurers for statutory reporting purposes and assigns fixed maturity securities to one of six categories called ‘NAIC Designations.’ In general, NAIC Designations of ‘1’ highest quality, or ‘2’ high quality, include fixed maturity securities

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considered investment grade, while NAIC Designations of ‘3’ through ‘6’ generally include fixed maturity securities referred to as below investment grade. The NAIC has adopted revised rating methodologies for certain structured securities, including non-agency RMBS and CMBS, which are intended to enable a more precise assessment of the value of such structured securities and increase the accuracy in assessing expected losses to better determine the appropriate capital requirement for such structured securities. These methodologies result in an improved NAIC Designation for such securities compared to the rating typically assigned by the three major rating agencies. The following tables summarize the ratings distribution of Life Insurance Companies fixed maturity security portfolio by NAIC Designation, and the distribution by composite AIG credit rating, which is generally based on ratings of the three major rating agencies. See Investments – Credit Ratings herein for a full description of the composite AIG credit ratings.

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

March 31, 2016
(in millions)

NAIC Designation	1	2	Total Investment Grade	3	4	5	6	Inves
Other fixed maturity securities	$46,512	$57,806	$ 104,318	$5,916	$2,967	$520	$207	$
Mortgage-backed, asset-backed and collateralized	44,399	2,109	46,508	297	149	78	616	
Total*	$90,911	$59,915	$ 150,826	$6,213	$3,116	$598	$823	$

* Excludes $4.6 billion of fixed maturity securities for which no NAIC Designation is available because they are not held in legal entities within Life Insurance Companies that require a statutory filing.

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

March 31, 2016
(in millions)

Composite AIG Credit Rating	AAA/AA/A	BBB	Total Investment Grade	BB	B	CCC and Lower	
Other fixed maturity securities	$ 46,865	$ 58,150	$ 105,015	$ 5,052	$ 3,210	$ 651	$
Mortgage-backed, asset-backed and collateralized	28,910	3,293	32,203	1,383	874	13,188	
Total*	$ 75,775	$ 61,443	$ 137,218	$ 6,435	$ 4,084	$ 13,839	$

* Excludes $4.6 billion of fixed maturity securities for which no NAIC Designation is available because they are not held in legal entities within Life Insurance Companies that require a statutory filing.

Credit Ratings

At March 31, 2016, approximately 91 percent of our fixed maturity securities were held by our domestic entities. Approximately 17 percent of such securities were rated AAA by one or more of the principal rating agencies, and approximately 17 percent were rated below investment grade or not rated. Our investment decision process relies primarily on internally generated fundamental analysis and internal risk ratings. Third-party rating services' ratings and opinions provide one source of independent perspective for consideration in the internal analysis.

A significant portion of our foreign entities' fixed maturity securities portfolio is rated by Moody's Investors' Service Inc. (Moody's), Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. (S&P), or similar foreign rating services. Rating services are not available for some foreign-issued securities. Our Credit Risk Management department closely reviews the credit quality of the foreign portfolio's non-rated fixed maturity securities. At March 31, 2016, approximately 16 percent of such investments were either rated AAA or, on the basis of our internal analysis, were equivalent

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from a credit standpoint to securities rated AAA, and approximately 7 percent were below investment grade or not rated. Approximately 45 percent of the foreign entities' fixed maturity securities portfolio is comprised of sovereign fixed maturity securities supporting policy liabilities in the country of issuance.

Composite AIG Credit Ratings

With respect to our fixed maturity investments, the credit ratings in the table below and in subsequent tables reflect: (a) a composite of the ratings of the three major rating agencies, or when agency ratings are not available, the rating assigned by the NAIC SVO (over 99 percent of total fixed maturity investments), or (b) our equivalent internal ratings when these investments have not been rated by any of the major rating agencies or the NAIC. The "Non-rated" category in those tables consists of fixed maturity securities that have not been rated by any of the major rating agencies, the NAIC or us.

See Enterprise Risk Management herein for a discussion of credit risks associated with Investments.

The following table presents the composite AIG credit ratings of our fixed maturity securities calculated on the basis of their fair value:

	Available for Sale		Other		Total	
(in millions)	**March 31, 2016**	December 31, 2015	**March 31, 2016**	December 31, 2015	**March 31, 2016**	December 31, 2015
Rating:						
Other fixed maturity securities						
AAA	$ **12,804**	$ 12,274	$ **3,251**	$ 3,222	$ **16,055**	$ 15,496
AA	**35,783**	35,344	**218**	207	**36,001**	35,551
A	**52,184**	50,741	**1,801**	1,781	**53,985**	52,522
BBB	**71,986**	71,766	**53**	186	**72,039**	71,952
Below investment grade	**13,661**	12,305	**12**	133	**13,673**	12,438
Non-rated	**944**	920	**-**	-	**944**	920
Total	$ **187,362**	$ 183,350	$ **5,335**	$ 5,529	$ **192,697**	$ 188,879
Mortgage-backed, asset-backed and collateralized						
AAA	$ **28,117**	$ 26,382	$ **1,376**	$ 1,756	$ **29,493**	$ 28,138
AA	**5,075**	5,003	**546**	708	**5,621**	5,711
A	**7,902**	7,462	**355**	416	**8,257**	7,878
BBB	**4,370**	4,394	**375**	497	**4,745**	4,891
Below investment grade	**20,944**	21,638	**7,307**	7,771	**28,251**	29,409
Non-rated	**15**	16	**50**	105	**65**	121

Total	$	**66,423**	$	64,895	$	**10,009**	$	11,253	$	**76,432**	$	76,148
Total												
AAA	$	**40,921**	$	38,656	$	**4,627**	$	4,978	$	**45,548**	$	43,634
AA		**40,858**		40,347		**764**		915		**41,622**		41,262
A		**60,086**		58,203		**2,156**		2,197		**62,242**		60,400
BBB		**76,356**		76,160		**428**		683		**76,784**		76,843
Below investment grade		**34,605**		33,943		**7,319**		7,904		**41,924**		41,847
Non-rated		**959**		936		**50**		105		**1,009**		1,041
Total	$	**253,785**	$	248,245	$	**15,344**	$	16,782	$	**269,129**	$	265,027

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Available-for-Sale Investments

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

(in millions)	Fair Value at March 31, 2016	Fair Value at December 31, 2015
Bonds available for sale:		
U.S. government and government sponsored entities	$ 2,041	$ 1,844
Obligations of states, municipalities and political subdivisions	27,758	27,323
Non-U.S. governments	18,615	18,195
Corporate debt	138,948	135,988
Mortgage-backed, asset-backed and collateralized:		
RMBS	36,222	36,227
CMBS	14,437	13,571
CDO/ABS	15,764	15,097
Total mortgage-backed, asset-backed and collateralized	66,423	64,895
Total bonds available for sale*	253,785	248,245
Equity securities available for sale:		
Common stock	2,274	2,401
Preferred stock	23	22
Mutual funds	473	492
Total equity securities available for sale	2,770	2,915
Total	$ 256,555	$ 251,160

* At March 31, 2016, and December 31, 2015, the fair value of bonds available for sale held by us that were below investment grade or not rated totaled $35.6 billion and $34.9 billion, respectively.

The following table presents the fair value of our aggregate credit exposures to non-U.S. governments for our fixed maturity securities:

(in millions)	March 31, 2016	December 31, 2015
Japan	$ 5,471	$ 5,416
Canada	1,381	1,453
Germany	827	832
France	756	784
Mexico	662	563
United Kingdom	655	661
Netherlands	522	511
Norway	477	503

Chile	**455**	386
Singapore	**443**	426
Other	**7,019**	6,710
Total	**$ 18,668**	$ 18,245

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

	March 31, 2016					December 31, 2015
(in millions)	Sovereign	Financial Institution	Non-Financial Corporates	Structured Products	Total	Total
Euro-Zone countries:						
France	$ 756	$ 1,183	$ 2,159	$ -	$ 4,098	$ 4,018
Netherlands	522	898	1,514	173	3,107	3,404
Germany	827	145	2,059	2	3,033	3,365
Ireland	-	-	605	768	1,373	1,274
Belgium	218	136	834	-	1,188	855
Spain	28	58	971	16	1,073	1,102
Italy	37	122	870	12	1,041	1,009
Luxembourg	-	18	453	29	500	496
Finland	63	47	131	-	241	229
Austria	98	3	15	-	116	124
Other - EuroZone	800	35	199	2	1,036	929
Total Euro-Zone	$ 3,349	$ 2,645	$ 9,810	$ 1,002	$ 16,806	$ 16,805
Remainder of Europe						
United Kingdom	$ 655	$ 2,976	$ 8,143	$ 3,365	$ 15,139	$ 15,286
Switzerland	51	1,247	1,310	-	2,608	2,519
Sweden	135	470	195	-	800	827
Norway	477	32	142	-	651	688
Russian Federation	36	6	75	-	117	122
Other - Remainder of Europe	236	135	113	15	499	443
Total - Remainder of Europe	$ 1,590	$ 4,866	$ 9,978	$ 3,380	$ 19,814	$ 19,885
Total	$ 4,939	$ 7,511	$ 19,788	$ 4,382	$ 36,620	$ 36,690

Investments in Municipal Bonds

At March 31, 2016, the U.S. municipal bond portfolio was composed primarily of essential service revenue bonds and high-quality tax-backed bonds with over 95 percent of the portfolio rated A or higher.

The following table presents the fair values of our available for sale U.S. municipal bond portfolio by state and municipal bond type:

	March 31, 2016			
	State	Local	Total	December 31,

(in millions)	General Obligation	General Obligation	Revenue	Fair Value	2015 Total Fair Value
State:					
New York	**$ 31**	**$ 633**	**$ 4,013**	**$ 4,677**	**$** 4,613
California	**744**	**627**	**2,640**	**4,011**	3,841
Texas	**333**	**1,586**	**1,673**	**3,592**	3,415
Massachusetts	**701**	**2**	**710**	**1,413**	1,387
Illinois	**132**	**359**	**840**	**1,331**	1,486
Washington	**495**	**144**	**685**	**1,324**	1,359
Florida	**157**	**-**	**1,014**	**1,171**	1,135

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Virginia	65	4	812	881	878
Georgia	284	218	353	855	870
Washington DC	157	-	555	712	705
Pennsylvania	272	25	406	703	676
Arizona	-	95	498	593	576
Ohio	117	7	433	557	531
All other states[(a)]	1,073	572	4,293	5,938	5,851
Total[(b)(c)]	$ 4,561	$ 4,272	$ 18,925	$ 27,758	$ 27,323

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

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

(c) Includes $2.8 billion of pre-refunded municipal bonds.

Investments in Corporate Debt Securities

The following table presents the industry categories of our available for sale corporate debt securities:

Industry Category *(in millions)*	Fair Value at March 31, 2016	Fair Value at December 31, 2015
Financial institutions:		
Money Center /Global Bank Groups	$ 9,252	$ 9,104
Regional banks — other	586	568
Life insurance	3,309	3,295
Securities firms and other finance companies	371	380
Insurance non-life	5,552	5,421
Regional banks — North America	7,165	6,823
Other financial institutions	8,067	7,808
Utilities	17,948	18,497
Communications	10,984	10,251
Consumer noncyclical	16,753	15,391
Capital goods	9,061	8,973
Energy	13,914	13,861
Consumer cyclical	9,556	9,767
Basic	7,252	7,512
Other	19,178	18,337
Total *	$ 138,948	$ 135,988

* At March 31, 2016, and December 31, 2015, approximately 90 percent and 91 percent, respectively, of these investments were rated investment grade.

Our investments in the energy category, as a percentage of total investments in available-for-sale fixed maturities, were 5.5 percent and 5.6 percent at March 31, 2016 and December 31, 2015, respectively. The decline in energy exposure from December 31, 2015 resulted from unrealized losses due to reduction in the energy sector pricing, sales of securities and other-than-temporary impairments. While the energy investments are primarily investment grade and are actively managed, the category continues to experience volatility that could adversely affect credit quality and fair value.

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Investments in RMBS

The following table presents AIG's RMBS available for sale investments by year of vintage:

(in millions)		Fair Value at March 31, 2016		Fair Value at December 31, 2015
Total RMBS				
2016	$	418	$	-
2015		2,485		2,273
2014		1,242		1,096
2013		2,304		2,178
2012		1,821		1,944
2011 and prior*		27,952		28,736
Total RMBS	$	36,222	$	36,227
Agency				
2016	$	415	$	-
2015		2,235		2,025
2014		1,148		1,000
2013		2,222		2,094
2012		1,809		1,877
2011 and prior		5,275		5,555
Total Agency	$	13,104	$	12,551
Alt-A				
2016		-		-
2015		-		-
2014		-		-
2013		-		-
2012	$	-	$	-
2011 and prior		12,595		12,831
Total Alt-A	$	12,595	$	12,831
Subprime				
2016		-		-
2015		-		-
2014		-		-
2013		-		-
2012		-		-
2011 and prior	$	2,288	$	2,376
Total Subprime	$	2,288	$	2,376
Prime non-agency				

2016	$	-	$	-
2015		-		-
2014		-		-
2013		7		8
2012		-		53
2011 and prior		7,445		7,589
Total Prime non-agency	**$**	**7,452**	$	7,650
Total Other housing related	**$**	**783**	$	819

* Includes approximately $13.0 billion and $13.2 billion at March 31, 2016, and December 31, 2015, respectively, of certain RMBS that had experienced deterioration in credit quality since their origination. See Note 5 to the Condensed Consolidated Financial Statements for additional discussion on Purchased Credit Impaired (PCI) Securities.

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The following table presents our RMBS available for sale investments by credit rating:

(in millions)	**Fair Value at March 31, 2016**	Fair Value at December 31, 2015
Rating:		
Total RMBS		
AAA	**$ 15,425**	$ 14,884
AA	**415**	389
A	**504**	509
BBB	**547**	661
Below investment grade[(a)]	**19,326**	19,779
Non-rated	**5**	5
Total RMBS[(b)]	**$ 36,222**	$ 36,227
Agency RMBS		
AAA	**$ 13,083**	$ 12,547
AA	**21**	4
Total Agency	**$ 13,104**	$ 12,551
Alt-A RMBS		
AAA	**$ 4**	$ 5
AA	**47**	17
A	**138**	121
BBB	**178**	216
Below investment grade[(a)]	**12,228**	12,472
Total Alt-A	**$ 12,595**	$ 12,831
Subprime RMBS		
AAA	**$ 14**	$ 15
AA	**67**	68
A	**239**	247
BBB	**136**	200
Below investment grade[(a)]	**1,832**	1,846
Total Subprime	**$ 2,288**	$ 2,376
Prime non-agency		
AAA	**$ 1,988**	$ 1,986
AA	**174**	188
A	**124**	138
BBB	**198**	209
Below investment grade[(a)]	**4,963**	5,124
Non-rated	**5**	5
Total prime non-agency	**$ 7,452**	$ 7,650
Total Other housing related	**$ 783**	$ 819

(a) Includes certain RMBS that had experienced deterioration in credit quality since their origination. See Note 5 to the Condensed Consolidated Financial Statements for additional discussion on PCI Securities.

(b) The weighted average expected life was six years at both March 31, 2016 and December 31, 2015.

Our underwriting practices for investing in RMBS, other asset backed securities and CDOs take into consideration the quality of the originator, the manager, the servicer, security credit ratings, underlying characteristics of the mortgages, borrower characteristics, and the level of credit enhancement in the transaction.

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Investments in CMBS

The following table presents our CMBS available for sale investments:

(in millions)		**Fair Value at March 31, 2016**		Fair Value at December 31, 2015
CMBS (traditional)	**$**	**12,020**	$	11,132
Agency		**1,617**		1,622
Other		**800**		817
Total	**$**	**14,437**	$	13,571

The following table presents the fair value of our CMBS available for sale investments by rating agency designation and by vintage year:

(in millions)	AAA	AA	A	BBB	Below Investment Grade	Non-Rated	Total
March 31, 2016							
Year:							
2016	**$ 551**	**$ 69**	**$ 54**	**$ 121**	**$ -**	**$ -**	**$ 795**
2015	**1,085**	**427**	**479**	**240**	**-**	**-**	**2,231**
2014	**1,675**	**229**	**11**	**-**	**-**	**-**	**1,915**
2013	**2,628**	**439**	**89**	**51**	**-**	**-**	**3,207**
2012	**787**	**61**	**30**	**82**	**-**	**11**	**971**
2011 and prior	**1,964**	**586**	**688**	**662**	**1,418**	**-**	**5,318**
Total	**$ 8,690**	**$ 1,811**	**$ 1,351**	**$ 1,156**	**$ 1,418**	**$ 11**	**$ 14,437**
December 31, 2015							
Year:							
2015	$ 824	$ 404	$ 465	$ 240	$ -	$ -	$ 1,933
2014	1,604	183	11	-	-	-	1,798
2013	2,611	433	89	54	-	-	3,187
2012	737	60	31	83	-	10	921
2011 and prior	1,936	725	666	759	1,646	-	5,732
Total	$ 7,712	$ 1,805	$ 1,262	$ 1,136	$ 1,646	$ 10	$ 13,571

The following table presents our CMBS available for sale investments by geographic region:

(in millions)	**Fair Value at March 31, 2016**	Fair Value at December 31, 2015
Geographic region:		

New York	**$ 3,454**	$ 3,149
California	**1,337**	1,244
Texas	**873**	791
Florida	**556**	520
New Jersey	**463**	433
Virginia	**380**	362
Illinois	**354**	323
Pennsylvania	**312**	295

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Massachusetts		269		231
Georgia		265		253
Maryland		241		229
North Carolina		236		218
All Other*		5,697		5,523
Total	$	14,437	$	13,571

* Includes Non-U.S. locations.

The following table presents our CMBS available for sale investments by industry:

(in millions)		Fair Value at March 31, 2016		Fair Value at December 31, 2015
Industry:				
Office	$	4,306	$	3,896
Retail		4,107		3,978
Multi-family*		3,113		3,036
Lodging		1,103		1,005
Industrial		976		868
Other		832		788
Total	$	14,437	$	13,571

* Includes Agency-backed CMBS.

The fair value of CMBS holdings remained stable during the first quarter of 2016. The majority of our investments in CMBS are in tranches that contain substantial protection features through collateral subordination. The majority of CMBS holdings are traditional conduit transactions, broadly diversified across property types and geographical areas.

Investments in CDOs

The following table presents our CDO available for sale investments by collateral type:

(in millions)		Fair value at March 31, 2016		Fair value at December 31, 2015
Collateral Type:				
Bank loans (CLO)	$	8,106	$	7,962
Other		139		153
Total	$	8,245	$	8,115

The following table presents our CDO available for sale investments by credit rating:

(in millions)	**Fair Value at March 31, 2016**	Fair Value at December 31, 2015
Rating:		
AAA	**$ 3,130**	$ 2,870
AA	**2,522**	2,543
A	**2,169**	2,247
BBB	**274**	298
Below investment grade	**150**	157
Total	**$ 8,245**	$ 8,115

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Commercial Mortgage Loans

At March 31, 2016, we had direct commercial mortgage loan exposure of $22.2 billion, of which approximately all of the loans were current.

The following table presents the commercial mortgage loan exposure by location and class of loan based on amortized cost:

(dollars in millions)	Number of Loans	Apartments	Offices	Class Retail	Industrial	Hotel	Others	Total	Percent of Total
March 31, 2016									
State:									
New York	**96**	**$ 839**	**$ 3,076**	**$ 552**	**$ 301**	**$ 166**	**$ 186**	**$ 5,120**	**23%**
California	**95**	**87**	**544**	**431**	**370**	**908**	**307**	**2,647**	**12**
Texas	**60**	**120**	**695**	**104**	**145**	**187**	**48**	**1,299**	**6**
New Jersey	**44**	**441**	**147**	**340**	**-**	**29**	**33**	**990**	**4**
Florida	**74**	**236**	**96**	**366**	**109**	**19**	**129**	**955**	**4**
Illinois	**21**	**148**	**368**	**21**	**54**	**36**	**23**	**650**	**3**
Massachusetts	**18**	**90**	**116**	**359**	**-**	**-**	**33**	**598**	**3**
Connecticut	**19**	**314**	**147**	**23**	**80**	**-**	**-**	**564**	**3**
Pennsylvania	**25**	**6**	**29**	**434**	**53**	**27**	**-**	**549**	**2**
Ohio	**35**	**125**	**17**	**210**	**66**	**-**	**5**	**423**	**2**
Other states	**291**	**1,115**	**1,288**	**1,496**	**396**	**598**	**222**	**5,115**	**23**
Foreign	**51**	**496**	**1,210**	**543**	**267**	**307**	**426**	**3,249**	**15**
Total*	**829**	**$ 4,017**	**$ 7,733**	**$ 4,879**	**$ 1,841**	**$ 2,277**	**$ 1,412**	**$ 22,159**	**100%**
December 31, 2015									
State:									
New York	97	$ 823	$ 2,968	$ 516	$ 301	$ 166	$ 186	$ 4,960	22%
California	95	87	547	433	533	788	308	2,696	12
Texas	60	120	696	106	147	187	48	1,304	6
New Jersey	45	441	338	324	-	29	33	1,165	5
Florida	78	187	113	374	116	20	146	956	4
Illinois	21	174	369	21	32	36	23	655	3
Massachusetts	19	56	168	360	-	-	33	617	3
Connecticut	20	314	152	23	81	-	-	570	3
Pennsylvania	28	6	29	436	62	27	4	564	3
Ohio	37	122	28	211	67	-	5	433	2

Other states	302	1,118	1,203	1,514	414	595	229	5,073	23
Foreign	47	471	1,234	520	161	250	438	3,074	14
Total*	849	$ 3,919	$ 7,845	$ 4,838	$ 1,914	$ 2,098	$ 1,453	$ 22,067	100%

* Does not reflect allowance for credit losses.

See Note 6 to the Consolidated Financial Statements in the 2015 Annual Report for additional discussion on commercial mortgage loans.

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Impairments

The following table presents impairments by investment type:

Three Months Ended March 31,		
(in millions)	**2016**	2015
Other-than-temporary Impairments:		
Fixed maturity securities, available for sale	**$ 200**	$ 90
Equity securities, available for sale	**2**	7
Private equity funds and hedge funds	**2**	31
Subtotal	**204**	128
Other impairments:		
Investments in life settlements	**157**	70
Other investments	**1**	22
Real estate	**1**	3
Total	**$ 363**	$ 223

Other-Than-Temporary Impairments

To determine other-than-temporary impairments, we use fundamental credit analyses of individual securities without regard to rating agency ratings. Based on this analysis, we expect to receive cash flows sufficient to cover the amortized cost of all below investment grade securities for which credit impairments were not recognized.

The following tables present other-than-temporary impairment charges recorded in earnings on fixed maturity securities, equity securities, private equity funds and hedge funds.

Other-than-temporary impairment charges by reportable segment and impairment type:

(in millions)	Non-Life Insurance Companies	Life Insurance Companies	Corporate and Other Operations	Total
Three Months Ended March 31, 2016				
Impairment Type:				
Severity	**$ 2**	**$ -**	**$ -**	**$ 2**
Change in intent	**9**	**20**	**-**	**29**
Foreign currency declines	**5**	**1**	**-**	**6**
Issuer-specific credit events	**33**	**98**	**-**	**131**
Adverse projected cash flows	**13**	**23**	**-**	**36**

Total	**$**	**62**	**$**	**142**	**$**	**-**	**$**	**204**
Three Months Ended March 31, 2015								
Impairment Type:								
Severity	$	2	$	-	$	-	$	2
Change in intent		2		22		-		24
Foreign currency declines		12		17		-		29
Issuer-specific credit events		27		41		-		68
Adverse projected cash flows		2		3		-		5
Total	$	45	$	83	$	-	$	128

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Other-than-temporary impairment charges by investment type and impairment type:

(in millions)	RMBS	CDO/ABS	CMBS	Other Fixed Maturity	Equities/Other Invested Assets*	Total
Three Months Ended March 31, 2016						
Impairment Type:						
Severity	**$ -**	**$ -**	**$ -**	**$ -**	**$ 2**	**$ 2**
Change in intent	**-**	**-**	**-**	**29**	**-**	**29**
Foreign currency declines	**-**	**-**	**-**	**6**	**-**	**6**
Issuer-specific credit events	**36**	**1**	**8**	**84**	**2**	**131**
Adverse projected cash flows	**36**	**-**	**-**	**-**	**-**	**36**
Total	**$ 72**	**$ 1**	**$ 8**	**$ 119**	**$ 4**	**$ 204**
Three Months Ended March 31, 2015						
Impairment Type:						
Severity	$ -	$ -	$ -	$ -	$ 2	$ 2
Change in intent	-	-	-	24	-	24
Foreign currency declines	-	-	-	29	-	29
Issuer-specific credit events	21	-	3	8	36	68
Adverse projected cash flows	5	-	-	-	-	5
Total	$ 26	$ -	$ 3	$ 61	$ 38	$ 128

* Includes other-than-temporary impairment charges on private equity funds, hedge funds and direct private equity investments.

Other-than-temporary impairment charges by investment type and credit rating:

(in millions)	RMBS	CDO/ABS	CMBS	Other Fixed Maturity	Equities/Other Invested Assets*	Total
Three Months Ended March 31, 2016						
Rating:						
AAA	**$ -**	**$ -**	**$ -**	**$ 2**	**$ -**	**$ 2**
AA	**-**	**-**	**-**	**3**	**-**	**3**
A	**-**	**-**	**-**	**5**	**-**	**5**
BBB	**2**	**-**	**-**	**15**	**-**	**17**
Below investment grade	**70**	**1**	**8**	**94**	**-**	**173**
Non-rated	**-**	**-**	**-**	**-**	**4**	**4**
Total	**$ 72**	**$ 1**	**$ 8**	**$ 119**	**$ 4**	**$ 204**
Three Months Ended March 31, 2015						

Rating:											
AAA	$	-	$	-	$	-	$	4	$	-	$ 4
AA		-		-		-		6		-	6
A		-		-		-		6		-	6
BBB		-		-		-		12		-	12
Below investment grade		26		-		3		30		-	59
Non-rated		-		-		-		3		38	41
Total	$	26	$	-	$	3	$	61	$	38	$ 128

* Includes other-than-temporary impairment charges on private equity funds, hedge funds and direct private equity investments.

We recorded other-than-temporary impairment charges in the first quarters of 2016 and 2015 related to:

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

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

In periods subsequent to the recognition of an other-than-temporary impairment charge for available for sale fixed maturity securities that is not foreign-exchange related, we generally prospectively accrete into earnings the difference between the new amortized cost and the expected undiscounted recoverable value over the remaining life of the security. The accretion that was recognized for these securities in earnings was $239 million and $188 million in the three-month periods ended March 31, 2016 and 2015, respectively. See Note 5 to the Consolidated Financial Statements in the 2015 Annual Report for a discussion of our other-than-temporary impairment accounting policy.

The following table shows the aging of the pre-tax unrealized losses of fixed maturity and equity securities, the extent to which the fair value is less than amortized cost or cost, and the number of respective items in each category:

March 31, 2016	Less Than or Equal to 20% of Cost(b)			Greater Than 20% to 50% of Cost(b)			Greater Than 50% of Cost(b)			Total		
Aging(a) *(dollars in millions)*	Cost(c)	Unrealized Loss	Items(e)	Cost(c)	Unrealized Loss	Items(e)	Cost(c)	Unrealized Loss	Items(e)	Cost(c)	Unrealized Loss(d)	Items
Investment grade bonds												
0-6 months	$15,250	$ 412	2,064	$ 45	$ 12	8	$ 5	$ 5	5	$15,300	$ 429	2,07
7-11 months	10,862	512	1,922	258	61	40	-	-	-	11,120	573	1,96
12 months or more	12,560	770	1,670	991	255	100	15	10	4	13,566	1,035	1,77
Total	$38,672	$1,694	5,656	$ 1,294	$ 328	148	$ 20	$ 15	9	$39,986	$ 2,037	5,81
Below investment grade bonds												
0-6 months	$ 5,903	$ 177	1,440	$ 226	$ 79	31	$ 13	$ 7	7	$ 6,142	$ 263	1,47
7-11 months	3,078	189	1,153	469	131	159	-	-	-	3,547	320	1,31
12 months or more	6,062	468	905	1,083	332	209	267	166	43	7,412	966	1,15
Total	$15,043	$ 834	3,498	$ 1,778	$ 542	399	$ 280	$ 173	50	$17,101	$ 1,549	3,94
Total bonds												
0-6 months	$21,153	$ 589	3,504	$ 271	$ 91	39	$ 18	$ 12	12	$21,442	$ 692	3,55
7-11 months	13,940	701	3,075	727	192	199	-	-	-	14,667	893	3,27
12 months or more	18,622	1,238	2,575	2,074	587	309	282	176	47	20,978	2,001	2,93
Total(e)	$53,715	$2,528	9,154	$ 3,072	$ 870	547	$ 300	$ 188	59	$57,087	$ 3,586	9,70
Equity securities												
0-11 months	$ 154	$ 8	89	$ 23	$ 7	39	$ -	$ -	-	$ 177	$ 15	12
Total	$ 154	$ 8	89	$ 23	$ 7	39	$ -	$ -	-	$ 177	$ 15	12

(a) Represents the number of consecutive months that fair value has been less than cost by any amount.

(b) Represents the percentage by which fair value is less than cost at March 31, 2016.

(c) For bonds, represents amortized cost.

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

(e) Item count is by CUSIP by subsidiary.

Change in Unrealized Gains and Losses on Investments

The change in net unrealized gains and losses on investments in the first quarter of each of 2016 and 2015 was primarily attributable to increases in the fair value of fixed maturity securities. For the first quarter of 2016 and 2015, net unrealized gains related to fixed maturity and equity securities increased by $4.7 billion and $1.8 billion, respectively, due to a decrease in interest rates and narrowing of credit spreads.

See also Note 5 to the Condensed Consolidated Financial Statements for further discussion of our investment portfolio.

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Net Realized Capital Gains and Losses

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

Three Months Ended March 31,		
(in millions)	**2016**	2015
Sales of fixed maturity securities	**$ (362)**	$ 31
Sales of equity securities	**24**	491
Other-than-temporary impairments:		
Severity	**(2)**	(2)
Change in intent	**(29)**	(24)
Foreign currency declines	**(6)**	(29)
Issuer-specific credit events	**(131)**	(68)
Adverse projected cash flows	**(36)**	(5)
Provision for loan losses	**30**	24
Foreign exchange transactions	**(520)**	254
Derivative instruments	**(84)**	208
Impairments on investments in life settlements	**(157)**	(70)
Other *	**167**	531
Net realized capital gains (losses)	**$ (1,106)**	$ 1,341

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

Net realized capital losses on investments in the first quarter of 2016 were primarily driven by losses on sales of fixed maturity securities in the energy sector, other than temporary impairments, as discussed above, and foreign exchange losses, partially offset by gains realized on the sale of Class B shares of Prudential Financial, Inc. Foreign exchange losses were primarily due to $483 million of remeasurement losses for a short term intercompany balance that was matched with available for sale investments in fixed maturity securities denominated in the same foreign currencies. Unrealized gains and losses on the available for sale investments were recorded in other comprehensive income resulting in an immaterial impact on our overall equity or book value per share from this arrangement.

Net realized capital gains in the first quarter of 2015 were primarily driven by gains on sales of our investments in PICC and Class B shares of Prudential Financial, Inc., and foreign exchange gains, which included $121 million of gains related to the intercompany notional cash pooling arrangement, discussed above.

See also Note 5 to the Condensed Consolidated Financial Statements for further discussion of our investment portfolio.

The following section provides discussion of insurance reserves for both the Non-Life Insurance Companies and the Life Insurance Companies, including Eaglestone Reinsurance Company, which is reported in Corporate and Other.

Non-Life Insurance Companies

The following section provides discussion of the consolidated liability for unpaid losses and loss adjustment expenses for the Non-Life Insurance Companies.

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The following table presents the components of AIG's gross loss reserves by major lines of business on a U.S. statutory basis(*):

(in millions)	March 31, 2016	December 31, 2015
Other liability occurrence (including asbestos and environmental)	$ 24,635	$ 24,856
Workers' compensation (net of discount)	14,650	14,978
Other liability claims made	13,912	14,006
Property	5,677	5,823
Auto liability	4,718	4,692
Accident and health	1,767	1,783
Products liability	1,697	1,681
Medical malpractice	1,593	1,603
Aircraft	1,277	1,286
Mortgage guaranty / credit	685	733
Other	3,335	3,501
Total	$ 73,946	$ 74,942
Total U.S. & Canada	$ 58,278	$ 58,890
Total International	$ 15,668	$ 16,052

* Presented by lines of business pursuant to statutory reporting requirements as prescribed by the NAIC.

Gross loss reserves represent the accumulation of estimates of ultimate losses, including estimates for IBNR and loss expenses, less estimated salvage and subrogation and applicable discount. The Non-Life Insurance Companies regularly review and update the methods and assumptions used to determine loss reserve estimates and to establish the resulting reserves. Any adjustments resulting from this review are reflected in pre tax operating income. Because loss reserve estimates are subject to the outcome of future events, changes in estimates are unavoidable given that loss trends vary and time is often required for changes in trends to be recognized and confirmed. Reserve changes that increase prior years' estimates of ultimate cost are referred to as unfavorable or adverse development or reserve strengthening. Reserve changes that decrease prior years' estimates of ultimate cost are referred to as favorable development. See MD&A – Critical Accounting Estimates – Details of the Loss Reserving Process in the 2015 Annual Report.

Net loss reserves represent gross loss reserves reduced by reinsurance recoverable, net of an allowance for unrecoverable reinsurance.

The following table presents the components of net loss reserves:

(in millions)	March 31, 2016	December 31, 2015
Gross loss reserves before reinsurance and discount	$ 77,103	$ 78,090
Less: discount	(3,157)	(3,148)

Gross loss reserves, net of discount, before reinsurance	**73,946**	74,942
Less: reinsurance recoverable*	**(14,212)**	(14,339)
Net liability for unpaid losses and loss adjustment expenses	**$ 59,734**	$ 60,603

* Includes $1.8 billion of reinsurance recoverable under a retroactive reinsurance agreement at both March 31, 2016, and December 31, 2015.

Gross loss reserves before reinsurance and discount are net of contractual deductible recoverable amounts due from policyholders of approximately $12.9 billion and $12.6 billion at March 31, 2016 and December 31, 2015, respectively. These recoverable amounts are related to certain policies with high deductibles (meaning, the policy attachment point is above 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 the Non-Life Insurance Companies manage and pay the entire claim on behalf of the insured and are reimbursed by the insured for the deductible portion of the claim. At March 31, 2016 and December 31, 2015, the Non-Life Insurance Companies held collateral of approximately $9.5 billion and $9.6 billion, respectively, for these deductible recoverable amounts, consisting primarily of letters of credit and assets in trusts.

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The following table classifies the components of net loss reserves by business unit:

(in millions)	**March 31, 2016**	December 31, 2015
Commercial Property Casualty:		
Casualty	**$ 31,207**	$ 32,620
Financial lines	**9,206**	9,265
Specialty	**4,711**	5,197
Property	**3,938**	4,013
Total Commercial Property Casualty	**49,062**	51,095
Commercial Mortgage Guaranty	**667**	713
Consumer Personal Insurance		
Personal lines	**2,732**	2,661
Accident and health	**1,647**	1,662
Total Consumer Personal Insurance	**4,379**	4,323
Other run-off insurance lines*	**5,626**	4,472
Net liability for unpaid losses and loss adjustment expenses	**$ 59,734**	$ 60,603

* In the first quarter of 2016 and in the full year of 2015, $1.3 billion and $1.2 billion, respectively, of loss reserves for certain environmental liability, casualty, healthcare, and specialty coverages, previously reported in Commercial Casualty and Specialty lines of business, were transferred to Other run-off insurance lines.

Discounting of Reserves

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

	March 31, 2016			December 31, 2015		
(in millions)	**Property Casualty**	**Run-off Insurance Lines**	**Total**	Property Casualty	Run-off Insurance Lines	Total
U.S. workers' compensation:						
Tabular	**$ 635**	**$ 218**	**$ 853**	$ 635	$ 218	$ 853
Non-tabular	**1,568**	**730**	**2,298**	1,542	746	2,288
Asbestos	**-**	**6**	**6**	-	7	7
Total reserve discount	**$ 2,203**	**$ 954**	**$ 3,157**	$ 2,177	$ 971	$ 3,148

The following table presents the net reserve discount benefit (charge):

Three Months Ended March 31,	**2016**		2015	
	Property	**Run-off Insurance**	Property	Run-off Insurance

(in millions)	**Casualty**	**Lines**	**Total**	Casualty	Lines	Tota
Current accident year	**$ 48**	**$ -**	**$ 48**	$ 46	$ -	$ 4
Accretion and other adjustments to prior year discount	**(14)**	**(14)**	**(28)**	(67)	(24)	(91
Effect of interest rate changes	**(8)**	**(3)**	**(11)**	(72)	(48)	(120
Net reserve discount benefit (charge)	**26**	**(17)**	**9**	(93)	(72)	(165
Comprised of:						
U.S. Workers' compensation	**$ 26**	**$ (16)**	**$ 10**	$ (93)	$ (71)	$ (164
Asbestos	**$ -**	**$ (1)**	**$ (1)**	$ -	$ (1)	$ (1

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U.S. Workers' Compensation

The Non-Life Insurance Companies discount certain workers' compensation reserves in accordance with practices prescribed or permitted by New York, Pennsylvania and Delaware. New York rules generally do not permit non-tabular discounting on IBNR and prescribe a fixed 5 percent discount rate for application to case reserves. Pennsylvania permits non-tabular discounting of IBNR and approved variable discount rates determined using risk-free rates based on the U.S. Treasury forward yield curve plus a liquidity margin, applicable to IBNR and case reserves. Delaware has permitted discounting on the same basis as the Pennsylvania domiciled companies.

The net increase in workers' compensation discount in the first quarter of 2016 of $10 million was due to newly established reserves for accident year 2016, which increased the discount by $48 million in the first quarter of 2016 compared to the prior year period. This increase was partially offset by a $27 million reduction for accident years 2015 and prior, primarily from accretion of discount on reserves for the first quarter of 2016. In addition, decreases in the forward yield curve component of the discount rates resulted in an $11 million decrease in the loss reserve discount, as Treasury rates generally decreased in the first quarter of 2016 along the payout pattern horizon as compared to the prior periods, partially offset by an increase in the credit spread.

Quarterly Reserving Conclusion

AIG net loss reserves represent our best estimate of the liability for net losses and loss adjustment expenses as of March 31, 2016. While we regularly review the adequacy of established loss reserves, there can be no assurance that our recorded loss reserves will not develop adversely in future years and materially exceed our loss reserves as of March 31, 2016. In our opinion, such adverse development and resulting increase in reserves are not likely to have a material adverse effect on our consolidated financial condition, although such events could have a material adverse effect on our consolidated results of operations for an individual reporting period.

The following table presents the rollforward of net loss reserves:

Three Months Ended March 31, *(in millions)*	**2016**	2015
Net liability for unpaid losses and loss adjustment expenses at beginning of period	**$ 60,603**	$ 61,612
Foreign exchange effect	**(160)**	(804)
Change due to retroactive asbestos reinsurance	**-**	50
Losses and loss adjustment expenses incurred:		
Current year, undiscounted	**4,912**	4,953
Prior years (favorable) unfavorable development, undiscounted*	**(66)**	24

Change in discount	**(9)**	165
Losses and loss adjustment expenses incurred	**4,837**	5,142
Losses and loss adjustment expenses paid	**5,546**	5,857
Net liability for unpaid losses and loss adjustment expenses at end of period	**$ 59,734**	$ 60,143

* See tables below for details of prior year development by business unit, accident year and major class of business.

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The following table summarizes development, (favorable) or unfavorable, of incurred losses and loss expenses for prior years, net of reinsurance, by business unit and major class of business:

Three Months Ended March 31, *(in millions)*	2016	2015
Prior accident year development by major class of business:		
Commercial Property Casualty - U.S. & Canada:		
Excess casualty	$ -	$ 107
Financial lines including professional liability	-	5
Primary casualty:		
Loss-sensitive (offset by premium adjustments below)*	(6)	(11)
Other	-	15
Specialty	-	14
Property excluding catastrophes	(12)	(58)
Catastrophes	80	(32)
All other, net	(1)	26
Total Commercial Property Casualty - U.S. & Canada	61	66
Commercial Property Casualty International:		
Primary casualty	-	1
Financial lines	-	(2)
Specialty	(26)	(10)
Property excluding catastrophes	(50)	(35)
Catastrophes	1	(1)
All other, net	(2)	(2)
Total Commercial Property Casualty - International	(77)	(49)
Total Commercial Property Casualty	(16)	17
Commercial Mortgage Guaranty	(5)	-
Consumer Personal Insurance - U.S. & Canada:		
Catastrophes	(7)	(4)
All other, net	2	(14)
Total Consumer Personal Insurance - U.S. & Canada	(5)	(18)
Consumer Personal Insurance - International:		
Catastrophes	1	-
All other, net	(44)	22
Total Consumer Personal Insurance - International	(43)	22
Total Consumer Personal Insurance	(48)	4
Run-off Insurance Lines		
Asbestos and environmental (1986 and prior)	-	3
All other, net	3	-
Total Run-off Insurance Lines	3	3
Total prior year (favorable) unfavorable development	$ (66)	$ 24

Premium adjustments on primary casualty loss sensitive business		6		11
Total prior year development, net of premium adjustments	**$**	**(60)**	$	35

* Represents prior year development on active retrospectively rated components of risk-sharing policies.

Net Loss Development

In determining the loss development from prior accident years, we consider and evaluate inputs from many sources, including actual claims data, the performance of prior reserve estimates, observed industry trends, our internal peer review processes (including challenges and recommendations from our Enterprise Risk Management group) as well as the views of third party actuarial firms. We use these sources to improve our evaluation techniques and to analyze and assess the change in estimated ultimate loss for each accident year by class of business. Our analyses produce a range of indications from various methods, from which we select our best estimate.

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We analyze and evaluate the change in estimated ultimate loss for each accident year by class of business. For example, if loss emergence for a class of business is different than expected for certain accident years, we examine the indicated effect such emergence would have on the reserves of that class of business. In some cases, the lower or higher than expected emergence may result in no clear change in the ultimate loss estimate for the accident years in question, and no adjustment would be made to the reserves for the class of business. In other cases, the lower or higher than expected emergence may result in a change, either favorable or unfavorable. As appropriate, we make adjustments in response to the difference between the actual and expected loss emergence for each accident year. As part of our reserving process, we also consider notices of claims received with respect to emerging and/or evolving issues, in particular those related to complex, claims-related class action litigation and latent exposure claims.

In the three-month period ended March 31, 2016, the favorable prior year loss reserve development was $66 million. This was driven by favorable development from Property excluding catastrophes, both domestically and internationally, International Specialty lines, and International Consumer - Personal Insurance, partially offset by domestic catastrophes.

In the first quarter of 2015, the adverse prior year loss reserve development was $24 million, which was driven by increased automobile claim severity in Excess and Primary Casualty, partially offset by Property excluding catastrophes, both domestically and internationally.

We recognized return premiums on loss sensitive business of $6 million and $11 million for the three-month periods ended March 31, 2016 and 2015, respectively, which entirely offset favorable development in that business.

See Results of Operations — Commercial Insurance and Results of Operations — Consumer Personal Insurance Results herein for further discussion of net loss development.

The following table summarizes development, (favorable) or unfavorable, of incurred losses and loss adjustment expenses for prior years, net of reinsurance, by accident year:

Three Months Ended March 31,		
(in millions)	**2016**	2015
Prior accident year development by accident year:		
Accident Year		
2015	**$ (65)**	$ -
2014	**(43)**	(62)
2013	**(7)**	(5)
2012	**18**	33
2011	**26**	6
2010	**(4)**	5

2009	**5**	(10)
2008	**4**	(10)
2007	**-**	11
2006	**1**	(5)
2005	**6**	(1)
2004 and prior (see table below)	**(7)**	62
Total prior year (favorable) unfavorable development	**$ (66)**	$ 24

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The following table summarizes development, (favorable) or unfavorable, of incurred losses and loss adjustment expenses for accident year 2004 and prior by major class of business and driver of development:

Three Months Ended March 31, *(in millions)*	2016	2015
2004 and prior accident year development by major class of business and driver of development:		
Primary Casualty - loss sensitive business[(a)]	$ (1)	$ (12)
Primary Casualty - all other[(b)]	-	(2)
Asbestos and environmental (1986 and prior)	-	3
Commutations and arbitrations[(c)]	-	24
All Other	(6)	49
Total prior year (favorable) unfavorable development	$ (7)	$ 62

(a) Loss sensitive business that is offset by premium adjustments and has no income statement impact. Approximated based on prior accident year development recognized from policy year premium charges.

(b) Includes loss development on excess of deductible exposures in workers' compensation, general liability and commercial auto.

(c) The effects of commutations are shown separately from the related classes of business, primarily excess workers' compensation. Commutations are reflected for the years in which they were contractually binding.

Asbestos and Environmental Reserves

Loss Reserve Estimates - Asbestos and Environmental

The estimation of loss reserves relating to asbestos and environmental claims on insurance policies written many years ago is subject to greater uncertainty than other types of claims due to inconsistent court decisions as well as judicial interpretations and legislative actions that in some cases have tended to broaden coverage beyond the original intent of such policies and in others have expanded theories of liability.

As described more fully in the 2015 Annual Report, our reserves relating to asbestos and environmental claims reflect comprehensive ground up and top-down analyses performed periodically. In the first quarter of 2016, we increased our gross asbestos incurred losses by $2 million due to accretion of discount, while our net asbestos incurred losses remained unchanged. For the same period, our gross and net environmental incurred losses remained unchanged. In the first quarter of 2015, we increased our gross asbestos reserves by $7 million and our net asbestos reserves by $3 million primarily to reflect an increase in one account and accretion of discount. There was no additional incurred loss for environmental claims in the first quarter of 2015.

In addition to the U.S. asbestos and environmental reserve amounts shown in the tables below, the Non - Life Insurance Companies also have asbestos reserves relating to foreign risks written by non U.S. entities of $115 million gross and $89 million net as of March 31, 2016. The asbestos reserves relating to non U.S. risks written by non U.S. entities were $121 million gross and $93 million net as of December 31, 2015.

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The following table provides a summary of reserve activity, including estimates for applicable IBNR, relating to asbestos and environmental claims:

As of or for the Three Months Ended March 31,	2016		2015	
(in millions)	Gross	Net	Gross	Net
Asbestos:				
Liability for unpaid losses and loss adjustment expenses at beginning of year	$ 3,595	$ 446	$ 4,117	$ 388
Change in net loss reserves due to retroactive reinsurance	-	-	-	49
Losses and loss adjustment expenses incurred:				
Undiscounted	-	-	4	2
Change in discount	2	-	3	1
Losses and loss adjustment expenses incurred	2	-	7	3
Losses and loss adjustment expenses paid	(66)	(11)	(227)	(117)
Liability for unpaid losses and loss adjustment expenses at end of period	$ 3,531	$ 435	$ 3,897	$ 323
Environmental:				
Liability for unpaid losses and loss adjustment expenses at beginning of year	$ 545	$ 276	$ 368	$ 185
Losses and loss adjustment expenses incurred	-	-	-	-
Losses and loss adjustment expenses paid	(6)	(4)	(7)	(8)
Liability for unpaid losses and loss adjustment expenses at end of period	$ 539	$ 272	$ 361	$ 177
Combined:				
Liability for unpaid losses and loss adjustment expenses at beginning of year	$ 4,140	$ 722	$ 4,485	$ 573
Change in net loss reserves due to retroactive reinsurance	-	-	-	49
Losses and loss adjustment expenses incurred:				
Undiscounted	-	-	4	2
Change in discount	2	-	3	1
Losses and loss adjustment expenses incurred	2	-	7	3
Losses and loss adjustment expenses paid	(72)	(15)	(234)	(125)
Liability for unpaid losses and loss adjustment expenses at end of period	$ 4,070	$ 707	$ 4,258	$ 500

Life Insurance Companies DAC and Reserves

The following section provides discussion of deferred policy acquisition costs and insurance reserves for Life Insurance Companies.

Variable Annuity Guaranteed Benefit Features and Hedging Program

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

In addition to risk-mitigating features in our variable annuity product design, we have an economic hedging program designed to manage market risk from GMWB and GMAB, including exposures to changes in interest rates, equity prices, credit spreads and volatilities. The hedging program utilizes derivative instruments, including but not limited to equity options, futures contracts and interest rate swap and swaption contracts, as well as fixed maturity securities with a fair value election. See Enterprise Risk Management – Life Insurance Companies Key Insurance Risks – Variable Annuity Risk Management and

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Hedging Program in the 2015 Annual Report for additional discussion of market risk management related to these product features.

Impact on Pre-tax Income

Changes in the fair value of the GMWB and GMAB embedded derivatives, and changes in the fair value of related derivative hedging instruments, are recorded in Other realized capital gains (losses). Realized capital gains (losses), as well as net investment income from changes in the fair value of the fixed maturity securities used in the variable annuity hedging program, for which the fair value option has been elected, are excluded from pre-tax operating income of the Retirement operating segment.

The change in the fair value of the embedded derivatives and the change in the value of the hedging portfolio are not expected to be fully offsetting, primarily due to differences between the U.S. GAAP valuation of the embedded derivatives and the economic hedge target. The non-performance or “own credit” spread adjustment (NPA), which adjusts the rate used to discount projected benefit cash flows for the U.S. GAAP valuation of the embedded derivatives, is excluded from the economic hedge target. When corporate credit spreads widen, the change in the NPA generally reduces the fair value of the embedded derivative liabilities, resulting in a gain, and when corporate credit spreads narrow or tighten, the change in the NPA generally increases the fair value of the embedded derivative liabilities, resulting in a loss. See Differences in Valuation of Embedded Derivatives and Economic Hedge Target, below.

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

Three Months Ended March 31, *(in millions)*		**2016**		2015
Change in fair value of GMWB and GMAB embedded derivatives, excluding NPA	**$**	**(913)**	$	(334)
Change in fair value of embedded derivatives due to NPA		**155**		183
Change in fair value of variable annuity hedging portfolio:				
Fixed maturity securities		**133**		44
Interest rate derivative contracts		**850**		377
Equity derivative contracts		**(137)**		(111)
Total change in fair value of variable annuity hedging portfolio		**846**		310
Net impact on pre-tax income	**$**	**88**	$	159

Losses from the change in the fair value of the GMWB and GMAB embedded derivatives were more than offset by changes in the fair value of the related hedging portfolio, which resulted in a net increase in consolidated pre-tax income in the first quarters of 2016 and 2015. In the first quarters of both 2016 and 2015, the increase in the fair value of the embedded derivative liabilities was primarily due to decreases in market interest rates. The change in the fair value of the NPA reduced the embedded derivative liability and increased pre-tax income in the first quarters of both 2016 and 2015.

The losses from changes in the fair value of the embedded derivatives were more than offset by the following changes in the fair value of the variable annuity hedging portfolio:

• Changes in the fair value of fixed maturity securities, for which the fair value option has been elected, that are used as a capital-efficient way to economically hedge interest rate risk. Effective June 30, 2015, we discontinued our U.S. Treasury bond interest rate hedging program and initiated a corporate bond hedging program, which is intended to provide the same capital efficiency as the previous U.S. Treasury bond hedging program. The first quarters of 2016 and 2015 both reflected increases in the fair value of the bond hedging programs due to decreases in market interest rates, which partially offset the interest rate-related increases in the embedded derivative liabilities. The change in the fair value of these bonds is reported in net investment income on the Consolidated Statements of Income (Loss).

• Changes in the fair value of interest rate derivative contracts, which included swaps, swaptions, futures and options, resulted in gains in the first quarters of 2016 and 2015 due to decreasing market interest rates.

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• Losses from the change in the fair value of equity derivative contracts, which included futures and options, were relatively higher in the first quarter of 2016 compared to the same period in the prior year, which had more favorable equity market returns.

Differences in Valuation of Embedded Derivatives and Economic Hedge Target

The variable annuity hedging program utilizes an economic hedge target, which represents an estimate of the underlying economic drivers of the embedded derivatives. The economic hedge target differs from the U.S. GAAP valuation of the GMWB and GMAB embedded derivatives due to the following:

• Rider fees are 100 percent included in the economic hedge target present value calculations; the U.S. GAAP valuation reflects those collected fees attributed to the embedded derivative such that the initial value at contract issue equals zero;

• Actuarial assumptions for U.S. GAAP are adjusted to remove explicit risk margins, including margins for policyholder behavior and fund basis risk, and use best estimate assumptions for the economic hedge target; and

• Non-performance adjustment (NPA or “own credit” risk) is excluded from the discount rates used for the economic hedge target.

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

• Basis risk due to the variance between expected and actual fund returns, which may be either positive or negative;

• Realized volatility versus implied volatility;

• Actual versus expected changes in the hedge target related to items not subject to hedging, particularly policyholder behavior; and

• Risk exposures that we have elected not to explicitly or fully hedge.

DAC

The following table summarizes the major components of the changes in Life Insurance Companies DAC, including VOBA:

Three Months Ended March 31,		
(in millions)	**2016**	2015
Balance, beginning of year	**$ 8,467**	$ 7,258
Acquisition costs deferred	**314**	280
Amortization expense:		
Update of assumptions included in pre-tax operating income	**10**	-
Related to realized capital gains and losses	**(50)**	(34)
All other operating amortization	**(201)**	(233)
Increase (decrease) in DAC due to foreign exchange	**(4)**	(30)
Change related to unrealized depreciation (appreciation) of investments	**(377)**	(110)
Balance, end of period*	**$ 8,159**	$ 7,131

* DAC balance excluding the amount related to unrealized depreciation (appreciation) of investments was $9.1 billion and $8.6 billion at March 31, 2016 and 2015, respectively.

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Estimated Gross Profits for Investment-Oriented Products

Policy acquisition costs and policy issuance costs that are incremental and directly related to the successful acquisition of new or renewal of existing contracts for investment-oriented products are deferred and amortized, with interest, in relation to the incidence of estimated gross profits to be realized over a period that approximates the estimated lives of the contracts. Estimated gross profits include net investment income and spreads, net realized capital gains and losses, fees, surrender charges, expenses, and mortality gains and losses. If the assumptions used for estimated gross profits change significantly, DAC and related reserves (which may include VOBA, SIA, guaranteed benefit reserves and unearned revenue reserve) are recalculated using the new assumptions, and any resulting adjustment is included in income. Updating such assumptions may result in acceleration of amortization in some products and deceleration of amortization in other products.

DAC and Reserves Related to Unrealized Appreciation of Investments

DAC for universal life and investment-type products (collectively, investment-oriented products) is adjusted at each balance sheet date to reflect the change in DAC as if fixed maturity and equity securities available for sale had been sold at their stated aggregate fair value and the proceeds reinvested at current yields (shadow DAC). Shadow DAC generally moves in the opposite direction of the change in unrealized appreciation of the available for sale securities portfolio, reducing the reported DAC balance when market interest rates decline. In addition, significant unrealized appreciation of investments in a prolonged low interest rate environment may cause additional future policy benefit liabilities to be recorded (shadow loss reserves). Market interest rates decreased in the first quarter of 2016. As a result, the Life Insurance Companies' unrealized appreciation of investments at March 31, 2016 increased by $3.6 billion compared to December 31, 2015, which resulted in an increase in the shadow DAC offset and an increase in shadow loss reserves. Shadow loss reserves increased by $687 million at March 31, 2016 compared to December 31, 2015.

Life Insurance Companies Reserves

The following table presents a rollforward of Life Insurance Companies' insurance reserves, including separate accounts and mutual fund assets under management, by operating segment:

Three Months Ended March 31, *(in millions)*	2016	2015
Institutional Markets:		
Balance at beginning of period, gross	$ **35,823**	$ 35,080
Premiums and deposits	**304**	146
Surrenders and withdrawals	**(177)**	(29)
Death and other contract benefits	**(381)**	(379)

Subtotal	**(254)**	(262)
Change in fair value of underlying assets and reserve accretion, net of policy fees	**238**	258
Cost of funds	**101**	102
Other reserve changes	**(93)**	(58)
Balance at end of period	**35,815**	35,120
Reserves related to unrealized appreciation of investments	**655**	1,388
Reinsurance ceded	**(5)**	(5)
Total insurance reserves	**$ 36,465**	$ 36,503
Retirement:		
Balance at beginning of period, gross	**$ 208,333**	$ 204,627
Premiums and deposits	**6,866**	5,522
Surrenders and withdrawals	**(4,079)**	(4,426)
Death and other contract benefits	**(963)**	(927)
Subtotal	**1,824**	169

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Change in fair value of underlying assets and reserve accretion, net of policy fees	**1,594**	2,188
Cost of funds	**679**	673
Other reserve changes	**112**	44
Balance at end of period	**212,542**	207,701
Reserves related to unrealized appreciation of investments	**21**	139
Reinsurance ceded	**(360)**	(363)
Total insurance reserves and mutual fund assets under management	**$ 212,203**	$ 207,477
Life:		
Balance at beginning of period, gross	**$ 34,170**	$ 33,536
Premiums and deposits	**1,236**	1,223
Surrenders and withdrawals	**(227)**	(222)
Death and other contract benefits	**(258)**	(247)
Subtotal	**751**	754
Change in fair value of underlying assets and reserve accretion, net of policy fees	**(178)**	(142)
Cost of funds	**122**	124
Other reserve changes	**(472)**	(790)
Balance at end of period	**34,393**	33,482
Reserves related to unrealized appreciation of investments	**-**	-
Reinsurance ceded	**(1,401)**	(1,440)
Total insurance reserves	**$ 32,992**	$ 32,042
Total Life Insurance Companies:		
Balance at beginning of period, gross	**$ 278,326**	$ 273,243
Premiums and deposits	**8,406**	6,891
Surrenders and withdrawals	**(4,483)**	(4,677)
Death and other contract benefits	**(1,602)**	(1,553)
Subtotal	**2,321**	661
Change in fair value of underlying assets and reserve accretion, net of policy fees	**1,654**	2,304
Cost of funds	**902**	899
Other reserve changes	**(453)**	(804)
Balance at end of period	**282,750**	276,303
Reserves related to unrealized appreciation of investments	**676**	1,527
Reinsurance ceded	**(1,766)**	(1,808)
Total insurance reserves and mutual fund assets under management	**$ 281,660**	$ 276,022

Life Insurance Companies' insurance reserves including separate accounts and mutual fund assets under management were comprised of the following balances:

(in millions)	**March 31, 2016**	December 31, 2015

Future policy benefits*	**$ 42,718**	$ 41,820
Policyholder contract deposits	**130,170**	127,704
Other policy funds	**1,579**	1,503
Separate account liabilities	**79,522**	79,564
Total insurance reserves	**253,989**	250,591
Mutual fund assets under management	**29,437**	27,735
Total insurance reserves and mutual fund assets under management	**$ 283,426**	$ 278,326

* Excludes certain intercompany assumed reinsurance.

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Overview

Liquidity refers to the ability to generate sufficient cash resources to meet our payment obligations. It is defined as cash and unencumbered assets that can be monetized in a short period of time at a reasonable cost. We manage our liquidity prudently through various risk committees, policies and procedures, and a stress testing and liquidity risk framework established by Enterprise Risk Management (ERM). Our liquidity risk framework is designed to manage liquidity at both AIG Parent and subsidiaries to meet our financial obligations over a twelve-month period under a liquidity stress scenario. See Enterprise Risk Management — Risk Appetite, Limits, Identification, and Measurement and Enterprise Risk Management — Liquidity Risk Management below for additional information.

Capital refers to the long-term financial resources available to support the operation of our businesses, fund business growth, and cover financial and operational needs that arise from adverse circumstances. Our primary source of ongoing capital generation is the profitability of our insurance subsidiaries. We must comply with numerous constraints on our minimum capital positions. These constraints drive the requirements for capital adequacy for both AIG and the individual businesses and are based on internally-defined risk tolerances, regulatory requirements, rating agency and creditor expectations and business needs. Actual capital levels are monitored on a regular basis, and using ERM's stress testing methodology, we evaluate the capital impact of potential macroeconomic, financial and insurance stresses in relation to the relevant capital constraints of both AIG and our insurance subsidiaries.

We believe that we have sufficient liquidity and capital resources to satisfy future requirements and meet our obligations to policyholders, customers, creditors and debt-holders, including those arising from reasonably foreseeable contingencies or events.

Nevertheless, some circumstances may cause our cash or capital needs to exceed projected liquidity or readily deployable capital resources as was the case in 2008. Additional collateral calls, deterioration in investment portfolios or reserve strengthening affecting statutory surplus, higher surrenders of annuities and other policies, downgrades in credit ratings, or catastrophic losses may result in significant additional cash or capital needs and loss of sources of liquidity and capital. In addition, regulatory and other legal restrictions could limit our ability to transfer funds freely, either to or from our subsidiaries.

Depending on market conditions, regulatory and rating agency considerations and other factors, we may take various liability and capital management actions. Liability management actions may include, but are not limited to, repurchasing or redeeming outstanding debt, issuing new debt or engaging in debt exchange offers. Capital management actions may include, but are not limited to, paying dividends to our shareholders and share repurchases.

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Sources

• ***AIG Parent Funding from Subsidiaries***

During the first quarter of 2016, AIG Parent received $1.2 billion in dividends and loan repayments from subsidiaries. Of this amount, $459 million was dividends in the form of cash and fixed maturity securities from our Non-Life Insurance Companies and $774 million was dividends and loan repayments in the form of cash and fixed maturity securities from our Life Insurance Companies.

AIG Parent also received $491 million in tax sharing payments in the form of cash and fixed maturity securities from our insurance businesses in the first quarter of 2016. The tax sharing payments may be subject to adjustment in future periods.

• ***Debt Issuances***

In February 2016, we issued $1.5 billion aggregate principal amount of 3.300% Notes due 2021.

In March 2016, we issued $1.5 billion aggregate principal amount of 3.900% Notes due 2026.

• ***Legacy Assets***

During the first quarter of 2016, we monetized approximately $1.7 billion of legacy assets.

Uses

• ***Debt Reduction***

In March 2016, we repurchased, through a cash tender offer, approximately $736 million aggregate principal amount of certain notes and debentures issued or guaranteed by AIG for an aggregate purchase price of approximately $825 million.

We also made other repurchases and repayments of approximately $248 million during the first quarter of 2016. AIG Parent made interest payments on our debt instruments totaling $285 million during the first quarter of 2016.

• ***Dividend***

We paid a cash dividend of $0.32 per share on AIG Common Stock during the first quarter of 2016.

- ***Repurchase of Common Stock*** [*]

We repurchased approximately 63 million shares of AIG Common Stock during the first quarter of 2016, for an aggregate purchase price of approximately $3.5 billion.

- ***Repurchase of Warrants***

We repurchased 10 million warrants to purchase shares of AIG Common Stock during the first quarter of 2016, for an aggregate purchase price of $173 million.

- ***AIG Parent Funding to Subsidiaries***

In January 2016, AIG Parent made a capital contribution of approximately $2.9 billion to our Non-Life Insurance Companies.

* Pursuant to an Exchange Act Rule 10b5-1 repurchase plan, from April 1 to May 2, 2016, we have repurchased approximately $870 million of additional shares of AIG Common Stock. As of May 2, 2016, approximately $3.7 billion remained under our share repurchase authorization.

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Analysis of Sources and Uses of Cash

The following table presents selected data from AIG's Condensed Consolidated Statements of Cash Flows:

Three Months Ended March 31, *(in millions)*	**2016**	2015
Sources:		
Net cash provided by (used in) operating activities	**$ (968)**	$ 388
Net cash provided by other investing activities	**444**	361
Changes in policyholder contract balances	**1,634**	180
Issuance of long-term debt	**3,289**	2,585
Total sources	**4,399**	3,514
Uses:		
Change in restricted cash	**(59)**	(47)
Repayments of long-term debt	**(958)**	(1,893)
Purchases of AIG Common Stock	**(3,486)**	(1,398)
Net cash used in other financing activities	**(26)**	(78)
Total uses	**(4,529)**	(3,416)
Effect of exchange rate changes on cash	**-**	(33)
Increase (decrease) in cash	**$ (130)**	$ 65

The following table presents a summary of AIG's Condensed Consolidated Statements of Cash Flows:

Three Months Ended March 31, *(in millions)*	**2016**	2015
Summary:		
Net cash provided by (used in) operating activities	**$ (968)**	$ 388
Net cash provided by investing activities	**385**	314
Net cash provided by (used in) financing activities	**453**	(604)
Effect of exchange rate changes on cash	**-**	(33)
Increase (decrease) in cash	**(130)**	65
Cash at beginning of year	**1,629**	1,758
Change in cash of businesses held-for-sale	**-**	-
Cash at end of period	**$ 1,499**	$ 1,823

Operating Cash Flow Activities

Insurance companies generally receive most premiums in advance of the payment of claims or policy benefits. The ability of insurance companies to generate positive cash flow is affected by the frequency and severity of losses under their insurance policies, policy retention rates and operating expenses.

Interest payments totaled $362 million in the first quarter of 2016 compared to $307 million in the same period in the prior year. Excluding interest payments, AIG had operating cash outflow of $605 million in the first quarter of 2016 and positive operating cash flow of $695 million in the first quarter of 2015.

Cash used in operating activities of our Non-Life Insurance Companies in the first quarter of 2016 was $1.0 billion compared to $1.2 billion of cash used in the same period in the prior year, primarily attributable to increases in loss payments in the first quarter of 2015.

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Cash provided by operating activities of our Life Insurance Companies was $306 million in the first quarter of 2016, compared to cash provided of $108 million in the same period in the prior year, primarily due to a greater increase in other assets and liabilities, net, in the first quarter of 2016.

Investing Cash Flow Activities

Net cash provided by investing activities in the first quarters of 2016 and 2015 included approximately $(199) million and $99 million, respectively, of cash collateral (paid) received in connection with our Life Insurance Companies' securities lending program.

Financing Cash Flow Activities

Net cash used in financing activities in the first quarter of 2016 included:

- approximately $363 million to pay a dividend of $0.32 per share on AIG Common Stock;
- approximately $3.5 billion to repurchase approximately 63 million shares of AIG Common Stock;
- $173 million to repurchase 10 million warrants to purchase shares of AIG Common Stock; and
- approximately $958 million to repay long-term debt.

Net cash used in financing activities in the first quarter of 2015 included:

- approximately $170 million to pay a dividend of $0.125 per share on AIG Common Stock;
- approximately $1.4 billion to repurchase approximately 29 million shares of AIG Common Stock; and
- approximately $1.8 billion to repay long-term debt.

Liquidity and Capital Resources of AIG Parent and Subsidiaries

AIG Parent

As of March 31, 2016, AIG Parent had approximately $11.6 billion in liquidity sources. AIG Parent's liquidity sources are primarily held in the form of cash, short-term investments and publicly traded, investment grade rated fixed maturity securities. Fixed maturity securities primarily include U.S. government and government sponsored entity securities, U.S. agency mortgage-backed securities, corporate and municipal bonds and certain other highly rated securities. AIG Parent actively manages its assets and liabilities in terms of products, counterparties and duration. Based upon an assessment of funding needs, the liquidity sources can be readily monetized through sales, repurchase agreements or contributed as admitted assets to regulated insurance companies. AIG Parent liquidity is monitored through the use of various internal liquidity risk measures. AIG Parent's primary sources of liquidity are dividends, distributions, loans and other payments from subsidiaries and credit facilities. AIG Parent's primary uses of liquidity are for debt service, capital and liability management, operating expenses and subsidiary capital needs.

We generally manage capital flows between AIG Parent and its subsidiaries through internal, Board-approved policies and standards. In addition, AIG Parent has unconditional capital maintenance agreements (CMAs) in place with certain subsidiaries. Nevertheless, regulatory and other legal restrictions could limit our ability to transfer capital freely, either to or from our subsidiaries.

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We believe that we have sufficient liquidity and capital resources to satisfy our reasonably foreseeable future requirements and meet our obligations to our creditors, debt-holders and insurance company subsidiaries. We expect to access the debt markets from time to time to meet funding requirements as needed.

We utilize our capital resources to support our businesses, with the majority of capital allocated to our insurance operations. Should we have or generate more capital than is needed to support our business strategies (including organic growth or acquisition opportunities) or mitigate risks inherent to our business, we may develop plans to distribute such capital to shareholders via dividends or share repurchase authorizations or deploy such capital towards liability management.

In the normal course, it is expected that a portion of the capital released by our insurance operations or through the utilization of AIG's deferred tax assets may be available for distribution to shareholders. Additionally, it is expected that capital associated with businesses or investments that do not directly support our insurance operations may be available for distribution to shareholders or deployment towards liability management upon its monetization.

In developing plans to distribute capital, AIG 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, as well as regulatory standards for capital and capital distributions.

In January 2016, AIG Parent made a capital contribution of approximately $2.9 billion to our Non-Life Insurance Companies as a result of our fourth quarter 2015 reserve strengthening.

The following table presents AIG Parent's liquidity sources:

(In millions)	As of March 31, 2016	As of December 31, 2015
Cash and short-term investments[(a)]	$ 3,007	$ 3,497
Unencumbered fixed maturity securities[(b)]	4,071	5,723
Total AIG Parent liquidity	7,078	9,220
Available capacity under syndicated credit facility[(c)]	4,500	4,500
Total AIG Parent liquidity sources	$ 11,578	$ 13,720

(a) Cash and short-term investments include reverse repurchase agreements totaling $843 million and $1.5 billion as of March 31, 2016 and December 31, 2015, respectively.

(b) Unencumbered securities consist of publicly traded, investment grade rated fixed maturity securities. Fixed maturity securities primarily include U.S. government and government sponsored entity securities, U.S. agency mortgage-backed securities, corporate and municipal bonds and certain other highly rated securities.

(c) For additional information relating to this syndicated credit facility, see Credit Facilities below.

Non-Life Insurance Companies

We expect that our Non-Life Insurance Companies will be able to continue to satisfy reasonably foreseeable future liquidity requirements and meet their obligations, including those arising from reasonably foreseeable contingencies or events, through cash from operations and, to the extent necessary, monetization of invested assets. Our Non-Life Insurance Companies' liquidity resources are primarily held in the form of cash, short-term investments and publicly traded, investment grade rated fixed maturity securities.

Each of our Non-Life Insurance Companies' liquidity is monitored through the use of various internal liquidity risk measures. The primary sources of liquidity are premiums, fees, reinsurance recoverables and investment income. The primary uses of liquidity are paid losses, reinsurance payments, dividends, expenses, investments and collateral requirements.

Our Non-Life Insurance Companies may require additional funding to meet capital or liquidity needs under certain circumstances. Large catastrophes may require us to provide additional support to our affected operations. Downgrades in our credit ratings could put pressure on the insurer financial strength ratings of our subsidiaries, which could result in non renewals or cancellations by policyholders and adversely affect the subsidiary's ability to meet its own obligations. Increases in market

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interest rates may adversely affect the financial strength ratings of our subsidiaries, as rating agency capital models may reduce the amount of available capital relative to required capital. Other potential events that could cause a liquidity strain include an economic collapse of a nation or region significant to our operations, nationalization, catastrophic terrorist acts, pandemics or other events causing economic or political upheaval.

Certain Non-Life Insurance Companies are members of the Federal Home Loan Banks (FHLBs) in their respective districts. Borrowings from the FHLBs may be used to supplement liquidity. As of both March 31, 2016 and December 31, 2015, none of our Non-Life Insurance Companies had FHLB borrowings outstanding.

AIG Parent and Ascot Corporate Name Limited (ACNL), a Non-Life Insurance Company, are parties to a $725 million letter of credit facility. ACNL, as a member of the Lloyd's of London insurance syndicate (Lloyd's), is required to hold capital at Lloyd's, known as Funds at Lloyds (FAL). Under the facility, the entire FAL capital requirement of $625 million as of March 31, 2016, which supports the 2016 and 2017 years of account, was satisfied with a letter of credit in that amount issued under the facility.

AIG generally manages capital between AIG Parent and our Non-Life Insurance Companies through internal, Board-approved policies and guidelines. In addition, AIG Parent is party to a CMA with its Mortgage Guaranty insurance company. Among other things, the CMA provides that AIG Parent will maintain capital and surplus of the Mortgage Guaranty insurance company at or above a specified minimum required capital based on a specified risk-to-capital ratio. In addition, the CMA provides that if capital and surplus of the Mortgage Guaranty insurance company is in excess of that same specified minimum required capital, subject to its board approval and compliance with applicable insurance laws, the Mortgage Guaranty insurance company would declare and pay ordinary dividends to its equity holders up to an amount necessary to reduce projected or actual capital and surplus to a level equal to or not materially greater than such specified minimum required capital. As structured, the CMA contemplates that the specified minimum required capital would be reviewed and agreed upon at least annually. As of March 31, 2016, the minimum required capital for the CMA with the Mortgage Guaranty insurance company is based on a risk-to-capital ratio of 19 to 1.

In the first quarter of 2016, our Non-Life Insurance Companies paid approximately $459 million in dividends in the form of cash and fixed maturity securities to AIG Parent. The fixed maturity securities primarily include U.S. government and government sponsored entity securities, U.S. agency mortgage-backed securities, corporate and municipal bonds and certain other highly rated securities.

Life Insurance Companies

We expect that our Life Insurance Companies will be able to continue to satisfy reasonably foreseeable future liquidity requirements and meet their obligations, including those arising from reasonably foreseeable contingencies or events, through cash from operations and, to the extent necessary, monetization of invested assets. Our Life Insurance Companies' liquidity sources are primarily held in the form of cash, short-term investments and publicly traded, investment grade rated fixed maturity securities.

Each of our Life Insurance Companies' liquidity is monitored through the use of various internal liquidity risk measures. The primary sources of liquidity are premiums, fees, reinsurance recoverables and investment income. The primary uses of liquidity are benefit claims, interest payments, surrenders, withdrawals, dividends, expenses, investments and collateral requirements.

Management believes that because of the size and liquidity of our Life Insurance Companies' investment portfolios, normal deviations from projected claim or surrender experience would not create significant liquidity risk. Furthermore, our Life Insurance Companies' products contain certain features that mitigate surrender risk, including surrender charges. However, as we saw in 2008, in times of extreme capital markets disruption, liquidity needs could outpace resources. As part of their risk management framework, our Life Insurance Companies continue to evaluate and, where appropriate, pursue strategies and programs to improve their liquidity position and facilitate their ability to maintain a fully invested asset portfolio.

Certain of our U.S. Life Insurance Companies are members of the FHLBs in their respective districts. Borrowings from the FHLBs are used to supplement liquidity or for other uses deemed appropriate by management. Our U.S. Life Insurance

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Companies had outstanding borrowings from the FHLBs in an aggregate amount of approximately $2 million as of both March 31, 2016 and December 31, 2015.

Certain of our U.S. Life Insurance Companies have programs, which began in 2012, that lend securities from their investment portfolio to supplement liquidity or for other uses as deemed appropriate by management. Under these programs, these U.S. Life Insurance Companies lend securities to financial institutions and receive cash as collateral equal to 102 percent of the fair value of the loaned securities. Cash collateral received is invested in short-term investments. Additionally, the aggregate amount of securities that a Life Insurance Company is able to lend under its program at any time is limited to five percent of its general account statutory-basis admitted assets. At March 31, 2016 and December 31, 2015, our U.S. Life Insurance Companies had $1.5 billion and $1.1 billion, respectively, of securities subject to these agreements and $1.5 billion and $1.1 billion, respectively, of liabilities to borrowers for collateral received.

AIG generally manages capital between AIG Parent and our Life Insurance Companies through internal, Board-approved policies and guidelines. In addition, AIG Parent is party to a CMA with AGC Life Insurance Company. Among other things, the CMA provides that AIG Parent will maintain the total adjusted capital of AGC Life Insurance Company at or above a specified minimum percentage of its projected NAIC Company Action Level Risk-Based Capital (RBC). As of March 31, 2016, the specified minimum percentage under this CMA was 250 percent.

In the first quarter of 2016, our U.S. Life Insurance Companies paid approximately $774 million to AIG Parent in dividends and loan repayments in the form of cash and fixed maturity securities. The fixed maturity securities primarily included U.S. government and government sponsored entity securities, U.S. agency mortgage-backed securities, corporate and municipal bonds and certain other highly rated securities.

Credit Facilities

We maintain a committed, revolving syndicated credit facility (the Five-Year Facility) as a potential source of liquidity for general corporate purposes. The Five-Year Facility provides for aggregate commitments by the bank syndicate to provide unsecured revolving loans and/or standby letters of credit of up to $4.5 billion without any limits on the type of borrowings and is scheduled to expire in November 2020.

As of March 31, 2016, a total of $4.5 billion remains available under the Five-Year Facility. Our ability to borrow under the Five-Year Facility is not contingent on our credit ratings. However, our ability to borrow under the Five-Year Facility is conditioned on the satisfaction of certain legal, operating, administrative and financial covenants and other requirements contained in the Five-Year Facility. These include covenants relating to our maintenance of a specified total consolidated net worth and total consolidated debt to total consolidated capitalization. Failure to satisfy these and other requirements contained in the Five-Year

Facility would restrict our access to the Five-Year Facility and could have a material adverse effect on our financial condition, results of operations and liquidity. We expect to borrow under the Five-Year Facility from time to time, and may use the proceeds for general corporate purposes.

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Contractual Obligations

The following table summarizes contractual obligations in total, and by remaining maturity:

March 31, 2016			Payments due by Period			
(in millions)	Total Payments	Remainder of 2016	2017-2018	2019-2020	2021	Thereafter
Insurance operations						
Loss reserves	$ 77,103	$ 13,926	$ 23,620	$ 13,124	$ 4,357	$ 22,076
Insurance and investment contract liabilities	237,670	11,568	28,045	25,536	12,071	160,450
Borrowings	793	-	-	115	-	678
Interest payments on borrowings	1,060	29	105	105	52	769
Other long-term obligations	9	3	3	2	1	-
Total	$ 316,635	$ 25,526	$ 51,773	$ 38,882	$ 16,481	$ 183,973
Other						
Borrowings	$ 26,042	$ 1,759	$ 3,271	$ 2,472	$ 1,770	$ 16,770
Interest payments on borrowings	16,350	781	2,114	1,877	832	10,746
Other long-term obligations	276	54	88	92	-	42
Total	$ 42,668	$ 2,594	$ 5,473	$ 4,441	$ 2,602	$ 27,558
Consolidated						
Loss reserves	$ 77,103	$ 13,926	$ 23,620	$ 13,124	$ 4,357	$ 22,076
Insurance and investment contract liabilities	237,670	11,568	28,045	25,536	12,071	160,450
Borrowings	26,835	1,759	3,271	2,587	1,770	17,448
Interest payments on borrowings	17,410	810	2,219	1,982	884	11,515
Other long-term obligations[(a)]	285	57	91	94	1	42
Total[(b)]	$ 359,303	$ 28,120	$ 57,246	$ 43,323	$ 19,083	$ 211,531

(a) Primarily includes contracts to purchase future services and other capital expenditures.

(b) Does not reflect unrecognized tax benefits of $4.5 billion, the timing of which is uncertain.

Loss Reserves

Loss reserves relate to our Non-Life Insurance Companies and represent future losses and loss adjustment expense payments estimated based on historical loss development payment patterns. Due to the significance of the assumptions used, the payments by period presented above could be materially different from actual required payments. We believe that our Non-Life Insurance Companies maintain adequate financial resources to meet the actual required payments under these obligations.

Insurance and Investment Contract Liabilities

Insurance and investment contract liabilities, including GIC liabilities, relate to our Life Insurance Companies. These liabilities include various investment-type products with contractually scheduled maturities, including periodic payments. These liabilities also include benefit and claim liabilities, of which a significant portion represents policies and contracts that do not have stated contractual maturity dates and may not result in any future payment obligations. For these policies and contracts (i) we are not currently making payments until the occurrence of an insurable event, such as death or disability, (ii) payments are conditional on survivorship or (iii) payment may occur due to a surrender or other non-scheduled event beyond our control.

We have made significant assumptions to determine the estimated undiscounted cash flows of these contractual policy benefits. These assumptions include mortality, morbidity, future lapse rates, expenses, investment returns and interest crediting rates, offset by expected future deposits and premiums on in-force policies. Due to the significance of the assumptions, the periodic amounts presented could be materially different from actual required payments. The amounts

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presented in this table are undiscounted and exceed the future policy benefits and policyholder contract deposits included in the Condensed Consolidated Balance Sheets.

We believe that our Life Insurance Companies have adequate financial resources to meet the payments actually required under these obligations. These subsidiaries have substantial liquidity in the form of cash and short-term investments. In addition, our Life Insurance Companies maintain significant levels of investment grade rated fixed maturity securities, including substantial holdings in government and corporate bonds, and could seek to monetize those holdings in the event operating cash flows are insufficient. We expect liquidity needs related to GIC liabilities to be funded through cash flows generated from maturities and sales of invested assets.

Borrowings

Our borrowings exclude those incurred by consolidated investments and include hybrid financial instrument liabilities recorded at fair value. We expect to repay the long-term debt maturities and interest accrued on borrowings by AIG through maturing investments and dispositions of invested assets, future cash flows from operations, cash flows generated from invested assets, future debt issuance and other financing arrangements. Borrowings supported by assets of AIG include various notes and bonds payable as well as GIAs that are supported by cash and investments held by AIG Parent and certain non-insurance subsidiaries for the repayment of those obligations.

Off-Balance Sheet Arrangements and Commercial Commitments

The following table summarizes Off-Balance Sheet Arrangements and Commercial Commitments in total, and by remaining maturity:

March 31, 2016			Amount of Commitment Expiring			
(in millions)	Total Amounts Committed	Remainder of 2016	2017-2018	2019 - 2020	2021	Thereafter
Insurance operations						
Guarantees:						
Standby letters of credit	$ 746	$ 94	$ 23	$ 627	$ -	$ 2
Guarantees of indebtedness	128	101	27	-	-	-
All other guarantees[(a)]	3	-	1	-	-	2
Commitments:						
Investment commitments[(b)]	2,504	1,661	623	208	12	-
Commitments to extend credit	2,288	1,123	802	288	68	7
Letters of credit	5	5	-	-	-	-
Total[(c)]	$ 5,674	$ 2,984	$ 1,476	$ 1,123	$ 80	$ 11
Other						
Guarantees:						
Liquidity facilities[(d)]	$ 74	$ -	$ -	$ -	$ -	$ 74
Standby letters of credit	207	207	-	-	-	-
All other guarantees	497	485	12	-	-	-
Commitments:						
Investment commitments[(b)]	173	29	29	13	8	94
Commitments to extend credit[(e)]	500	-	-	500	-	-
Letters of credit	25	25	-	-	-	-
Total[(c)(f)]	$ 1,476	$ 746	$ 41	$ 513	$ 8	$ 168

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Consolidated						
Guarantees:						
Liquidity facilities[d]	$ 74	$ -	$ -	$ -	$ -	$ 74
Standby letters of credit	953	301	23	627	-	2
Guarantees of indebtedness	128	101	27	-	-	-
All other guarantees[a]	500	485	13	-	-	2
Commitments:						
Investment commitments[b]	2,677	1,690	652	221	20	94
Commitments to extend credit[e]	2,788	1,123	802	788	68	7
Letters of credit	30	30	-	-	-	-
Total[c][f]	$ 7,150	$ 3,730	$ 1,517	$ 1,636	$ 88	$ 179

(a) Includes construction guarantees connected to affordable housing investments by our Life Insurance Companies. Excludes potential amounts for indemnification obligations included in asset sales agreements. See Note 9 to the Condensed Consolidated Financial Statements for further information on indemnification obligations.

(b) Includes commitments to invest in private equity funds, hedge funds and other funds and commitments to purchase and develop real estate in the United States and abroad. The commitments to invest in private equity funds, hedge funds and other funds are called at the discretion of each fund, as needed for funding new investments or expenses of the fund. The expiration of these commitments is estimated in the table above based on the expected life cycle of the related fund, consistent with past trends of requirements for funding. Investors under these commitments are primarily insurance and real estate subsidiaries.

(c) Does not include guarantees, CMAs or other support arrangements among AIG consolidated entities.

(d) Primarily represents liquidity facilities provided in connection with certain municipal swap transactions and collateralized bond obligations.

(e) Includes a five-year senior unsecured revolving credit facility of up to $500 million between AerCap Ireland Capital Limited, as borrower, and AIG Parent, as lender (the AerCap Credit Facility) scheduled to mature in May 2019. The AerCap Credit Facility permits loans for general corporate purposes. At March 31, 2016, no amounts were outstanding under the AerCap Credit Facility.

(f) Excludes commitments with respect to pension plans. The remaining annual pension contribution for 2016 is expected to be approximately $45 million for U.S. and non-U.S. plans.

Arrangements with Variable Interest Entities

We enter into various arrangements with variable interest entities (VIEs) in the normal course of business, and we consolidate a VIE when we are the primary beneficiary of the entity. For a further discussion of our involvement with VIEs, see Note 7 to the Condensed Consolidated Financial Statements.

Indemnification Agreements

We are subject to financial guarantees and indemnity arrangements in connection with our sales of businesses. These arrangements may be triggered by declines in asset values, specified business contingencies, the realization of contingent liabilities, litigation developments, or breaches of representations, warranties or covenants provided by us. These arrangements are typically subject to time limitations, defined by contract or by operation of law, such as by prevailing statutes of limitation. Depending on the specific terms of the arrangements, the maximum potential obligation may or may not be subject to contractual limitations. For additional information regarding our indemnification agreements, see Note 9 to the Condensed Consolidated Financial Statements.

We have recorded liabilities for certain of these arrangements where it is possible to estimate them. These liabilities are not material in the aggregate. We are unable to develop a reasonable estimate of the maximum potential payout under some of these arrangements. Overall, we believe that it is unlikely we will have to make any material payments under these arrangements.

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Debt

The following table provides the rollforward of AIG's total debt outstanding:

Three Months Ended March 31, 2016 *(in millions)*	Balance at December 31, 2015	Issuances	Maturities and Repayments	Effect of Foreign Exchange	Other Changes
Debt issued or guaranteed by AIG:					
AIG general borrowings:					
Notes and bonds payable	$ 17,047	$ 2,986	$ (249)	$ 10	$ (2)
Junior subordinated debt	1,327	-	(461)	6	4
AIG Japan Holdings Kabushiki Kaisha	106	-	-	10	(1)
AIGLH notes and bonds payable	284	-	(3)	-	-
AIGLH junior subordinated debt	420	-	(23)	-	-
Total AIG general borrowings	19,184	2,986	(736)	26	1
AIG borrowings supported by assets:[a]					
MIP notes payable	1,372	-	-	68	(6)
Series AIGFP matched notes and bonds payable	34	-	-	-	4
GIAs, at fair value	3,276	56	(105)	-	165[b]
Notes and bonds payable, at fair value	394	113	(7)	-	10[b]
Total AIG borrowings supported by assets	5,076	169	(112)	68	173
Total debt issued or guaranteed by AIG	24,260	3,155	(848)	94	174
Debt not guaranteed by AIG:					
Other subsidiaries notes, bonds, loans and mortgages payable	2	-	-	-	-
Debt of consolidated investments[c]	4,987	134	(136)	38	92[d]
Total debt not guaranteed by AIG	4,989	134	(136)	38	92
Total debt[e]	$ 29,249	$ 3,289	$ (984)	$ 132	$ 266

(a) AIG Parent guarantees all such debt, except for MIP notes payable and Series AIGFP matched notes and bonds payable, which are direct obligations of AIG Parent. Collateral posted to third parties was $2.4 billion at both March 31, 2016 and December 31, 2015. This collateral primarily consists of securities of the U.S. government and government sponsored entities and generally cannot be repledged or resold by the counterparties.

(b) Primarily represents adjustments to the fair value of debt.

(c) At March 31, 2016, includes debt of consolidated investment vehicles related to real estate investments of $2.5 billion, affordable housing partnership investments and securitizations of $2.3 billion and other securitization vehicles and investments of $273 million. At December 31, 2015, includes debt of consolidated investment vehicles related to real estate investments of $2.4 billion, affordable housing partnership investments and securitizations of $2.2 billion and other securitization vehicles and investments of $359 million.

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

(e) Includes debt issuance costs of $94 million and $101 million at March 31, 2016 and December 31, 2015, respectively. See Note 2 to the Condensed Consolidated Financial Statements.

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Total DEBT OUTSTANDING

(in millions)

Debt Maturities

The following table summarizes maturing debt at March 31, 2016 of AIG (excluding $5.1 billion of borrowings of consolidated investments) for the next four quarters:

(in millions)	Second Quarter 2016	Third Quarter 2016	Fourth Quarter 2016	First Quarter 2017	Total
AIG general borrowings	**$ 717**	**$ -**	**$ 308**	**$ -**	**$ 1,025**
AIG borrowings supported by assets	**273**	**101**	**360**	**26**	**760**
Total	**$ 990**	**$ 101**	**$ 668**	**$ 26**	**$ 1,785**

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The following table presents maturities of long-term debt (including unamortized original issue discounts and debt issuance cost, hedge accounting valuation adjustments and fair value adjustments, when applicable), excluding $5.1 billion in borrowings of consolidated investments:

March 31, 2016		Remainder	Year Ending					
(in millions)	Total	of 2016	2017	2018	2019	2020	2021	Thereafter
Debt issued or guaranteed by AIG:								
AIG general borrowings:								
Notes and bonds payable	$19,792	$ 1,025	$ 190	$1,105	$ 996	$1,342	$1,493	$ 13,641
Subordinated debt	-	-	-	-	-	-	-	-
Junior subordinated debt	876	-	-	-	-	-	-	876
AIG Japan Holdings Kabushiki Kaisha	115	-	-	-	115	-	-	-
AIGLH notes and bonds payable	281	-	-	-	-	-	-	281
AIGLH junior subordinated debt	397	-	-	-	-	-	-	397
Total AIG general borrowings	21,461	1,025	190	1,105	1,111	1,342	1,493	15,195
AIG borrowings supported by assets:								
MIP notes payable	1,434	258	808	368	-	-	-	-
Series AIGFP matched notes and bonds payable	38	-	10	-	-	-	-	28
GIAs, at fair value	3,392	166	178	479	92	42	277	2,158
Notes and bonds payable, at fair value	510	310	6	127	-	-	-	67
Total AIG borrowings supported by assets	5,374	734	1,002	974	92	42	277	2,253
Total debt issued or guaranteed by AIG	26,835	1,759	1,192	2,079	1,203	1,384	1,770	17,448
Other subsidiaries notes, bonds, loans and mortgages payable	2	-	2	-	-	-	-	-
Total	$26,837	$ 1,759	$1,194	$2,079	$1,203	$1,384	$1,770	$ 17,448

Credit Ratings

Credit ratings estimate a company's ability to meet its obligations and may directly affect the cost and availability of financing to that company. The following table presents the credit ratings of AIG and certain of its subsidiaries as of April 28, 2016. Figures in parentheses indicate the relative ranking of the ratings within the agency's rating categories; that ranking refers only to the major rating category and not to the modifiers assigned by the rating agencies.

	Short-Term Debt		Senior Long-Term Debt		
	Moody's	S&P	Moody's[a]	S&P[b]	Fitch[c]
AIG	**P-2 (2nd of 3)**	**A-2 (2nd of 8)**	**Baa 1 (4th of 9)**	**A- (3rd of 8)**	**BBB+ (4th of**
	Stable Outlook		***Stable Outlook***	***Negative Outlook***	***Stable Outlo***
AIG Financial Products Corp.[d]	**P-2**	**A-2**	**Baa 1**	**A-**	**-**
	Stable Outlook		***Stable Outlook***	***Negative Outlook***	

(a) Moody’s appends numerical modifiers 1, 2 and 3 to the generic rating categories to show relative position within the rating categories.

(b) S&P ratings may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

(c) Fitch ratings may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

(d) AIG guarantees all obligations of AIG Financial Products Corp.

These credit ratings are current opinions of the rating agencies. They may be changed, suspended or withdrawn at any time by the rating agencies as a result of changes in, or unavailability of, information or based on other circumstances. Ratings may also be withdrawn at our request.

We are party to some agreements that contain “ratings triggers.” Depending on the ratings maintained by one or more rating agencies, these triggers could result in (i) the termination or limitation of credit availability or a requirement for accelerated repayment, (ii) the termination of business contracts or (iii) a requirement to post collateral for the benefit of counterparties.

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In the event of adverse actions on our long-term debt ratings by the major rating agencies, AIGFP and certain other AIG entities would be required to post additional collateral under some derivative transactions or could experience termination of the transactions. Such requirements and terminations could adversely affect our business, our consolidated results of operations in a reporting period or our liquidity. In the event of a further downgrade of AIG's long-term senior debt ratings, AIGFP and certain other AIG entities would be required to post additional collateral, and certain of the counterparties of AIGFP or of such other AIG entities would be permitted to terminate their contracts early.

The actual amount of collateral that we would be required to post to counterparties in the event of such downgrades, or the aggregate amount of payments that we could be required to make, depends on market conditions, the fair value of outstanding affected transactions and other factors prevailing at the time of the downgrade.

For a discussion of the effects of downgrades in the financial strength ratings of our insurance companies or our credit ratings, see Note 8 to the Condensed Consolidated Financial Statements herein and Part I, Item 1A. Risk Factors – Liquidity, Capital and Credit in our 2015 Annual Report.

Regulation and Supervision

For a discussion of our regulation and supervision by different regulatory authorities in the United States and abroad, including with respect to our liquidity and capital resources, see Item 1. Business — Regulation and Item 1A. Risk Factors — Regulation in our 2015 Annual Report and Item 2. MD&A – Regulatory Environment and Part II, Item 1A. Risk Factors in this Quarterly Report on Form 10-Q.

Dividends and Repurchases of AIG Common Stock

On February 11, 2016, our Board of Directors declared a cash dividend on AIG Common Stock of $0.32 per share, payable on March 28, 2016 to shareholders of record on March 14, 2016. On May 2, 2016, our Board of Directors declared a cash dividend on AIG Common Stock of $0.32 per share, payable on June 27, 2016 to shareholders of record on June 13, 2016. The payment of any future dividends will be at the discretion of our Board of Directors and will depend on various factors, including the regulatory framework applicable to us, as discussed further in Note 16 to the Consolidated Financial Statements in the 2015 Annual Report.

Our Board of Directors has authorized the repurchase of shares of AIG Common Stock through a series of actions. On February 11, 2016, our Board of Directors authorized an additional increase of $5 billion to the share repurchase authorization. As of May 2, 2016, approximately $3.7 billion remained under the share repurchase authorization. Shares may be repurchased from time to time in the open market, private purchases, through forward, derivative, accelerated repurchase or automatic repurchase transactions or otherwise (including through the purchase of warrants). Certain of our share repurchases have been and may from time to time be effected through Exchange Act Rule 10b5-1 repurchase plans. The timing of any future share repurchases will depend on market conditions, our financial condition, results of operations, liquidity and other factors, including the regulatory framework applicable to us.

During the first quarter of 2016, we repurchased approximately 63 million shares of AIG Common Stock for an aggregate purchase price of approximately $3.5 billion pursuant to this authorization, and we repurchased 10 million warrants to purchase shares of AIG Common Stock, for an aggregate purchase price of $173 million pursuant to this authorization. Pursuant to an Exchange Act Rule 10b5-1 repurchase plan, from April 1 to May 2, 2016, we have repurchased approximately $870 million of additional shares of AIG Common Stock.

Dividend Restrictions

Payments of dividends to AIG by its insurance subsidiaries are subject to certain restrictions imposed by regulatory authorities. See Note 18 to the Consolidated Financial Statements in the 2015 Annual Report for a discussion of restrictions on payments of dividends by our subsidiaries.

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Risk management includes the identification and measurement of various forms of risk, the establishment of risk thresholds and the creation of processes intended to maintain risks within these thresholds while optimizing returns. We consider risk management an integral part of managing our core businesses and a key element of our approach to corporate governance.

Overview

We have an integrated process for managing risks throughout our organization in accordance with our firm wide risk appetite. Our Board of Directors has oversight responsibility for the management of risk. Our Enterprise Risk Management (ERM) Department supervises and integrates the risk management functions in each of our business units, providing senior management with a consolidated view of the firm's major risk positions. Within each business unit, senior leaders and executives approve risk taking policies and targeted risk tolerance within the framework provided by ERM. ERM supports our businesses and management in the embedding of enterprise risk management in our key day-to-day business processes and in identifying, assessing, quantifying, managing, monitoring and reporting, and mitigating the risks taken by us and our businesses. Nevertheless, our risk management efforts may not always be successful and material adverse effects on our business, results of operations, cash flows, liquidity or financial condition may occur.

For a further discussion of AIG's risk management program, see Part II, Item 7. MD&A Enterprise Risk Management in the 2015 Annual Report.

Credit Risk Management

Overview

Credit risk is defined as the risk that our customers or counterparties are unable or unwilling to repay their contractual obligations when they become due. Credit risk may also result from a downgrade of a counterparty's credit ratings or a widening of its credit spreads.

We devote considerable resources to managing our direct and indirect credit exposures. These exposures may arise from, but are not limited to, fixed income investments, equity securities, deposits, commercial paper investments, reverse repurchase agreements and repurchase agreements, corporate and consumer loans, leases, reinsurance recoverables, counterparty risk arising from derivatives activities, collateral extended to counterparties, insurance risk cessions to third parties, financial guarantees and letters of credit.

We monitor and control our company-wide credit risk concentrations and attempt to avoid unwanted or excessive risk accumulations, whether funded or unfunded. To minimize the level of credit risk in some circumstances, we may require mitigants, such as third party guarantees, reinsurance or collateral, including commercial bank-issued letters of credit and trust collateral accounts. We treat these guarantees, reinsurance recoverables, and letters of credit as credit exposure and include them in our risk concentration exposure data. We also monitor closely the quality of any trust collateral accounts.

See Investments – Available for Sale Investments herein for further information on our credit concentrations and credit exposures.

Market Risk Management

Market risk is defined as the risk of adverse impact due to systemic movements in one or more of the following market risk drivers: equity and commodity prices, residential and commercial real estate values, interest rates, credit spreads, foreign exchange, inflation, and their levels of volatility.

We are engaged in a variety of insurance, investment and other financial services businesses that generate market risk, directly and indirectly. We are exposed to market risks primarily within our insurance and capital markets activities, on both the asset and liability side of our balance sheet through on and off-balance sheet exposures. The chief risk officer within each business is responsible for creating a framework to properly identify these risks, then ensuring that they are appropriately measured, monitored and managed in accordance with the risk governance framework established by the Chief Market Risk Officer (CMRO).

The scope and magnitude of our market risk exposures is managed under a robust framework that contains documented risk-taking authorities, defined risk limits and minimum standards for managing market risk in a manner consistent with our Risk Appetite Statement. Our market risk management framework focuses on quantifying the financial repercussions of changes in these broad market observables, as opposed to from the idiosyncratic risks associated with individual assets that are addressed through our credit risk management function.

Risk Identification

Market risk focuses on quantifying the financial repercussions of changes in broad, external, predominantly market observable risks. Financial repercussions can include an adverse impact on results of operations, financial condition, liquidity and capital.

Each of the following systemic risks is considered a market risk:

Equity prices. We are exposed to changes in equity market prices affecting a variety of instruments. Changes in equity prices can affect the valuation of publicly-traded equity shares, investments in private equity, hedge funds and mutual funds, exchange-traded funds, and other equity-linked capital market instruments as well as equity-linked insurance products, including but not limited to index annuities, variable annuities, universal life insurance and variable universal life insurance.

Residential and commercial real estate values. Our investment portfolios are exposed to the risk of changing values in a variety of residential and commercial real estate investments. Changes in residential/commercial real estate prices can affect the valuation of residential/commercial mortgages, residential/commercial mortgage backed securities and other structured securities with underlying assets that include residential/commercial mortgages: trusts that include residential/commercial real estate and/or mortgages, residential mortgage insurance contracts and commercial real estate investments.

Interest rates. Interest rate risk can arise from a mismatch in the interest rate exposure of assets versus liabilities. Lower interest rates generally result in lower investment income and make certain of our product offerings less attractive to investors. Conversely, higher interest rates are typically beneficial for the opposite reasons. However, when rates rise quickly, there can be a temporary asymmetric U.S. GAAP accounting effect where the existing securities lose market value, which is largely reported in Other comprehensive income, and the offsetting decrease in the value of related liabilities may not be recognized. Changes in interest rates can affect the valuation of fixed maturity securities, financial liabilities, insurance contracts including but not limited to fixed rate annuities, variable annuities and derivative contracts.

Credit spreads. Credit spreads measure an instrument's risk premium or yield relative to that of a comparable duration, default free instrument. Changes in credit spreads can affect the valuation of fixed maturity securities, including but not limited to corporate bonds, ABS, mortgage-backed securities, AIG-issued debt obligations, credit derivatives and derivative credit valuation adjustments. Much like higher interest rates, wider credit spreads with unchanged default losses mean more investment income in the long term. In the short term, quickly rising spreads will cause a loss in the value of existing fixed maturity securities, which is largely reported in Other comprehensive income. A precipitous rise in credit spreads may also signal a fundamental weakness in the credit worthiness of bond obligors, potentially resulting in default losses.

Foreign exchange (FX) rates. We are a globally diversified enterprise with significant income, assets and liabilities denominated in, and significant capital deployed in, a variety of currencies. Changes in FX rates can affect the valuation of a broad range of balance sheet and income statement items as well as the settlement of cash flows exchanged in specific transactions.

Commodity Prices. Changes in commodity prices (the value of commodities) can affect the valuation of publicly traded commodities, commodity indices and derivatives on commodities and commodity indices. We are exposed to commodity prices primarily through their impact on the prices and credit quality of commodity producers' debt and equity securities in our investment portfolio.

Inflation. Changes in inflation can affect the valuation of fixed maturity securities, including AIG-issued debt obligations, derivatives and other contracts explicitly linked to inflation indices, and insurance contracts where the claims are linked to inflation either explicitly, via indexing, or implicitly, through medical costs or wage levels.

Risk Measurement

Our market risk measurement framework was developed with the main objective of communicating the range and scale of our market risk exposures. At the firm wide level market risk is measured in a manner that is consistent with AIG's Risk Appetite Statement. This is designed to ensure that we remain within our stated risk tolerance levels and can determine how much additional market risk taking capacity is available within our framework. Our risk appetite is currently defined in terms of capital and liquidity levels. At the market risk level, the framework measures our overall exposure to each systemic market risk change on an economic basis.

In addition, we continue to use enhanced economic, U.S. GAAP accounting and statutory capital based risk measures at the market risk level, business unit level and firm wide levels. This process aims to ensure that we have a comprehensive view of the impact of our market risk exposures.

Sensitivity analysis. Sensitivity analysis measures the impact from a unit change in a market risk input. Examples of such sensitivities include a one basis point increase in yield on fixed maturity securities, a one basis point increase in credit spreads of fixed maturity securities, and a one percent increase in prices of equity securities.

Scenario analysis. Scenario analysis uses historical, hypothetical, or forward looking macroeconomic scenarios to assess and report exposures. Examples of hypothetical scenarios include a 100 basis point parallel shift in the yield curve or a 20 percent immediate and simultaneous decrease in world wide equity markets. Scenarios may also utilize a stochastic framework to arrive at a probability distribution of losses.

Stress testing. Stress testing is a special form of scenario analysis in which the scenarios are designed to lead to a material adverse outcome. Examples of such scenarios include the stock market crash of October 1987 or the widening of yields or spreads of RMBS or CMBS during 2008.

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Market Risk Sensitivities

The following table provides estimates of our sensitivity to changes in yield curves, equity prices and foreign currency exchange rates:

	Balance Sheet Exposure		Balance Sheet Effect	
(dollars in millions)	**March 31, 2016**	December 31, 2015	**March 31, 2016**	December 31, 2015
Sensitivity factor			100 bps parallel increase in all yield curves	
Interest rate sensitive assets:				
Fixed maturity securities	**265,647**	260,689	**(15,316)**	(14,549)
Mortgage and other loans receivable	**23,598**	18,878	**(1,249)**	(1,092)
Preferred stock	**17**	20	**(1)**	(1)
Total interest rate sensitive assets	**$ 289,262**(a)	$ 279,587(a)	**$ (16,566)**	$ (15,642)
Sensitivity factor			20% decline in stock prices and value of alternative investments	
Equity and alternative investments exposure:				
Hedge funds	**9,368**	10,917	**(1,874)**	(2,183)
Private equity	**7,049**	7,233	**(1,410)**	(1,447)
Real estate investments	**7,088**	6,579	**(1,418)**	(1,316)
PICC(b)	**2,031**	2,239	**(406)**	(448)
Common equity	**1,594**	1,574	**(319)**	(315)
Aircraft asset investments	**467**	477	**(93)**	(95)
Other investments	**478**	472	**(95)**	(94)
Total equity and alternative investments exposure	**$ 28,075**	$ 29,491	**$ (5,615)**	$ (5,898)
Sensitivity factor			10% depreciation of all foreign currency exchange rates against the U.S. dollar	
Foreign currency-denominated net asset position:				
Hong Kong dollar	**2,236**	2,138	**(224)**	(214)
Euro	**2,180**	2,053	**(218)**	(205)
Great Britain pound	**1,839**	2,158	**(184)**	(216)
All other foreign currencies	**4,341**	4,310	**(434)**	(431)
Total foreign currency-denominated net				

asset position[c]	**$ 10,596**	$ 10,659	**$ (1,060)**	$ (1,066)

(a) At March 31, 2016, the analysis covered $289.3 billion of $303.9 billion interest-rate sensitive assets. Excluded were $7.1 billion of loans and $3.5 billion of investments in life settlements. In addition, $4.0 billion of assets across various asset categories were excluded due to modeling limitations. At December 31, 2015, the analysis covered $279.6 billion of $298.7 billion interest-rate sensitive assets. Excluded were $10.7 billion of loans and $3.6 billion of investments in life settlements. In addition, $4.8 billion of assets across various asset categories were excluded due to modeling limitations.

(b) Includes our investments in PICC Group and PICC P&C.

(c) The majority of the foreign currency exposure is reported on a one quarter lag.

Foreign currency-denominated net asset position reflects our consolidated non U.S. dollar assets less our consolidated non U.S dollar liabilities on a U.S. GAAP basis. We use a bottom-up approach in managing our foreign currency exchange rate exposures with the objective of protecting statutory capital at the regulated insurance entity level. We manage cash flow risk on our foreign currency-denominated debt issued by AIG Parent and use a variety of techniques to mitigate this risk, including but not limited to the execution of cross-currency swaps and the issuance of new foreign currency-denominated debt to replace equivalent maturing debt. At the AIG Parent level, we monitor our foreign currency exposures against single currency and aggregate currency portfolio limits. As a matter of general practice, we do not typically hedge our foreign currency exposures to net investments in subsidiaries.

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Item 2 / ENTERPRISE RISK MANAGEMENT

Our foreign currency-denominated net asset position at March 31, 2016, decreased by $63 million compared to December 31, 2015. The decrease was mostly due to a $319 million decrease in our British pound position, partially offset by a $127 million increase in our euro position, primarily resulting from a net increase in reserves, and a $98 million increase in our Hong Kong dollar position, primarily resulting from the Non-Life Insurance Companies' investment in PICC P&C.

For illustrative purposes, we modeled our sensitivities based on a 100 basis point increase in yield curves, a 20 percent decline in equities and alternative assets, and a 10 percent depreciation of all foreign currency exchange rates against the U.S. dollar. The estimated results presented in the table above should not be taken as a prediction, but only as a demonstration of the potential effects of such events.

Liquidity Risk Management

Liquidity risk is defined as the risk that our financial condition will be adversely affected by the inability or perceived inability to meet our short-term cash, collateral or other financial obligations. Failure to appropriately manage liquidity risk can result in insolvency, reduced operating flexibility, increased costs, reputational harm and regulatory action.

AIG and its legal entities seek to maintain sufficient liquidity during both the normal course of business and under defined liquidity stress scenarios to ensure that sufficient cash will be available to meet the obligations as they come due.

AIG liquidity risk tolerance levels are designed to allow it to meet its obligations over a twelve month horizon consistent with its risk appetite. We maintain target levels for required liquidity and/or minimum coverage ratios expected to ensure that our short-term financial obligations are met under varying market conditions. If we project that we will breach these tolerances, we will assess and determine appropriate liquidity management actions. However, the market conditions in effect at that time may not permit us to achieve an increase in liquidity sources or a reduction in liquidity requirements.

Risk Identification

The following sources of liquidity and funding risks could impact our ability to meet short-term financial obligations as they come due.

• Market/Monetization Risk: Assets cannot be readily transformed into cash due to unfavorable market conditions. Market liquidity risk may limit our ability to sell assets at reasonable values to meet liquidity needs or cause us to realize losses exceeding our expectations.

- Cash Flow Mismatch Risk: Discrete and cumulative cash flow mismatches or gaps over short-term horizons under both expected and adverse business conditions may create future liquidity shortfalls.

- Event Funding Risk: Additional funding may be required as the result of a trigger event and may result from a downgrade in credit ratings, a market event, or some other event that creates a funding obligation or limits existing funding options.

- Financing Risk: We may be unable to raise additional cash on a secured or unsecured basis due to unfavorable market conditions, AIG-specific issues, or any other issue that impedes access to additional funding.

Risk Measurement

Comprehensive cash flow projections under normal conditions are the primary component for identifying and measuring liquidity risk. We produce comprehensive liquidity projections over varying time horizons that incorporate all relevant liquidity sources and uses and include known and likely cash inflows and outflows. In addition, we perform stress testing by identifying liquidity stress scenarios and assessing the effects of these scenarios on our cash flow and liquidity.

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Item 2 / ENTERPRISE RISK MANAGEMENT

Target Liquidity Range: Target Liquidity Range specifies the amount of assets required to be maintained in specific liquidity portfolios to meet obligations as they arise over a twelve month horizon under stressed liquidity conditions.

Coverage Ratios: Coverage Ratios measure the adequacy of available liquidity sources, including the ability to monetize assets to meet the forecasted cash flows over a specified time horizon. The portfolio of potential assets to be monetized is selected based on our ability to convert those assets into cash under the assumed market conditions and within the specified time horizon.

Cash Flow Forecasts: Cash Flow Forecasts measure the liquidity needed for a specific legal entity over a specified time horizon.

Stress Testing: Coverage Ratios and Asset Ratios are re-measured under defined liquidity stress scenarios that will impact net cash flows, liquid assets and/or other funding sources.
Relevant liquidity reporting is produced and reported regularly to AIG Parent and business unit risk committees. The frequency, content, and nature of reporting will vary for each business unit and legal entity, based on its complexity, risk profile, activities and size.

The preparation of financial statements in accordance with U.S. GAAP requires the application of accounting policies that often involve a significant degree of judgment.

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

- impairment charges, including other-than-temporary impairments on available for sale securities, impairments on 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

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Item 2 / CRITICAL ACCOUNTING ESTIMATES

operations and cash flows could be materially affected. For a complete discussion of our critical accounting estimates, you should read Part II, Item 7. MD&A — Critical Accounting Estimates in the 2015 Annual Report.

Our operations around the world are subject to regulation by many different types of regulatory authorities, including insurance, securities, derivatives, investment advisory and thrift regulators in the United States and abroad.

Our insurance subsidiaries are subject to regulation and supervision by the states and jurisdictions in which they do business. The insurance and financial services industries generally have been subject to heightened regulatory scrutiny and supervision in recent years.

We provide products and services to certain employee benefit plans that are subject to the Employee Retirement Income Security Act of 1974, as amended (ERISA), or the Internal Revenue Code of 1986, as amended (the Internal Revenue Code). Plans subject to ERISA include pension and profit sharing plans and welfare plans, including health, life and disability plans. As a result, our activities are subject to the restrictions imposed by ERISA and the Internal Revenue Code, including the requirement under ERISA that fiduciaries must perform their duties solely in the interests of ERISA plan participants and beneficiaries, and that fiduciaries may not cause a covered plan to engage in certain prohibited transactions. ERISA also provides for civil and criminal penalties and enforcement.

On April 8, 2016, the U.S. Department of Labor (DOL) published its final fiduciary duty rule (the Final Rule), substantially expanding the definition of fiduciary investment advice. As a result, the circumstances under which financial services providers and financial advisors could be deemed a fiduciary under ERISA or the Internal Revenue Code when providing investment advice with respect to ERISA plans or Individual Retirement Accounts (IRA) are greatly expanded. The Final Rule contains revisions to and adoptions of new prohibited transaction exemptions under ERISA, including revisions to a prohibited transaction exemption historically available in conjunction with the sale of fixed and variable annuity contracts to ERISA covered plans, commonly referred to as “84-24”, and the adoption of the “best interest contract exemption”. In response to public comments received on its proposed rule, the Final Rule provides for a longer implementation timeframe, clarifies how existing contracts may be grandfathered when the Final Rule becomes applicable, streamlines operational compliance including more limited disclosure obligations, provides guidance with respect to the sale of proprietary product, significantly limits the data collection requirements and broadens the scope of permissible group plan education. The initial compliance date of the Final Rule is April 10, 2017, with full compliance required by January 1, 2018. For additional information, see Item 2. MD&A — Executive Overview – Consumer Insurance Outlook and Strategic Initiatives – Market Conditions and Industry Trends – Retirement and Part II, Item 1A. Risk Factors.

In addition to the information set forth in this Quarterly Report on Form 10-Q, our regulatory status is also discussed in Part I, Item 1. Business – Regulation, Part I, Item 1A. Risk Factors – Regulation and Note 18 to the Consolidated Financial Statements in the 2015 Annual Report.

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Item 2 / GLOSSARY

Accident year The annual calendar accounting period in which loss events occurred, regardless of when the losses are actually reported, booked or paid.

Accident year combined ratio, as adjusted The combined ratio excluding catastrophe losses and related reinstatement premiums, prior year development, net of premium adjustments, and the impact of reserve discounting.

Accident year loss ratio, as adjusted The loss ratio excluding catastrophe losses and related reinstatement premiums, prior year development, net of premium adjustments, and the impact of reserve discounting.

Acquisition ratio Acquisition costs divided by net premiums earned. Acquisition costs are those costs incurred to acquire new and renewal insurance contracts and also include the amortization of VOBA and DAC. Acquisition costs vary with sales and include, but are not limited to, commissions, premium taxes, direct marketing costs, certain costs of personnel engaged in sales support activities such as underwriting.

Base Spread Net investment income excluding income from alternative investments and enhancements, less interest credited excluding amortization of sales inducement assets.

Base Yield Net investment income excluding income from alternative investments and enhancements, as a percentage of average base invested asset portfolio, which excludes alternative investments, other bond securities and certain other investments for which the fair value option has been elected.

Book Value Per Common Share, Excluding AOCI and Book Value Per Common Share Excluding AOCI and DTA are non-GAAP measures and are used to show the amount of our net worth on a per-share basis. Book Value Per Common Share, Excluding AOCI is derived by dividing Total AIG shareholders' equity, excluding AOCI, by Total common shares outstanding. Book Value Per Common Share, Excluding AOCI and DTA is derived by dividing Total AIG shareholders' equity, excluding AOCI and DTA, by Total common shares outstanding.

Casualty insurance Insurance that is primarily associated with the losses caused by injuries to third persons, i.e., not the insured, and the legal liability imposed on the insured as a result.

Combined ratio Sum of the loss ratio and the acquisition and general operating expense ratios.

CSA *Credit Support Annex* A legal document generally associated with an ISDA Master Agreement that provides for collateral postings which could vary depending on ratings and threshold levels.

CVA *Credit Valuation Adjustment* The CVA adjusts the valuation of derivatives to account for nonperformance risk of our counterparty with respect to all net derivative assets positions. Also, the CVA reflects the fair value movement in AIGFP's asset portfolio that is attributable to credit movements only, without the impact of other market factors such as interest rates and foreign exchange rates. Finally, the CVA also accounts for our own credit risk in the fair value measurement of all derivative net liability positions and liabilities where AIG has elected the fair value option, when appropriate.

DAC *Deferred Policy Acquisition Costs* Deferred costs that are incremental and directly related to the successful acquisition of new business or renewal of existing business.

DAC Related to Unrealized Appreciation (Depreciation) of Investments An adjustment to DAC for investment-oriented products, equal to the change in DAC amortization that would have been recorded if fixed maturity and equity securities available for sale had been sold at their stated aggregate fair value and the proceeds reinvested at current yields (also referred to as “shadow DAC”).

Deferred Gain on Retroactive Reinsurance Retroactive reinsurance is a reinsurance contract in which an assuming entity agrees to reimburse a ceding entity for liabilities incurred as a result of past insurable events. If the amount of premium paid by the ceding reinsurer is less than the related ceded loss reserves, the resulting gain is deferred and amortized over the settlement period of the reserves. Any related development on the ceded loss reserves recoverable under the contract would increase the deferred gain if unfavorable, or decrease the deferred gain if favorable.

Expense ratio Sum of acquisition expenses and general operating expenses, divided by net premiums earned.

First-Lien Priority over all other liens or claims on a property in the event of default on a mortgage.

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Item 2 / GLOSSARY

General operating expense ratio General operating expenses divided by net premiums earned. General operating expenses are those costs that are generally attributed to the support infrastructure of the organization and include but are not limited to personnel costs, projects and bad debt expenses. General operating expenses exclude losses and loss adjustment expenses incurred, acquisition expenses, and investment expenses.

GIC/GIA *Guaranteed Investment Contract/Guaranteed Investment Agreement* A contract whereby the seller provides a guaranteed repayment of principal and a fixed or floating interest rate for a predetermined period of time.

G-SII *Global Systemically Important Insurer* An insurer that is deemed globally systemically important (that is, of such size, market importance and global interconnectedness that the distress or failure of the insurer would cause significant dislocation in the global financial system and adverse economic consequences across a range of countries) by the Financial Stability Board, in consultation with and based on a methodology developed by the International Association of Insurance Supervisors.

IBNR *Incurred But Not Reported* Estimates of claims that have been incurred but not reported to us.

ISDA Master Agreement An agreement between two counterparties, which may have multiple derivative transactions with each other governed by such agreement, that generally provides for the net settlement of all or a specified group of these derivative transactions, as well as pledged collateral, through a single payment, in a single currency, in the event of a default on, or affecting any, one derivative transaction or a termination event affecting all, or a specified group of, derivative transactions.

LAE *Loss Adjustment Expenses* The expenses of settling claims, including legal and other fees and the portion of general expenses allocated to claim settlement costs.

Loss Ratio Losses and loss adjustment expenses incurred divided by net premiums earned. Loss adjustment expenses are directly attributed to settling and paying claims of insureds and include, but are not limited to, legal fees, adjuster's fees, and claims department personnel costs.

Loss reserve development The increase or decrease in incurred losses and loss adjustment expenses as a result of the re-estimation of liability for unpaid losses and loss adjustment expenses at successive valuation dates for a given group of claims.

Loss reserves Liability for unpaid losses and loss adjustment expenses. The estimated ultimate cost of settling claims relating to insured events that have occurred on or before the balance sheet date, whether or not reported to the insurer at that date.

LTV *Loan-to-Value Ratio* Principal amount of loan amount divided by appraised value of collateral securing the loan.

Master netting agreement An agreement between two counterparties who have multiple derivative contracts with each other that provides for the net settlement of all contracts covered by such agreement, as well as pledged collateral, through a single payment, in a single currency, in the event of default on or upon termination of any one such contract.

Natural catastrophe losses are generally weather or seismic events having a net impact on AIG in excess of $10 million each. Catastrophes also include certain man-made events, such as terrorism and civil disorders that meet the $10 million threshold.

Net premiums written Represent the sales of an insurer, adjusted for reinsurance premiums assumed and ceded, during a given period. Net premiums earned are the revenue of an insurer for covering risk during a given period. Net premiums written are a measure of performance for a sales period, while Net premiums earned are a measure of performance for a coverage period.

Nonbank SIFI *Nonbank Systemically Important Financial Institutions* Financial institutions are deemed nonbank systemically important (that is, the failure of the financial institution could pose a threat to the financial stability of the United States) by the Financial Stability Oversight Council based on a three-stage analytical process.

Noncontrolling interest The portion of equity ownership in a consolidated subsidiary not attributable to the controlling parent company.

Policy fees An amount added to a policy premium, or deducted from a policy cash value or contract holder account, to reflect the cost of issuing a policy, establishing the required records, sending premium notices and other related expenses.

Pool A reinsurance arrangement whereby all of the underwriting results of the pool members are combined and then shared by each member in accordance with its pool participation percentage. Prior to January 1, 2014, AIG maintained two pools, the admitted lines pool and the surplus lines pool. Effective January 1, 2014, these two pools were merged into the combined pool.

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Item 2 / GLOSSARY

Premiums and deposits – Institutional Markets include direct and assumed amounts received and earned on group benefit policies and life-contingent payout annuities and deposits received on investment-type annuity contracts, including GICs.

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

Prior year development Increase (referred to as unfavorable or adverse development or reserve strengthening) or decrease (referred to as favorable development) in estimates of losses and loss expenses for prior years that is included in earnings.

RBC *Risk-Based Capital* A formula designed to measure the adequacy of an insurer's statutory surplus compared to the risks inherent in its business.

Reinstatement premium Additional premiums payable to reinsurers to restore coverage limits that have been exhausted as a result of reinsured losses under certain excess of loss reinsurance treaties.

Reinsurance The practice whereby one insurer, the reinsurer, in consideration of a premium paid to that insurer, agrees to indemnify another insurer, the ceding company, for part or all of the liability of the ceding company under one or more policies or contracts of insurance which it has issued.

Rescission Denial of claims and termination of coverage on loans related to fraudulent or undocumented claims, underwriting guideline violations and other deviations from contractual terms.

Retroactive Reinsurance See Deferred Gain on Retroactive Reinsurance.

Return on Equity – After-tax Operating Income Excluding AOCI and Return on Equity – After-tax Operating Income Excluding AOCI and DTA are non-GAAP measures and are used to show the rate of return on shareholders' equity. Return on Equity – After-tax Operating Income Excluding AOCI is derived by dividing actual or annualized after-tax operating income attributable to AIG by average AIG shareholders' equity, excluding average AOCI. Return on Equity – After-tax Operating Income Excluding AOCI and DTA is derived by dividing actual or annualized after-tax operating income attributable to AIG by average AIG shareholders' equity, excluding average AOCI and DTA.

Salvage The amount that can be recovered by us for the sale of damaged goods for which our policyholder has been indemnified (and to which title was transferred to us).

Second-lien Subordinate in ranking to the first-lien holder claims on a property in the event of default on a mortgage.

Severe losses Individual non-catastrophe first party losses and surety losses greater than $10 million, net of related reinsurance and salvage and subrogation. Severe losses include claims related to satellite explosions, plane crashes, and shipwrecks.

SIA *Sales Inducement Asset* Represents enhanced crediting rates or bonus payments to contract holders on certain annuity and investment contract products that meet the criteria to be deferred and amortized over the life of the contract.

Solvency II Legislation in the European Union which reforms the insurance industry's solvency framework, including minimum capital and solvency requirements, governance requirements, risk management and public reporting standards. The Solvency II Directive (2009/138/EEC) was adopted on November 25, 2009 and became effective on January 1, 2016.

Subrogation The amount of recovery for claims we have paid our policyholders, generally from a negligent third party or such party's insurer.

Surrender charge A charge levied against an investor for the early withdrawal of funds from a life insurance or annuity contract, or for the cancellation of the agreement.

Surrender rate represents annualized surrenders and withdrawals as a percentage of average account value.

Unearned premium reserve Liabilities established by insurers and reinsurers to reflect unearned premiums, which are usually refundable to policyholders if an insurance or reinsurance contract is canceled prior to expiration of the contract term.

VOBA Value of Business Acquired Present value of projected future gross profits from in-force policies of acquired businesses.

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Item 2 / ACRONYMS

A&H Accident and Health Insurance
ABS Asset-Backed Securities
CDO Collateralized Debt Obligations

CDS Credit Default Swap
CLO Collateralized Loan Obligations

CMA Capital Maintenance Agreement
CMBS Commercial Mortgage-Backed Securities
EGPs Estimated gross profits
FASB Financial Accounting Standards Board
FRBNY Federal Reserve Bank of New York
GAAP Accounting principles generally accepted in the United States of America
GMAB Guaranteed Minimum Accumulation Benefits
GMDB Guaranteed Minimum Death Benefits
GMIB Guaranteed Minimum Income Benefits
GMWB Guaranteed Minimum Withdrawal Benefits
ISDA International Swaps and Derivatives Association, Inc.
Moody's Moody's Investors' Service Inc.
NAIC National Association of Insurance Commissioners
NM Not Meaningful
OTC Over-the-Counter
OTTI Other-Than-Temporary Impairment
RMBS Residential Mortgage-Backed Securities
S&P Standard & Poor's Financial Services LLC
SEC Securities and Exchange Commission

URR Unearned revenue reserve
VIE Variable Interest Entity

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Item 3 / QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Item 3. / QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Included in Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations – Enterprise Risk Management.

Item 4. / Controls and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed in reports filed or submitted under the Securities Exchange Act of 1934 (the Exchange Act) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures. In connection with the preparation of this Quarterly Report on Form 10-Q, an evaluation was carried out by AIG's management, with the participation of AIG's Chief Executive Officer and Chief Financial Officer, of the effectiveness of AIG's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on that evaluation, AIG's Chief Executive Officer and Chief Financial Officer have concluded that AIG's disclosure controls and procedures were effective as of March 31, 2016.

There has been no change in AIG's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the quarter ended March 31, 2016, that has materially affected, or is reasonably likely to materially affect, AIG's internal control over financial reporting.

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PART II – OTHER INFORMATION

Item 1 / Legal Proceedings

For a discussion of legal proceedings, see Note 9 to the Condensed Consolidated Financial Statements, which is incorporated herein by reference.

Item 1A./ Risk Factors

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the following risk factor as well as the other risk factors discussed in Part I, Item 1A. Risk Factors in our 2015 Annual Report.

Our businesses are heavily regulated and changes in regulation may affect our operations, increase our insurance subsidiary capital requirements or reduce our profitability.

Our operations generally, and our insurance subsidiaries, in particular, are subject to extensive and potentially conflicting supervision and regulation by national authorities and by the various jurisdictions in which we do business. Supervision and regulation relate to numerous aspects of our business and financial condition. State and foreign regulators also periodically review and investigate our insurance businesses, including AIG-specific and industry-wide practices. The primary purpose of insurance regulation is the protection of our insurance contract holders, and not our investors. The extent of domestic regulation varies, but generally is governed by state statutes. These statutes delegate regulatory, supervisory and administrative authority to state insurance departments.

We strive to maintain all required licenses and approvals. However, our businesses may not fully comply with the wide variety of applicable laws and regulations. The relevant authority's interpretation of the laws and regulations also may change from time to time. Regulatory authorities have relatively broad discretion to grant, renew or revoke licenses and approvals. If we do not have the required licenses and approvals or do not comply with applicable regulatory requirements, these authorities could preclude or temporarily suspend us from carrying on some or all of our activities or impose substantial fines. Further, insurance regulatory authorities have relatively broad discretion to issue orders of supervision, which permit them to supervise the business and operations of an insurance company.

In the U.S., the RBC formula is designed to measure the adequacy of an insurer's statutory surplus in relation to the risks inherent in its business. Virtually every state has adopted, in substantial part, the RBC Model Law promulgated by the NAIC, which specifies the regulatory actions the insurance regulator may take if an insurer's RBC calculations fall below specific thresholds. Those actions range from requiring an insurer to submit a plan describing how it would regain a specified RBC ratio to a mandatory regulatory takeover of the company. Regulators at the federal and international levels are also considering the imposition of additional group-wide capital requirements on certain insurance companies designated as systemically important, that may augment state-law RBC standards that apply at the legal entity level, and such capital calculations may be made on bases other than the statutory statements of our insurance subsidiaries. See "Our status as a nonbank systemically important financial institution, as well as the enactment of Dodd-Frank, will subject us to substantial additional federal regulation, which may materially and adversely affect our businesses, results of operations and cash flows" and "Actions by foreign governments and regulators could subject us to substantial additional regulation" in Part I, Item 1A. Risk Factors in our 2015 Annual Report for additional information on increased capital requirements that may be imposed on us. We cannot predict the effect these initiatives may have on our business, results of operations, cash flows and financial condition.

We provide products and services to certain employee benefit plans that are subject to restrictions imposed by ERISA and the Internal Revenue Code, including the requirement under ERISA that fiduciaries must perform their duties solely in the interests of ERISA plan participants and beneficiaries, and that fiduciaries may not cause a covered plan to engage in certain prohibited transactions. In April 2016, the DOL published a new fiduciary duty rule that has the effect of greatly expanding the circumstances under which financial services providers and financial advisors could be deemed a fiduciary under ERISA or the Internal Revenue Code when providing investment advice with respect to ERISA plans or IRAs. We are currently reviewing this final rule to evaluate its full impact on our customers, distribution partners, financial advisors and us, while continuing to

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prepare for compliance with the rule. Preparing to meet the requirements of this final rule will require us to invest significant resources to evaluate and make required changes to ensure compliance with the rule. These efforts could result in material changes being made to certain of our business practices, product designs and in our ability and the ability of our distribution partners and financial advisors to sell or service certain annuities and other investment products.

The degree of regulation and supervision in foreign jurisdictions varies. AIG subsidiaries operating in foreign jurisdictions must satisfy local regulatory requirements and it is possible that local licenses may require AIG Parent to meet certain conditions. Licenses issued by foreign authorities to our subsidiaries are subject to modification and revocation. Accordingly, our insurance subsidiaries could be prevented from conducting future business in certain of the jurisdictions where they currently operate. Adverse actions from any single country could adversely affect our results of operations, liquidity and financial condition, depending on the magnitude of the event and our financial exposure at that time in that country.

ITEM 2 / UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table provides the information with respect to purchases made by or on behalf of AIG or any "affiliated purchaser" (as defined in Rule 10b 18(a)(3) under the Securities Exchange Act of 1934) of AIG Common Stock and warrants to purchase AIG Common Stock during the three months ended March 31, 2016:

Period	Total Number of Shares Repurchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in millions)
January 1 - 31	**26,726,544**	**$ 57.78**	**26,726,544**	**$ 1,765**
February 1 - 29	**29,380,658**	**53.53**	**29,380,658**	**5,193**
March 1 - 31[(a)]	**7,082,024**	**52.13**	**7,082,024**	**4,640**(b)
Total[(c)]	**63,189,226**	**$ 55.17**	**63,189,226**	**$ 4,640**(b)

(a) During this period, we also repurchased 10 million warrants to purchase shares of AIG Common Stock, at an average purchase price per warrant of $17.30, for an aggregate purchase price of $173 million.

(b) Reflects the purchase of 10 million warrants to purchase shares of AIG Common Stock, which reduced the dollar value of AIG Common Stock that may yet be repurchased under the repurchase authorization.

(c) On February 11, 2016, our Board of Directors authorized an additional increase to the repurchase authorization of AIG Common Stock of $5.0 billion. As of May 2, 2016, approximately $3.7 billion remained under our share repurchase authorization. Shares may be repurchased from time to time in the open market, private purchases, through forward, derivative, accelerated repurchase or automatic repurchase transactions or otherwise (including through the purchase of warrants). Certain of our share repurchases have been and may from time to time be effected through Exchange Act Rule 10b5-1 repurchase plans. The timing of any future share repurchases will depend on market conditions, our financial condition, results of operations, liquidity and other factors.

During the three-month period ended March 31, 2016, we repurchased approximately 63 million shares of AIG Common Stock under this authorization for an aggregate purchase price of approximately $3.5 billion. Pursuant to an Exchange Act Rule 10b5-1 plan, from April 1 to May 2, 2016, we have repurchased approximately $870 million of additional shares of AIG Common Stock. We also repurchased 10 million warrants to purchase shares of AIG Common Stock during the three-month period ended March 31, 2016 for an aggregate purchase price of $173 million.

Item 4 / Mine Safety Disclosures

Not applicable.

Item 6 / Exhibits

See accompanying Exhibit Index.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	AMERICAN INTERNATIONAL GROUP, INC.
	(Registrant)
	/S/ SIDDHARTHA SANKARAN
	Siddhartha Sankaran
	Executive Vice President
	Chief Financial Officer
	(Principal Financial Officer)
	/S/ ELIAS F. HABAYEB
	Elias F. Habayeb
	Senior Vice President,
	Deputy Chief Financial Officer and
	Group Controller
	(Principal Accounting Officer)

Dated: May 2, 2016

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EXHIBIT INDEX

Exhibit Number	Description	Location
4	Instruments defining the rights of security holders, including indentures	
	(1) Thirty-First Supplemental Indenture, dated as of February 26, 2016, between AIG and The Bank of New York Mellon, as Trustee	Incorporated by reference to Exhibit 4.1 to AIG's Current Report on Form 8-K filed with the SEC on February 26, 2016 (File No. 1-8787).
	(2) Thirty-Second Supplemental Indenture, dated as of March 22, 2016, between AIG and The Bank of New York Mellon, as Trustee	Incorporated by reference to Exhibit 4.1 to AIG's Current Report on Form 8-K filed with the SEC on March 22, 2016 (File No. 1-8787).
	(3) Form of the 2021 Notes (included in Exhibit 4(1))	
	(4) Form of the 2026 Notes (included in Exhibit 4(2))	
10	(1) Nomination Agreement, dated February 11, 2016, by and among High River Limited Partnership, Icahn Partners Master Fund LP, Icahn Partners LP, Carl C. Icahn and American International Group, Inc.	Incorporated by reference to Exhibit 10.1 to AIG's Current Report on Form 8-K filed with the SEC on February 11, 2016 (File No. 1-8787).
	(2) Nomination Agreement, dated February 11, 2016, by and among Paulson & Co. Inc., John A. Paulson and American International Group, Inc.	Incorporated by reference to Exhibit 10.2 to AIG's Current Report on Form 8-K filed with the SEC on February 11, 2016 (File No. 1-8787).
	(3) Letter Agreement, dated August 27, 2014, between AIG and Philip Fasano*	Filed herewith.
	(4) Non-Solicitation and Non-Disclosure Agreement, dated August 29, 2014, between AIG and Philip Fasano*	Filed herewith.
	(5) Executive Officer Form of Release and Restrictive Covenant Agreement*	Filed herewith.
11	Statement re: Computation of Per Share Earnings	Included in Note 13 to the Condensed Consolidated Financial Statements.
12	Computation of Ratios of Earnings to Fixed Charges	Filed herewith.
31	Rule 13a-14(a)/15d-14(a) Certifications	Filed herewith.
32	Section 1350 Certifications**	Filed herewith.
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Condensed Consolidated Balance Sheets as of March 31, 2016 and December 31, 2015, (ii) the Condensed Consolidated Statements of Income (Loss) for the three months ended March 31, 2016 and 2015, (iii) the Condensed Consolidated Statements	Filed herewith.

of Equity for the three months ended March 31, 2016 and 2015, (iv) the Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2016 and 2015, (v) the Condensed Consolidated Statements of Comprehensive Loss for the three months ended March 31, 2016 and 2015 and (vi) the Notes to the Condensed Consolidated Financial Statements.

* This exhibit is a management contract or a compensatory plan or arrangement.

** This information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.