

AMERIPRISE FINANCIAL INC
Form 10-Q
November 05, 2008
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x

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

For the Quarterly Period Ended September 30, 2008

or

o

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

For the Transition Period from to

Commission File No. 1-32525

AMERIPRISE FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

13-3180631

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

1099 Ameriprise Financial Center, Minneapolis, Minnesota

55474

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(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: **(612) 671-3131**

Former name, former address and former fiscal year, if changed since last report: **Not Applicable**

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 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class

Outstanding at October 24, 2008

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Common Stock (par value \$.01 per share)

216,598,221 shares

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

AMERIPRISE FINANCIAL, INC.

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CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(in millions, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Revenues				
Management and financial advice fees	\$ 721	\$ 798	\$ 2,292	\$ 2,308
Distribution fees	376	435	1,231	1,347
Net investment income	62	501	856	1,543
Premiums	276	269	809	792
Other revenues	249	165	564	496
Total revenues	1,684	2,168	5,752	6,486
Banking and deposit interest expense	43	57	132	190
Total net revenues	1,641	2,111	5,620	6,296
Expenses				
Distribution expenses	473	519	1,531	1,530
Interest credited to fixed accounts	200	212	587	645
Benefits, claims, losses and settlement expenses	196	360	794	903
Amortization of deferred acquisition costs	240	128	538	387
Interest and debt expense	27	27	81	85
Separation costs		60		208
General and administrative expense	667	588	1,819	1,860
Total expenses	1,803	1,894	5,350	5,618
Pretax income (loss)	(162)	217	270	678
Income tax provision (benefit)	(92)	19	(61)	119
Net income (loss)	\$ (70)	\$ 198	\$ 331	\$ 559
Earnings (loss) per common share				
Basic	\$ (0.32)	\$ 0.84	\$ 1.48	\$ 2.35
Diluted	\$ (0.32)(1)	\$ 0.83	\$ 1.46	\$ 2.32
Weighted average common shares outstanding				
Basic	219.1	235.4	223.6	237.8
Diluted	221.7	239.2	226.4	241.4
Cash dividends paid per common share	\$ 0.17	\$ 0.15	\$ 0.47	\$ 0.41

(1) Diluted shares used in this calculation represent basic shares due to the net loss. Using actual diluted shares would result in anti-dilution.

See Notes to Consolidated Financial Statements.

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AMERIPRISE FINANCIAL, INC.

CONSOLIDATED BALANCE SHEETS

(in millions, except share data)

	September 30, 2008 (Unaudited)	December 31, 2007
Assets		
Cash and cash equivalents	\$ 4,043	\$ 3,836
Investments	28,101	30,625
Separate account assets	52,762	61,974
Receivables	3,921	3,441
Deferred acquisition costs	4,473	4,503
Restricted and segregated cash	1,837	1,332
Other assets	4,013	3,519
Total assets	\$ 99,150	\$ 109,230
Liabilities and Shareholders' Equity		
Liabilities:		
Future policy benefits and claims	\$ 26,981	\$ 27,446
Separate account liabilities	52,762	61,974
Customer deposits	7,727	6,201
Debt	2,080	2,018
Accounts payable and accrued expenses	758	1,187
Other liabilities	2,125	2,594
Total liabilities	92,433	101,420
Shareholders' Equity:		
Common shares (\$.01 par value; shares authorized, 1,250,000,000; shares issued, 256,334,767 and 255,925,436, respectively)	3	3
Additional paid-in capital	4,704	4,630
Retained earnings	5,004	4,811
Treasury shares, at cost (39,691,488 and 28,177,593 shares, respectively)	(2,021)	(1,467)
Accumulated other comprehensive loss, net of tax:		
Net unrealized securities losses	(946)	(168)
Net unrealized derivatives losses	(8)	(6)
Foreign currency translation adjustments	(45)	(19)
Defined benefit plans	26	26
Total accumulated other comprehensive loss	(973)	(167)
Total shareholders' equity	6,717	7,810
Total liabilities and shareholders' equity	\$ 99,150	\$ 109,230

See Notes to Consolidated Financial Statements.

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AMERIPRISE FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in millions)

	Nine Months Ended September 30,	
	2008	2007
Cash Flows from Operating Activities		
Net income	\$ 331	\$ 559
Adjustments to reconcile net income to net cash provided by operating activities:		
Capitalization of deferred acquisition and sales inducement costs	(547)	(682)
Amortization of deferred acquisition and sales inducement costs	599	423
Depreciation and amortization	144	125
Deferred income tax expense (benefit)	(187)	48
Share-based compensation	114	110
Net realized investment gains	(5)	(28)
Other-than-temporary impairments and provision for loan losses	380	(18)
Premium and discount amortization	70	84
Changes in operating assets and liabilities:		
Segregated cash	(663)	107
Trading securities and equity method investments in hedge funds, net	115	(19)
Future policy benefits and claims, net	220	185
Receivables	(588)	(262)
Brokerage deposits	834	(77)
Accounts payable and accrued expenses	(413)	(130)
Other, net	(143)	(43)
Net cash provided by operating activities	261	382
Cash Flows from Investing Activities		
Available-for-Sale securities:		
Proceeds from sales	316	3,021
Maturities, sinking fund payments and calls	2,864	2,153
Purchases	(2,393)	(907)
Proceeds from sales and maturities of commercial mortgage loans	265	410
Funding of commercial mortgage loans	(88)	(338)
Proceeds from sale of AMEX Assurance		115
Proceeds from sales of other investments	40	106
Purchase of other investments	(345)	(57)
Purchase of land, buildings, equipment and software	(100)	(199)
Proceeds from sale of land, buildings, equipment and other		8
Change in policy loans, net	(26)	(32)
Change in restricted cash	151	(82)
Change in consumer banking loans and credit card receivables, net	(60)	86
Other, net	3	(6)
Net cash provided by investing activities	627	4,278

See Notes to Consolidated Financial Statements.

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AMERIPRISE FINANCIAL, INC.

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CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) (CONTINUED)

(in millions)

	Nine Months Ended September 30,	
	2008	2007
Cash Flows from Financing Activities		
Investment certificates and banking time deposits:		
Proceeds from additions	\$ 1,813	\$ 647
Maturities, withdrawals and cash surrenders	(1,033)	(1,454)
Change in other banking deposits	(87)	205
Policyholder and contractholder account values:		
Consideration received	1,569	795
Net transfers to separate accounts		7
Surrenders and other benefits	(2,223)	(2,928)
Dividends paid to shareholders	(105)	(98)
Proceeds from debt	73	
Principal repayments of debt	(6)	(28)
Repurchase of common shares	(636)	(698)
Exercise of stock options	9	30
Excess tax benefits from share-based compensation	7	40
Other, net	(38)	51
Net cash used in financing activities	(657)	(3,431)
Effect of exchange rate changes on cash	(24)	13
Net increase in cash and cash equivalents	207	1,242
Cash and cash equivalents at beginning of period	3,836	2,760
Cash and cash equivalents at end of period	\$ 4,043	\$ 4,002
Supplemental Disclosures:		
Interest paid on debt	\$ 61	\$ 75
Income taxes paid, net	165	92

See Notes to Consolidated Financial Statements.

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AMERIPRISE FINANCIAL, INC.

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CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (UNAUDITED)

(in millions, except share amounts)

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	Number of Outstanding Shares	Common Shares	Additional Paid-In Capital	Retained Earnings	Treasury Shares	Accumulated Other Comprehensive Loss	Total
Balances at December 31, 2006	241,391,431	\$ 3	\$ 4,353	\$ 4,268	\$ (490)	\$ (209)	\$ 7,925
Change in accounting principles				(138)			(138)
Comprehensive income:							
Net income				559			559
Change in net unrealized securities losses						(39)	(39)
Change in net unrealized derivatives losses						(4)	(4)
Foreign currency translation adjustment						3	3
Total comprehensive income							519
Dividends paid to shareholders				(98)			(98)
Repurchase of common shares	(11,749,269)				(690)		(690)
Share-based compensation plans	2,775,055		186				186
Other, net			54				54
Balances at September 30, 2007	232,417,217	\$ 3	\$ 4,593	\$ 4,591	\$ (1,180)	\$ (249)	\$ 7,758
Balances at December 31, 2007	227,747,843	\$ 3	\$ 4,630	\$ 4,811	\$ (1,467)	\$ (167)	\$ 7,810
Change in accounting principle				(30)			(30)
Comprehensive income:							
Net income				331			331
Change in net unrealized securities losses						(778)	(778)
Change in net unrealized derivatives losses						(2)	(2)
Foreign currency translation adjustment						(26)	(26)
Total comprehensive loss							(475)
Dividends paid to shareholders				(105)			(105)
Repurchase of common shares	(13,293,913)				(636)		(636)
Share-based compensation plans	2,189,349		74	(3)	82		153
Balances at September 30, 2008	216,643,279	\$ 3	\$ 4,704	\$ 5,004	\$ (2,021)	\$ (973)	\$ 6,717

See Notes to Consolidated Financial Statements.

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of Presentation

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The accompanying Consolidated Financial Statements include the accounts of Ameriprise Financial, Inc. (Ameriprise Financial), companies in which it directly or indirectly has a controlling financial interest, variable interest entities (VIEs) in which it is the primary beneficiary and certain limited partnerships for which it is the general partner (collectively, the Company). All material intercompany transactions and balances between or among Ameriprise Financial and its subsidiaries and affiliates have been eliminated in consolidation.

The interim financial information in this report has not been audited. In the opinion of management, all adjustments necessary for a fair presentation of the consolidated results of operations and financial position for the interim periods have been made. All adjustments made were of a normal recurring nature.

Ameriprise Financial is a holding company, which primarily conducts business through its subsidiaries to provide financial planning, and products and services that are designed to be utilized as solutions for clients' cash and liquidity, asset accumulation, income, protection and estate and wealth transfer needs. The Company's foreign operations in the United Kingdom are conducted through its subsidiary, Threadneedle Asset Management Holdings Limited (Threadneedle).

Reclassifications

The accompanying Consolidated Financial Statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). Changes to the Company s reportable operating segments and certain reclassifications of prior year amounts, including new income statement captions, have been made to conform to the current presentation. Reclassifications made in 2007 are described in Note 1, Note 2 and Note 26 of the Company s Annual Report on Form 10-K for the year ended December 31, 2007, filed with the Securities and Exchange Commission (SEC) on February 29, 2008 (the 2007 10-K). In the second quarter of 2008, the Company reclassified the mark-to-market adjustment on certain derivatives from net investment income to various expense lines where the mark-to-market adjustment on the related embedded derivative resides. The mark-to-market adjustment on derivatives hedging variable annuity living benefits, equity indexed annuities and stock market certificates were reclassified to benefits, claims, losses and settlement expenses, interest credited to fixed accounts and banking and deposit interest expense, respectively. These reclassifications were made to enhance transparency and to better align the financial statement captions with the key drivers of the business. Results of operations reported for interim periods are not necessarily indicative of results for the entire year. These Consolidated Financial Statements and Notes should be read in conjunction with the Consolidated Financial Statements and Notes in the Company s 2007 10-K.

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

The following table shows the impact of the new captions and the reclassifications made to the Company's previously reported Consolidated Statements of Income:

	Three Months Ended September 30, 2007		Nine Months Ended September 30, 2007	
	Previously Reported	Reclassified	Previously Reported	Reclassified
(in millions)				
Revenues				
Management and financial advice fees	\$ 878	\$ 798	\$ 2,532	\$ 2,308
Distribution fees	352	435	1,111	1,347
Net investment income	552	501	1,555	1,543
Premiums	246	269	725	792
Other revenues	174	165	524	496
Total revenues	2,202	2,168	6,447	6,486
Banking and deposit interest expense		57		190
Total net revenues	2,202	2,111	6,447	6,296
Expenses				
Compensation and benefits	855		2,602	
Distribution expenses		519		1,530
Interest credited to fixed accounts	282	212	872	645
Benefits, claims, losses and settlement expenses	383	360	832	903
Amortization of deferred acquisition costs	128	128	387	387
Interest and debt expense	29	27	93	85
Separation costs	60	60	208	208
Other expenses	248		775	
General and administrative expense		588		1,860
Total expenses	1,985	1,894	5,769	5,618
Pretax income	217	217	678	678
Income tax provision	19	19	119	119
Net income	\$ 198	\$ 198	\$ 559	\$ 559

The Company has reclassified certain prior year balances in the Consolidated Statements of Cash Flows related to consumer banking loans and credit card receivables. The Company previously classified the change in these balances as an operating activity in its Consolidated Statements of Cash Flows. The Company has reclassified the net of origination and principal collection of consumer banking loans and credit card receivables as an investing activity in accordance with Statement of Financial Accounting Standards (SFAS) No. 95 Statement of Cash Flows and SFAS No. 104 Statement of Cash Flows Net Reporting of Certain Cash Receipts and Cash Payments and Classification of Cash Flows from Hedging Transactions.

2. Recent Accounting Pronouncements

In October 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) FAS 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active (FSP 157-3), which was effective upon issuance, including prior periods for which financial statements have not been issued. FSP 157-3 clarifies the application of SFAS No. 157 Fair Value Measurements (SFAS 157) in a market that is not active and provides an example of key considerations to determine the fair value of financial assets when the market for those assets is not active. The adoption of FSP 157-3 did not have a material effect on the Company s consolidated results of operations and financial condition.

In June 2008, the FASB issued FSP No. Emerging Issues Task Force (EITF) 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities (FSP EITF 03-6-1). FSP EITF 03-6-1 clarifies that unvested share-based payment awards with nonforfeitable rights to dividends or dividend equivalents are considered participating securities and should be included in the calculation of earnings per share pursuant to the two-class method. FSP EITF 03-6-1 is effective for financial statements issued for periods beginning after December 15, 2008 with early adoption prohibited. FSP EITF 03-6-1 requires that all prior-period earnings per share data be adjusted retrospectively to conform with the FSP provisions. The Company does not expect the adoption of EITF 03-6-1 to have a material effect on its earnings per share and consolidated results of operations.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

In March 2008, the FASB issued SFAS No. 161 *Disclosures about Derivative Instruments and Hedging Activities* an amendment of FASB Statement No. 133 (SFAS 161). SFAS 161 intends to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures about their impact on an entity's financial position, financial performance, and cash flows. SFAS 161 requires disclosures regarding the objectives for using derivative instruments, the fair value of derivative instruments and their related gains and losses, and the accounting for derivatives and related hedged items. SFAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008, with early adoption permitted. The Company is currently evaluating the impact of SFAS 161 on its disclosures. The Company's adoption of SFAS 161 will not impact its consolidated results of operations and financial condition.

In December 2007, the FASB issued SFAS No. 141 (revised 2007) *Business Combinations* (SFAS 141(R)). SFAS 141(R) establishes principles and requirements for how an acquirer recognizes and measures the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in an acquiree, and goodwill acquired. SFAS 141(R) also requires an acquirer to disclose information about the financial effects of a business combination. SFAS 141(R) is effective prospectively for business combinations with an acquisition date on or after the beginning of the first annual reporting period beginning on or after December 15, 2008, with early adoption prohibited. The Company will apply the standard to any business combinations within the scope of SFAS 141(R) occurring after December 31, 2008.

In December 2007, the FASB issued SFAS No. 160 *Noncontrolling Interests in Consolidated Financial Statements* an amendment of ARB No. 51 (SFAS 160). SFAS 160 establishes the accounting and reporting for ownership interest in subsidiaries not attributable, directly or indirectly, to a parent. SFAS 160 requires that noncontrolling (minority) interests be classified as equity (instead of as a liability) within the consolidated balance sheet, and net income attributable to both the parent and the noncontrolling interest be disclosed on the face of the consolidated statement of income. SFAS 160 is effective for fiscal years beginning after December 15, 2008, and interim periods within those years with early adoption prohibited. The provisions of SFAS 160 are to be applied prospectively, except for the presentation and disclosure requirements which are to be applied retrospectively to all periods presented. The Company is currently evaluating the impact of SFAS 160 on its consolidated results of operations and financial condition.

In September 2006, the FASB issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* an Amendment of FASB Statements No. 87, 88, 106, and 132(R) (SFAS 158). As of December 31, 2006, the Company adopted the recognition provisions of SFAS 158 which require an entity to recognize the overfunded or underfunded status of an employer's defined benefit postretirement plan as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. The Company's adoption of this provision did not have a material effect on the consolidated results of operations and financial condition. Effective for fiscal years ending after December 15, 2008, SFAS 158 also requires an employer to measure plan assets and benefit obligations as of the date of the employer's fiscal year-end statement of financial position. As of December 31, 2008, the Company will adopt the measurement provisions of SFAS 158 which will not have a material effect on its consolidated results of operations and financial condition.

In September 2006, the FASB issued SFAS 157, which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements. Accordingly, SFAS 157 does not require any new fair value measurements. The provisions of SFAS 157 are required to be applied prospectively as of the beginning of the fiscal year in which SFAS 157 is initially applied, except for certain financial instruments as defined in SFAS 157 that require retrospective application. Any retrospective application will be recognized as a cumulative effect adjustment to the opening balance of retained earnings for the fiscal year of adoption. The Company adopted SFAS 157 effective January 1, 2008 and recorded

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a cumulative effect reduction to the opening balance of retained earnings of \$30 million, net of deferred acquisition costs (DAC) and deferred sales inducement costs (DSIC) amortization and income taxes. This reduction to retained earnings was related to adjusting the fair value of certain derivatives the Company uses to hedge its exposure to market risk related to certain variable annuity riders. The Company initially recorded these derivatives in accordance with EITF Issue No. 02-3 Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities (EITF 02-3). SFAS 157 nullifies the guidance in EITF 02-3 and requires these derivatives to be marked to the price the Company would receive to sell the derivatives to a market participant (an exit price). The adoption of SFAS 157 also resulted in adjustments to the fair value of the Company s embedded derivative liabilities associated with certain variable annuity riders. Since there is no market for these liabilities, the Company considered the assumptions participants in a hypothetical market would make to determine an exit price. As a result, the Company adjusted the valuation of these liabilities by updating certain policyholder assumptions, adding explicit margins to provide for profit, risk, and expenses, and adjusting the rate used to discount expected cash flows to reflect a current market estimate of the Company s risk of nonperformance specific to these liabilities. These adjustments resulted in an adoption impact of a \$4 million increase

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

in earnings, net of DAC and DSIC amortization and income taxes, at January 1, 2008. The nonperformance risk component of the adjustment is specific to the risk of RiverSource Life Insurance Company (RiverSource Life) and RiverSource Life Insurance Co. of New York not fulfilling these liabilities. As the Company's estimate of this credit spread widens or tightens, the liability will decrease or increase.

In accordance with FSP FAS 157-2, Effective Date of FASB Statement No. 157 (FSP 157-2), the Company will defer the adoption of SFAS 157 until January 1, 2009 for all nonfinancial assets and nonfinancial liabilities, except for those that are recognized or disclosed at fair value in the financial statements on a recurring basis. In January 2008, the FASB published for comment Proposed FSP FAS 157-c Measuring Liabilities under FASB Statement No. 157 (FSP 157-c). FSP 157-c would amend SFAS 157 to clarify the accounting principles on the fair value measurement of liabilities. The Company is monitoring the impact that this proposed FSP could have on its consolidated results of operations and financial condition. See Note 5 for additional information regarding the fair value of the Company's assets and liabilities.

In June 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in accordance with FASB Statement No. 109, Accounting for Income Taxes. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company adopted FIN 48 as of January 1, 2007 and recorded a cumulative change in accounting principle resulting in an increase in the liability for unrecognized tax benefits and a decrease in beginning retained earnings of \$4 million.

In September 2005, the American Institute of Certified Public Accountants issued Statement of Position (SOP) 05-1, Accounting by Insurance Enterprises for Deferred Acquisition Costs in Connection With Modifications or Exchanges of Insurance Contracts (SOP 05-1). SOP 05-1 provides clarifying guidance on accounting for DAC associated with an insurance or annuity contract that is significantly modified or is internally replaced with another contract. Prior to adoption, the Company accounted for many of these transactions as contract continuations and continued amortizing existing DAC against revenue for the new or modified contract. Effective January 1, 2007, the Company adopted SOP 05-1 resulting in these transactions being prospectively accounted for as contract terminations. Consistent with this, the Company now anticipates these transactions in establishing amortization periods and other valuation assumptions. As a result of adopting SOP 05-1, the Company recorded as a cumulative change in accounting principle \$206 million, reducing DAC by \$204 million, DSIC by \$11 million and liabilities for future policy benefits by \$9 million. The after-tax decrease to retained earnings for these changes was \$134 million.

3. Separation and Distribution from American Express

Ameriprise Financial was formerly a wholly owned subsidiary of American Express Company (American Express). On February 1, 2005, the American Express Board of Directors announced its intention to pursue the disposition of 100% of its shareholdings in Ameriprise Financial (the Separation) through a tax-free distribution to American Express shareholders. Effective as of the close of business on September 30, 2005, American Express completed the separation of Ameriprise Financial and the distribution of the Ameriprise Financial common shares to American Express shareholders (the Distribution).

American Express historically provided a variety of corporate and other support services for the Company, including information technology, treasury, accounting, financial reporting, tax administration, human resources, marketing, legal and other services. Following the Distribution, American Express provided the Company with many of these services pursuant to transition services agreements for transition periods of up to two years or more, if extended by mutual agreement of the Company and American Express. The Company terminated all of these service agreements and completed its separation from American Express in 2007.

The Company incurred significant non-recurring separation costs in 2007 as a result of the Separation. These costs were primarily associated with establishing the Ameriprise Financial brand, separating and reestablishing the Company's technology platforms and advisor and employee retention programs.

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

4. Investments

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The following is a summary of investments:

	September 30, 2008	December 31, 2007
	(in millions)	
Available-for-Sale securities, at fair value	\$ 23,495	\$ 25,931
Commercial mortgage loans, net	2,921	3,097
Trading securities, at fair value, and equity method investments in hedge funds	374	504
Policy loans	730	706
Other investments	581	387
Total	\$ 28,101	\$ 30,625

Net realized gains and losses on Available-for-Sale securities, determined using the specific identification method, were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	(in millions)		(in millions)	
Gross realized gains from sales	\$ 4	\$ 16	\$ 15	\$ 50
Gross realized losses from sales	(8)	(1)	(10)	(22)
Other-than-temporary impairments	(313)		(373)	(2)

The Company regularly reviews Available-for-Sale securities for impairments in value considered to be other-than-temporary. The cost basis of securities that are determined to be other-than-temporarily impaired is written down to current fair value with a corresponding charge to net income. A write-down for impairment can be recognized for both credit-related events and for change in fair value due to changes in interest rates. Once a security is written down to fair value through net income, any subsequent recovery in value cannot be recognized in net income until the principal is returned.

Factors the Company considers in determining whether declines in the fair value of fixed-maturity securities are other-than-temporary include: 1) the extent to which the market value is below amortized cost; 2) our ability and intent to hold the investment for a sufficient period of time for it to recover to an amount at least equal to its carrying value; 3) the duration of time in which there has been a significant decline in value; 4) fundamental analysis of the liquidity, business prospects and overall financial condition of the issuer; and 5) market events that could impact credit ratings, economic and business climate, litigation and government actions, and similar external business factors. For structured investments (e.g., mortgage-backed securities), the Company also considers factors such as overall deal structure and our position within the structure, quality of underlying collateral, delinquencies and defaults, loss severities, recoveries, prepayments, cumulative loss projections and discounted cash flows in assessing potential other-than-temporary impairment of these investments. Based upon these factors, securities that have indicators of potential other-than-temporary impairment are subject to detailed review by management. Securities for which declines are considered temporary continue to be carefully monitored by management.

For the three months and nine months ended September 30, 2008, other-than-temporary impairments of \$313 million and \$373 million, respectively, primarily related to credit-related losses in Lehman Brothers securities, Washington Mutual securities and non-agency residential mortgage-backed securities.

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Available-for-Sale Securities

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Available-for-Sale securities distributed by type were as follows:

Description of Securities	Amortized Cost	September 30, 2008		Fair Value
		Gross Unrealized Gains	Gross Unrealized Losses	
		(in millions)		
Corporate debt securities	\$ 13,551	\$ 33	\$ (991)	\$ 12,593
Mortgage and other asset-backed securities	9,968	36	(499)	9,505
State and municipal obligations	1,033	4	(114)	923
U.S. government and agencies obligations	258	8	(1)	265
Foreign government bonds and obligations	95	12		107
Common and preferred stocks	54	6	(11)	49
Structured investments	35			35
Other debt	18			18
Total	\$ 25,012	\$ 99	\$ (1,616)	\$ 23,495

Description of Securities	Amortized Cost	December 31, 2007		Fair Value
		Gross Unrealized Gains	Gross Unrealized Losses	
		(in millions)		
Corporate debt securities	\$ 14,158	\$ 113	\$ (328)	\$ 13,943
Mortgage and other asset-backed securities	10,517	38	(162)	10,393
State and municipal obligations	1,038	14	(17)	1,035
U.S. government and agencies obligations	322	7	(1)	328
Foreign government bonds and obligations	97	15		112
Common and preferred stocks	53	6	(1)	58
Structured investments	46			46
Other debt	16			16
Total	\$ 26,247	\$ 193	\$ (509)	\$ 25,931

The following tables provide information about Available-for-Sale securities with gross unrealized losses and the length of time that individual securities have been in a continuous unrealized loss position:

Less than 12 months	September 30, 2008 12 months or more	&nbs
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