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, 2019 **Commission File Number 1-8787**

American International Group, Inc.

(Exact name of registrant as specified in its charter)

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☑ No ☐

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

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

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

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

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, Par Value $2.50 Per Share	AIG	New York Stock Exchange
Warrants (expiring January 19, 2021)	AIG WS	New York Stock Exchange
5.75% Series A-2 Junior Subordinated Debentures	AIG 67BP	New York Stock Exchange
4.875% Series A-3 Junior Subordinated Debentures	AIG 67EU	New York Stock Exchange
Stock Purchase Rights		New York Stock Exchange
Depository Shares Each Representing a 1/1,000th Interest in a Share of Series A 5.85% Non-Cumulative Perpetual Preferred Stock	AIG PRA	New York Stock Exchange

As of May 2, 2019, there were 869,753,584 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, 2019
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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)	March 31, 2019	December 31, 2018
Assets:		
Investments:		
Fixed maturity securities:		
Bonds available for sale, at fair value (amortized cost: 2019 - $228,608; 2018 - $225,780)	$ 238,201	$ 229,391
Other bond securities, at fair value (*See Note 6*)	11,511	11,415
Equity Securities, at fair value *(See Note 6)*	841	1,253
Mortgage and other loans receivable, net of allowance	43,834	43,135
Other invested assets (portion measured at fair value: 2019 - $5,759; 2018 - $5,894)	19,343	19,341
Short-term investments, including restricted cash of $251 in 2019 and $142 in 2018 (portion measured at fair value: 2019 - $4,040; 2018 - $3,015)	11,133	9,674
Total investments	324,863	314,209
Cash	2,565	2,873
Accrued investment income	2,482	2,389
Premiums and other receivables, net of allowance	12,655	11,011
Reinsurance assets, net of allowance	40,558	38,172
Deferred income taxes	14,545	15,221
Deferred policy acquisition costs	12,128	12,694
Other assets, including restricted cash of $363 in 2019 and $343 in 2018 (portion measured at fair value: 2019 - $951; 2018 - $973)	14,308	13,568
Separate account assets, at fair value	88,818	81,847
Total assets	$ 512,922	$ 491,984
Liabilities:		
Liability for unpaid losses and loss adjustment expenses	$ 82,496	$ 83,639
Unearned premiums	20,812	19,248
Future policy benefits for life and accident and health insurance contracts	46,508	44,935
Policyholder contract deposits (portion measured at fair value: 2019 - $4,878; 2018 - $4,116)	145,380	142,262
Other policyholder funds	3,493	3,568
Other liabilities (portion measured at fair value: 2019 - $1,421; 2018 - $1,265)	27,546	24,636
Long-term debt (portion measured at fair value: 2019 - $2,263; 2018 - $2,213)	35,776	34,540
Separate account liabilities	88,818	81,847
Total liabilities	450,829	434,675
Contingencies, commitments and guarantees (*See Note 11*)		
AIG shareholders' equity:		
Series A Non-cumulative preferred stock and additional paid in capital, $5.00 par value; 100,000,000 shares authorized; shares issued: 2019 - 20,000 and 2018 - 0; liquidation preference $500	485	-
Common stock, $2.50 par value; 5,000,000,000 shares authorized; shares issued: 2019 - 1,906,671,492 and 2018 - 1,906,671,492	4,766	4,766
Treasury stock, at cost; 2019 - 1,036,934,591 shares; 2018 - 1,040,062,063 shares of common stock	(48,999)	(49,144)
Additional paid-in capital	81,148	81,268
Retained earnings	21,259	20,884
Accumulated other comprehensive income (loss)	2,128	(1,413)
Total AIG shareholders' equity	60,787	56,361
Non-redeemable noncontrolling interests	1,306	948
Total equity	62,093	57,309
Total liabilities and equity	$ 512,922	$ 491,984

See accompanying Notes to Condensed Consolidated Financial Statements.

American International Group, Inc.
Condensed Consolidated Statements of Income *(unaudited)*

(dollars in millions, except per share data)	Three Months Ended March 31, 2019	2018
Revenues:		
Premiums	**$ 8,070**	$ 7,275
Policy fees	**735**	764
Net investment income	**3,879**	3,261
Net realized capital losses:		
Total other-than-temporary impairments on available for sale securities	**(80)**	(75)
Portion of other-than-temporary impairments on available for sale fixed maturity securities recognized in Other comprehensive income (loss)	**(3)**	(12)
Net other-than-temporary impairments on available for sale securities recognized in net income	**(83)**	(87)
Other realized capital gains (losses)	**(363)**	68
Total net realized capital losses	**(446)**	(19)
Other income	**218**	431
Total revenues	**12,456**	11,712
Benefits, losses and expenses:		
Policyholder benefits and losses incurred	**6,679**	5,667
Interest credited to policyholder account balances	**940**	916
Amortization of deferred policy acquisition costs	**1,289**	1,358
General operating and other expenses	**2,053**	2,271
Interest expense	**349**	277
(Gain) loss on extinguishment of debt	**(2)**	4
Net gain on sale of divested businesses	**(6)**	(8)
Total benefits, losses and expenses	**11,302**	10,485
Income from continuing operations before income tax expense	**1,154**	1,227
Income tax expense	**217**	277
Income from continuing operations	**937**	950
Loss from discontinued operations, net of income tax expense	**-**	(1)
Net income	**937**	949
Less:		
Net income from continuing operations attributable to noncontrolling interests	**283**	11
Net income attributable to AIG	**$ 654**	$ 938
Income per common share attributable to AIG:		
Basic:		
Income from continuing operations	**$ 0.75**	$ 1.03
Income from discontinued operations	**$ -**	$ -
Net income attributable to AIG	**$ 0.75**	$ 1.03
Diluted:		
Income from continuing operations	**$ 0.75**	$ 1.01
Income from discontinued operations	**$ -**	$ -
Net income attributable to AIG	**$ 0.75**	$ 1.01
Weighted average shares outstanding:		
Basic	**875,383,084**	907,951,597
Diluted	**877,512,244**	925,266,577

See accompanying Notes to Condensed Consolidated Financial Statements.

American International Group, Inc.
Condensed Consolidated Statements of Comprehensive Income (Loss) *(unaudited)*

(in millions)	Three Months Ended March 31, 2019	2018
Net income	**$ 937**	$ 949
Other comprehensive income (loss), net of tax		
Change in unrealized appreciation (depreciation) of fixed maturity securities on which other-than-temporary credit impairments were taken	**676**	(150)
Change in unrealized appreciation (depreciation) of all other investments	**2,708**	(2,708)
Change in foreign currency translation adjustments	**164**	158
Change in retirement plan liabilities adjustment	**(1)**	29
Change in fair value of liabilities under fair value option attributable to changes in own credit risk	**-**	2
Other comprehensive income (loss)	**3,547**	(2,669)
Comprehensive income (loss)	**4,484**	(1,720)
Comprehensive income attributable to noncontrolling interests	**289**	11
Comprehensive income (loss) attributable to AIG	**$ 4,195**	$ (1,731)

See accompanying Notes to Condensed Consolidated Financial Statements.

American International Group, Inc.
Condensed Consolidated Statements of Equity *(unaudited)*

(in millions)	Preferred Stock and Additional Paid-in Capital	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total AIG Share-holders' Equity	Non-redeemable Non-controlling Interests	Total Equity
Three Months Ended March 31, 2019									
Balance, beginning of year	**$ -**	**$ 4,766**	**$ (49,144)**	**$ 81,268**	**$ 20,884**	**$ (1,413)**	**$ 56,361**	**$ 948**	**$ 57,309**
Preferred stock issued	**485**	**-**	**-**	**-**	**-**	**-**	**485**	**-**	**485**
Common stock issued under stock plans	**-**	**-**	**145**	**(222)**	**-**	**-**	**(77)**	**-**	**(77)**
Purchase of common stock	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net income attributable to AIG or noncontrolling interests	**-**	**-**	**-**	**-**	**654**	**-**	**654**	**283**	**937**
Dividends	**-**	**-**	**-**	**-**	**(278)**	**-**	**(278)**	**-**	**(278)**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**3,541**	**3,541**	**6**	**3,547**
Current and deferred income taxes	**-**	**-**	**-**	**(1)**	**-**	**-**	**(1)**	**-**	**(1)**
Net increase due to acquisitions and consolidations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**108**	**108**
Contributions from noncontrolling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**12**	**12**
Distributions to noncontrolling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(59)**	**(59)**
Other	**-**	**-**	**-**	**103**	**(1)**	**-**	**102**	**8**	**110**
Balance, end of period	**$ 485**	**$ 4,766**	**$ (48,999)**	**$ 81,148**	**$ 21,259**	**$ 2,128**	**$ 60,787**	**$ 1,306**	**$ 62,093**
Three Months Ended March 31, 2018									
Balance, beginning of year	$ -	$ 4,766	$ (47,595)	$ 81,078	$ 21,457	$ 5,465	$ 65,171	$ 537	$ 65,708
Cumulative effect of change in accounting principle, net of tax	-	-	-	-	568	(576)	(8)	-	(8)
Common stock issued under stock plans	-	-	186	(336)	-	-	(150)	-	(150)
Purchase of common stock	-	-	(298)	-	-	-	(298)	-	(298)
Net income attributable to AIG or noncontrolling interests	-	-	-	-	938	-	938	11	949
Dividends	-	-	-	-	(289)	-	(289)	-	(289)
Other comprehensive income (loss)	-	-	-	-	-	(2,669)	(2,669)	-	(2,669)
Net increase due to acquisitions and consolidations	-	-	-	-	-	-	-	36	36
Contributions from noncontrolling interests	-	-	-	-	-	-	-	10	10
Distributions to noncontrolling interests	-	-	-	-	-	-	-	(25)	(25)
Other	-	-	1	99	(3)	-	97	(4)	93
Balance, end of period	$ -	$ 4,766	$ (47,706)	$ 80,841	$ 22,671	$ 2,220	$ 62,792	$ 565	$ 63,357

See accompanying Notes to Condensed Consolidated Financial Statements.

American International Group, Inc.
Condensed Consolidated Statements of Cash Flows *(unaudited)*

	Three Months Ended March 31,	
(in millions)	**2019**	2018
Cash flows from operating activities:		
Net income	**$ 937**	$ 949
Loss from discontinued operations	**-**	1
Adjustments to reconcile net income to net cash used in operating activities:		
Noncash revenues, expenses, gains and losses included in income:		
Net gains on sales of securities available for sale and other assets	**(22)**	(120)
Net gain on sale of divested businesses	**(6)**	(8)
(Gains) losses on extinguishment of debt	**(2)**	4
Unrealized losses in earnings - net	**367**	268
Equity in income from equity method investments, net of dividends or distributions	**(83)**	(86)
Depreciation and other amortization	**1,299**	1,382
Impairments of assets	**125**	105
Changes in operating assets and liabilities:		
Insurance reserves	**596**	137
Premiums and other receivables and payables - net	**315**	400
Reinsurance assets and funds held under reinsurance treaties	**(2,495)**	(1,706)
Capitalization of deferred policy acquisition costs	**(1,420)**	(1,397)
Current and deferred income taxes - net	**167**	250
Other, net	**(754)**	(1,117)
Total adjustments	**(1,913)**	(1,888)
Net cash used in operating activities	**(976)**	(938)
Cash flows from investing activities:		
Proceeds from (payments for)		
Sales or distributions of:		
Available for sale securities	**6,370**	5,638
Other securities	**1,034**	1,385
Other invested assets	**1,118**	1,064
Divested businesses, net	**-**	6
Maturities of fixed maturity securities available for sale	**4,957**	5,347
Principal payments received on and sales of mortgage and other loans receivable	**861**	1,037
Purchases of:		
Available for sale securities	**(12,757)**	(9,042)
Other securities	**(287)**	(384)
Other invested assets	**(567)**	(847)
Mortgage and other loans receivable	**(1,504)**	(2,490)
Net change in short-term investments	**(1,221)**	(3,040)
Other, net	**17**	(646)
Net cash used in investing activities	**(1,979)**	(1,972)
Cash flows from financing activities:		
Proceeds from (payments for)		
Policyholder contract deposits	**5,629**	7,069
Policyholder contract withdrawals	**(4,195)**	(4,160)
Issuance of long-term debt	**1,449**	3,039
Repayments of long-term debt	**(589)**	(1,327)
Issuance of preferred stock	**485**	-
Purchase of common stock	**-**	(298)
Dividends paid	**(278)**	(289)
Other, net	**263**	(1,548)
Net cash provided by financing activities	**2,764**	2,486
Effect of exchange rate changes on cash and restricted cash	**12**	58
Net decrease in cash and restricted cash	**(179)**	(366)
Cash and restricted cash at beginning of year	**3,358**	2,737
Cash and restricted cash at end of period	**$ 3,179**	$ 2,371

American International Group, Inc.
Condensed Consolidated Statements of Cash Flows *(unaudited)(continued)*

Supplementary Disclosure of Condensed Consolidated Cash Flow Information

	Three Months Ended March 31,	
(in millions)	**2019**	2018
Cash	**$ 2,565**	$ 2,103
Restricted cash included in Short-term investments*	**251**	47
Restricted cash included in Other assets*	**363**	221
Total cash and restricted cash shown in the Condensed Consolidated Statements of Cash Flows	**$ 3,179**	$ 2,371
Cash paid during the period for:		
Interest	**$ 315**	$ 357
Taxes	**$ 50**	$ 28
Non-cash investing/financing activities:		
Interest credited to policyholder contract deposits included in financing activities	**$ 878**	$ 825

* Includes funds held for tax sharing payments to AIG Parent, security deposits, and replacement reserve deposits related to our affordable housing investments.

See accompanying Notes to Condensed Consolidated Financial Statements.

1. Basis of Presentation

American International Group, Inc. (AIG) is a leading global insurance organization serving customers in more than 80 countries and jurisdictions. AIG companies serve commercial and individual customers through one of the most extensive worldwide property-casualty networks of any insurer. In addition, AIG companies are leading providers of life insurance and retirement services in the United States. AIG Common Stock, par value $2.50 per share (AIG Common Stock), is listed on the New York Stock Exchange (NYSE: AIG). 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, 2018 (the 2018 Annual Report). The condensed consolidated financial information as of December 31, 2018 included herein has been derived from the audited Consolidated Financial Statements in the 2018 Annual Report.

Certain of our foreign subsidiaries included in the Condensed Consolidated Financial Statements report on the basis of fiscal period ending November 30. The effect on our consolidated financial condition and results of operations of all material events occurring at these subsidiaries through the date of each of the periods presented in these Condensed Consolidated Financial Statements has been considered for adjustment and/or disclosure. In the opinion of management, these Condensed Consolidated Financial Statements contain normal recurring adjustments, including eliminations of material intercompany accounts and transactions, necessary for a fair statement of the results presented herein.

Interim-period operating results may not be indicative of the operating results for a full year. We evaluated the need to recognize or disclose events that occurred subsequent to March 31, 2019 and prior to the issuance of these Condensed Consolidated Financial Statements.

USE OF ESTIMATES

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

- liability for unpaid losses and loss adjustment expenses (loss reserves);
- reinsurance assets;
- valuation of future policy benefit liabilities and timing and extent of loss recognition;
- valuation of liabilities for guaranteed benefit features of variable annuity products;
- valuation of embedded derivatives for fixed index annuity and life products;
- estimated gross profits to value deferred policy acquisition costs for investment-oriented products;
- impairment charges, including other-than-temporary impairments on available for sale securities, impairments on other invested assets, including investments in life settlements, and goodwill impairment;
- allowances for loan losses;
- liability for legal contingencies;
- fair value measurements of certain financial assets and liabilities; and
- 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 and estimates associated with the Tax Act.

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 2019

Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued an accounting standard that requires 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. Lessor accounting remained largely the same, with the exception of certain specified changes.

We adopted the standard on its effective date of January 1, 2019, using a modified retrospective approach and did not adjust prior comparative periods in accordance with the standard's transition guidance. The majority of the Company's lease obligations pertain to real estate utilized in the operation of our businesses. Consequently, the primary impact of adoption resulted in the recognition of discounted lease liabilities of $823 million and corresponding right-of-use assets of $724 million for operating leases pertaining to our real estate portfolio, which are reflected in Other Liabilities and Other Assets, respectively. The standard did not have a material effect on our reported consolidated financial condition, results of operations, cash flows or required disclosures.

Premium Amortization on Purchased Callable Debt Securities

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

We adopted the standard using a modified retrospective approach on its effective date of January 1, 2019. The standard did not have a material impact on our reported consolidated financial condition, results of operations, cash flows or required disclosures.

Derivatives and Hedging

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

We adopted the standard on its effective date of January 1, 2019. The standard did not have a material impact on our reported consolidated financial condition, results of operations, cash flows or required disclosures.

FUTURE APPLICATION OF ACCOUNTING STANDARDS

Financial Instruments - Credit Losses

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

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

Simplifying the Test for Goodwill Impairment

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

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

Targeted Improvements to the Accounting for Long-Duration Contracts

In August 2018, the FASB issued an accounting standard update with the objective of making targeted improvements to the existing recognition, measurement, presentation, and disclosure requirements for long-duration contracts issued by an insurance entity. The standard prescribes significant and comprehensive changes to recognition, measurement, presentation and disclosure as summarized below:

- Requires the review and if necessary update of future policy benefit assumptions at least annually for traditional and limited pay long duration contracts, with the recognition and separate presentation of any resulting re-measurement gain or loss (except for discount rate changes as noted below) in the income statement.
- Requires the discount rate assumption to be updated at the end of each reporting period using an upper medium grade (low-credit risk) fixed income instrument yield that maximizes the use of observable market inputs and recognizes the impact of changes to discount rates in other comprehensive income.
- Simplifies the amortization of deferred acquisition costs (DAC) to a constant level basis over the expected term of the related contracts with adjustments for unexpected terminations, but no longer requires an impairment test.
- Requires the measurement of all market risk benefits associated with deposit (or account balance) contracts at fair value through the income statement with the exception of instrument-specific credit risk changes, which will be recognized in other comprehensive income.
- Increased disclosures of disaggregated roll-forwards of policy benefits, account balances, market risk benefits, separate account liabilities and information about significant inputs, judgments and methods used in measurement and changes thereto and impact of those changes.

We plan to adopt the standard on its effective date of January 1, 2021. We are evaluating the method of adoption and impact of the standard on our reported consolidated financial condition, results of operations, cash flows and required disclosures. The adoption of this standard is expected to have a significant impact on our consolidated financial condition, results of operations, cash flows and required disclosures, as well as systems, processes and controls.

RECLASSIFICATIONS

In the first quarter of 2019, we began reporting investment income from our non-insurance subsidiaries in Net investment income instead of Other income on a prospective basis to be consistent with how we report investment income from our General Insurance and Life and Retirement reporting segments. This reclassification has no impact to our consolidated statement of operations.

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, as follows:

GENERAL INSURANCE

General Insurance business is presented as two operating segments:

- **North America** — consists of insurance businesses in the United States, Canada and Bermuda. This also includes the results of Validus Reinsurance, Ltd., Western World Insurance Group, Inc. and Glatfelter Insurance Group. as of their respective acquisition dates.
- **International** — consists of insurance businesses in Japan, the United Kingdom, Europe, Asia Pacific, Latin America, Puerto Rico, Australia, the Middle East and Africa. This also includes the results of Talbot Holdings, Ltd. as of its acquisition date.

Results are presented before internal reinsurance transactions. North America and International operating segments consist of the following products:

- Commercial Lines — consists of Liability, Financial Lines, Property and Special Risks.
- Personal Insurance — consists of Personal Lines and Accident and Health.

LIFE AND RETIREMENT

Life and Retirement business is presented as four operating segments:

- **Individual Retirement** — consists of fixed annuities, fixed index annuities, variable annuities and retail mutual funds.
- **Group Retirement** — consists of group mutual funds, group annuities, individual annuity and investment products, and financial planning and advisory services.
- **Life Insurance** — primary products in the U.S. include term life and universal life insurance. International operations include distribution of life and health products in the UK and Ireland.
- **Institutional Markets** — consists of stable value wrap products, structured settlement and pension risk transfer annuities, corporate- and bank-owned life insurance and guaranteed investment contracts (GICs).

OTHER OPERATIONS

Other Operations category consists of:

- Income from assets held by AIG Parent and other corporate subsidiaries.
- General operating expenses not attributable to specific reporting segments.
- Interest expense.
- **Blackboard** — a subsidiary focused on delivering commercial insurance solutions using digital technology, data analytics and automation.

LEGACY PORTFOLIO

Legacy Portfolio represents exited or discontinued product lines, policy forms or distribution channels. Effective February 2018, our Bermuda domiciled composite reinsurer, Fortitude Reinsurance Company Ltd. (Fortitude Re), is included in our Legacy Portfolio.

- **Legacy Life and Retirement Run-Off Lines** — Reserves consist of certain structured settlements, pension risk transfer annuities and single premium immediate annuities written prior to April 2012. Also includes exposures to whole life, long-term care and exited accident & health product lines.
- **Legacy General Insurance Run-Off Lines** — Reserves consist of excess workers' compensation, environmental exposures and exposures to other products within General Insurance that are no longer actively marketed. Also includes the remaining reserves in Eaglestone Reinsurance Company (Eaglestone).
- **Legacy Investments** — Includes investment classes that we have placed into run-off including holdings in direct investments as well as investments in global capital markets and global real estate.

We evaluate segment performance based on adjusted revenues and adjusted pre-tax income (loss). Adjusted revenues and adjusted pre-tax income (loss) are derived by excluding certain items from total revenues and net income (loss) attributable to AIG, respectively. Beginning in the first quarter of 2019, on a prospective basis, the changes in the fair value of equity securities are excluded from adjusted pre-tax income (loss). *For the items excluded from adjusted revenues and adjusted pre-tax income (loss) see the table below.*

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

Three Months Ended March 31,	2019		2018	
(in millions)	Total Revenues	Adjusted Pre-tax Income (Loss)	Total Revenues	Adjusted Pre-tax Income (Loss)
General Insurance				
North America	$ 4,098	$ 934	$ 3,340	$ 320
International	3,704	334	4,104	190
Total General Insurance	7,802	1,268	7,444	510
Life and Retirement				
Individual Retirement	1,351	508	1,361	499
Group Retirement	709	232	761	282
Life Insurance	1,073	116	1,061	52
Institutional Markets	1,071	68	277	59
Total Life and Retirement	4,204	924	3,460	892
Other Operations	203	(387)	150	(342)
Legacy Portfolio	706	112	836	145
AIG Consolidation and elimination	(161)	(70)	(62)	11
Total AIG Consolidated adjusted revenues and adjusted pre-tax income	12,754	1,847	11,828	1,216
Reconciling Items from adjusted pre-tax income to pre-tax income:				
Changes in fair value of securities used to hedge guaranteed living benefits	105	96	(77)	(77)
Changes in benefit reserves and DAC, VOBA and SIA related to net realized capital gains	-	99	-	(31)
Changes in the fair value of equity securities	79	79	-	-
Other income (expense) - net	7	-	(11)	-
Gain (Loss) on extinguishment of debt	-	2	-	(4)
Net realized capital losses*	(489)	(474)	(29)	(19)
Income (loss) from divested businesses	-	6	-	8
Non-operating litigation reserves and settlements	-	(1)	1	(13)
(Unfavorable) favorable prior year development and related amortization changes ceded under retroactive reinsurance agreements	-	27	-	(34)
Net loss reserve discount benefit (charge)	-	(473)	-	205
Integration and transaction costs associated with acquired businesses	-	(7)	-	-
Restructuring and other costs	-	(47)	-	(24)
Revenues and Pre-tax income	$ 12,456	$ 1,154	$ 11,712	$ 1,227

* Includes all net realized capital gains and losses except earned income (periodic settlements and changes in settlement accruals) on derivative instruments used for non-qualifying (economic) hedging or for asset replication.

4. Business Combination

On July 18, 2018, we completed the purchase of a 100 percent voting interest in Validus Holdings, Ltd. (Validus), a leading provider of reinsurance, primary insurance, and asset management services, for $5.5 billion in cash.

The purchase was accounted for under the acquisition method. Accordingly, the total purchase price was allocated to the estimated fair values of assets acquired and liabilities assumed. This allocation resulted in the purchase price exceeding the fair value of net assets acquired, which results in a difference recorded as goodwill. Goodwill generated from the acquisition is attributable to expected synergies from future growth and potential future monetization opportunities. Goodwill related to the purchase of Validus assigned to our General Insurance operating segments was $1.8 billion for North America and $157 million for International.

In addition, Validus participates in the market for insurance-linked securities (ILS) primarily through AlphaCat Managers, Ltd (AlphaCat Manager). AlphaCat Manager is an asset manager primarily for third party investors and in connection with the issuance of ILS invests in AlphaCat funds which are considered variable interest entities (VIEs). ILS are financial instruments for which the values are determined based on insurance losses caused primarily by natural catastrophes such as major earthquakes and hurricanes. We report the investment in AlphaCat funds, which is approximately $124 million at March 31, 2019, in Other Invested Assets in the Condensed Consolidated Balance Sheet.

The following unaudited summarized pro forma consolidated income statement information assumes that the acquisition of Validus occurred as of January 1, 2018. The pro forma amounts are for comparative purposes only and may not necessarily reflect the results of operations that would have resulted had the acquisition been completed at the beginning of the applicable period and may not be indicative of the results that will be attained in the future.

	Three Months Ended March 31,	
(in millions)	**2019**	2018*
Total revenues	**$ 12,456**	$ 12,242
Net income	**937**	951
Net income attributable to AIG	**654**	940
Income per common share attributable to AIG:		
Basic:		
Net income attributable to AIG	**0.75**	1.04
Diluted:		
Net income attributable to AIG	**0.75**	1.02

* Pro forma adjustments were made to Validus external reporting results prior to the acquisition date for the deconsolidation of certain asset management entities consistent with AIG's post acquisition accounting, which had no impact on Net income attributable to Validus.

5. Fair Value Measurements

FAIR VALUE MEASUREMENTS ON A RECURRING BASIS

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

- **Level 1:** Fair value measurements based on quoted prices (unadjusted) in active markets that we have the ability to access for identical assets or liabilities. Market price data generally is obtained from exchange or dealer markets. We do not adjust the quoted price for such instruments.
- **Level 2:** Fair value measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals.
- **Level 3:** Fair value measurements based on valuation techniques that use significant inputs that are unobservable. Both observable and unobservable inputs may be used to determine the fair values of positions classified in Level 3. The circumstances for using these measurements include those in which there is little, if any, market activity for the asset or liability. Therefore, we must make certain assumptions about the inputs a hypothetical market participant would use to value that asset or liability.

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

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS

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

March 31, 2019 *(in millions)*	Level 1	Level 2	Level 3	Counterparty Netting[(a)]	Cash Collateral	Total
Assets:						
Bonds available for sale:						
U.S. government and government sponsored entities	$ -	$ 3,401	$ -	$ -	$ -	$ 3,401
Obligations of states, municipalities and political subdivisions	-	13,786	2,136	-	-	15,922
Non-U.S. governments	15	15,256	3	-	-	15,274
Corporate debt	-	137,141	1,532	-	-	138,673
RMBS	-	19,959	14,045	-	-	34,004
CMBS	-	12,269	892	-	-	13,161
CDO/ABS	-	8,926	8,840	-	-	17,766
Total bonds available for sale	15	210,738	27,448	-	-	238,201
Other bond securities:						
U.S. government and government sponsored entities	84	2,696	-	-	-	2,780
Non-U.S. governments	-	51	-	-	-	51
Corporate debt	-	1,745	-	-	-	1,745
RMBS	-	491	1,266	-	-	1,757
CMBS	-	315	84	-	-	399
CDO/ABS	-	530	4,249	-	-	4,779
Total other bond securities	84	5,828	5,599	-	-	11,511
Equity securities	804	11	26	-	-	841
Other invested assets[(b)]	-	86	591	-	-	677
Derivative assets:						
Interest rate contracts	4	2,660	-	-	-	2,664
Foreign exchange contracts	-	1,106	1	-	-	1,107
Equity contracts	55	330	103	-	-	488
Credit contracts	-	-	1	-	-	1
Other contracts	-	-	13	-	-	13
Counterparty netting and cash collateral	-	-	-	(1,647)	(1,734)	(3,381)
Total derivative assets	59	4,096	118	(1,647)	(1,734)	892
Short-term investments	1,993	2,047	-	-	-	4,040
Separate account assets	84,260	4,558	-	-	-	88,818
Other assets	-	-	59	-	-	59
Total	$ 87,215	$ 227,364	$ 33,841	$ (1,647)	$ (1,734)	$ 345,039
Liabilities:						
Policyholder contract deposits	$ -	$ -	$ 4,878	$ -	$ -	$ 4,878
Derivative liabilities:						
Interest rate contracts	-	1,905	15	-	-	1,920
Foreign exchange contracts	-	850	-	-	-	850
Equity contracts	12	32	7	-	-	51
Credit contracts	-	17	223	-	-	240
Other contracts	-	-	5	-	-	5
Counterparty netting and cash collateral	-	-	-	(1,647)	(188)	(1,835)
Total derivative liabilities	12	2,804	250	(1,647)	(188)	1,231
Long-term debt	-	2,263	-	-	-	2,263
Other liabilities	105	85	-	-	-	190
Total	$ 117	$ 5,152	$ 5,128	$ (1,647)	$ (188)	$ 8,562

December 31, 2018 *(in millions)*	Level 1	Level 2	Level 3	Counterparty Netting[a]	Cash Collateral	Total
Assets:						
Bonds available for sale:						
U.S. government and government sponsored entities	$ 53	$ 3,207	$ -	$ -	$ -	$ 3,260
Obligations of states, municipalities and political subdivisions	-	14,001	2,000	-	-	16,001
Non-U.S. governments	69	14,445	11	-	-	14,525
Corporate debt	-	129,836	864	-	-	130,700
RMBS	-	20,178	14,199	-	-	34,377
CMBS	-	11,784	917	-	-	12,701
CDO/ABS	-	8,725	9,102	-	-	17,827
Total bonds available for sale	122	202,176	27,093	-	-	229,391
Other bond securities:						
U.S. government and government sponsored entities	11	2,654	-	-	-	2,665
Non-U.S. governments	-	45	-	-	-	45
Corporate debt	-	1,671	-	-	-	1,671
RMBS	-	424	1,290	-	-	1,714
CMBS	-	311	77	-	-	388
CDO/ABS	-	454	4,478	-	-	4,932
Total other bond securities	11	5,559	5,845	-	-	11,415
Equity securities	1,213	13	27	-	-	1,253
Other invested assets[b]	-	341	587	-	-	928
Derivative assets:						
Interest rate contracts	2	2,888	-	-	-	2,890
Foreign exchange contracts	-	1,159	5	-	-	1,164
Equity contracts	133	190	75	-	-	398
Credit contracts	-	-	1	-	-	1
Other contracts	-	-	15	-	-	15
Counterparty netting and cash collateral	-	-	-	(1,713)	(1,840)	(3,553)
Total derivative assets	135	4,237	96	(1,713)	(1,840)	915
Short-term investments	2,416	599	-	-	-	3,015
Separate account assets	77,202	4,645	-	-	-	81,847
Other assets	-	-	58	-	-	58
Total	$ 81,099	$ 217,570	$ 33,706	$ (1,713)	$ (1,840)	$ 328,822
Liabilities:						
Policyholder contract deposits	$ -	$ -	$ 4,116	$ -	$ -	$ 4,116
Derivative liabilities:						
Interest rate contracts	4	2,004	15	-	-	2,023
Foreign exchange contracts	-	858	-	-	-	858
Equity contracts	12	3	-	-	-	15
Credit contracts	-	8	228	-	-	236
Other contracts	-	-	6	-	-	6
Counterparty netting and cash collateral	-	-	-	(1,713)	(187)	(1,900)
Total derivative liabilities	16	2,873	249	(1,713)	(187)	1,238
Long-term debt	-	2,213	-	-	-	2,213
Other liabilities	16	11	-	-	-	27
Total	$ 32	$ 5,097	$ 4,365	$ (1,713)	$ (187)	$ 7,594

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

(b) Excludes investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent), which totaled $5.1 billion and $5.0 billion as of March 31, 2019 and December 31, 2018, respectively.

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, 2019 and 2018, we transferred $62 million and $16 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 periods ended March 31, 2019 and 2018, we transferred $51 million and $191 million, respectively, of securities issued by the U.S. government and government sponsored entities from Level 1 to Level 2. We had no material transfers from Level 2 to Level 1 during the three-month periods ended March 31, 2019 and 2018.

CHANGES IN LEVEL 3 RECURRING FAIR VALUE MEASUREMENTS

The following tables present changes during the three-month periods ended March 31, 2019 and 2018 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, 2019 and 2018:

(in millions)	Fair Value Beginning of Period	Net Realized and Unrealized Gains (Losses) Included in Income	Other Comprehensive Income (Loss)	Purchases, Sales, Issuances and Settlements, Net	Gross Transfers In	Gross Transfers Out	Fair Value End of Period	Changes in Unrealized Gains (Losses) Included in Income on Instruments Held at End of Period
Three Months Ended March 31, 2019								
Assets:								
Bonds available for sale:								
Obligations of states, municipalities and political subdivisions	$ 2,000	$ (1)	$ 97	$ 24	$ 29	$ (13)	$ 2,136	$ -
Non-U.S. governments	11	-	-	(4)	-	(4)	3	-
Corporate debt	864	(3)	38	34	654	(55)	1,532	-
RMBS	14,199	227	24	(412)	23	(16)	14,045	-
CMBS	917	1	17	146	-	(189)	892	-
CDO/ABS	9,102	4	54	(45)	92	(367)	8,840	-
Total bonds available for sale	27,093	228	230	(257)	798	(644)	27,448	-
Other bond securities:								
Corporate debt	-	-	-	-	-	-	-	-
RMBS	1,290	17	-	(41)	-	-	1,266	-
CMBS	77	4	-	3	-	-	84	3
CDO/ABS	4,478	68	-	(201)	-	(96)	4,249	24
Total other bond securities	5,845	89	-	(239)	-	(96)	5,599	27
Equity securities	27	-	-	-	-	(1)	26	-
Mortgage and other loans receivable	-	-	-	-	-	-	-	-
Other invested assets	587	-	-	4	-	-	591	2
Other assets	58	-	-	1	-	-	59	-
Total	$ 33,610	$ 317	$ 230	$ (491)	$ 798	$ (741)	$ 33,723	$ 29

(in millions)	Fair Value Beginning of Period	Net Realized and Unrealized (Gains) Losses Included in Income	Other Comprehensive Income (Loss)	Purchases, Sales, Issuances and Settlements, Net	Gross Transfers In	Gross Transfers Out	Fair Value End of Period	Changes in Unrealized Gains (Losses) Included in Income on Instruments Held at End of Period
Liabilities:								
Policyholder contract deposits	$ 4,116	$ 569	$ -	$ 193	$ -	$ -	$ 4,878	$ (521)
Derivative liabilities, net:								
Interest rate contracts	15	1	-	(1)	-	-	15	(1)
Foreign exchange contracts	(5)	(5)	-	9	-	-	(1)	(1)
Equity contracts	(75)	(16)	-	(5)	-	-	(96)	19
Credit contracts	227	(3)	-	(2)	-	-	222	4
Other contracts	(9)	(17)	-	18	-	-	(8)	17
Total derivative liabilities, net[a]	153	(40)	-	19	-	-	132	38
Total	$ 4,269	$ 529	$ -	$ 212	$ -	$ -	$ 5,010	$ (483)

(in millions)	Fair Value Beginning of Period	Net Realized and Unrealized Gains (Losses) Included in Income	Other Comprehensive Income (Loss)	Purchases, Sales, Issuances and Settlements, Net	Gross Transfers In	Gross Transfers Out	Fair Value End of Period	Changes in Unrealized Gains (Losses) Included in Income on Instruments Held at End of Period
Three Months Ended March 31, 2018								
Assets:								
Bonds available for sale:								
Obligations of states, municipalities and political subdivisions	$ 2,404	$ 1	$ (75)	$ (69)	$ -	$ -	$ 2,261	$ -
Non-U.S. governments	8	(4)	4	1	-	-	9	-
Corporate debt	1,173	(57)	10	248	565	(68)	1,871	-
RMBS	16,136	266	5	(536)	-	(32)	15,839	-
CMBS	624	6	(17)	(23)	-	(6)	584	-
CDO/ABS	8,651	8	(88)	(710)	-	(15)	7,846	-
Total bonds available for sale	28,996	220	(161)	(1,089)	565	(121)	28,410	-
Other bond securities:								
Corporate debt	18	1	-	-	-	-	19	-
RMBS	1,464	39	-	(76)	-	-	1,427	51
CMBS	74	(1)	-	(1)	1	-	73	(1)
CDO/ABS	4,956	89	-	(260)	-	(9)	4,776	8
Total other bond securities	6,512	128	-	(337)	1	(9)	6,295	58
Equity securities	-	-	-	3	-	-	3	2
Mortgage and other loans receivable	5	-	-	(5)	-	-	-	-
Other invested assets	250	23	1	18	-	-	292	30
Other assets	-	-	-	-	-	-	-	-
Total	$ 35,763	$ 371	$ (160)	$ (1,410)	$ 566	$ (130)	$ 35,000	$ 90

(in millions)	Fair Value Beginning of Period	Net Realized and Unrealized (Gains) Losses Included in Income	Other Comprehensive Income (Loss)	Purchases, Sales, Issuances and Settlements, Net	Gross Transfers In	Gross Transfers Out	Fair Value End of Period	Changes in Unrealized Gains (Losses) Included in Income on Instruments Held at End of Period
Liabilities:								
Policyholder contract deposits	$ 4,136	$ (506)	$ -	$ 66	$ -	$ -	$ 3,696	$ 604
Derivative liabilities, net:								
Interest rate contracts	22	(3)	-	(2)	-	-	17	3
Foreign exchange contracts	-	(10)	-	11	-	-	1	3
Equity contracts	(82)	4	-	-	-	-	(78)	(4)
Credit contracts	262	(10)	-	(2)	-	-	250	10
Other contracts	(15)	(17)	-	20	-	-	(12)	17
Total derivative liabilities, net[(a)]	187	(36)	-	27	-	-	178	29
Total	$ 4,323	$ (542)	$ -	$ 93	$ -	$ -	$ 3,874	$ 633

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

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

(in millions)	Net Investment Income	Net Realized Capital Gains (Losses)	Other Income	Total
Three Months Ended March 31, 2019				
Assets:				
Bonds available for sale	**$ 242**	**$ (14)**	**$ -**	**$ 228**
Other bond securities	**87**	**2**	**-**	**89**
Other invested assets	**-**	**-**	**-**	**-**
Three Months Ended March 31, 2018				
Assets:				
Bonds available for sale	$ 282	$ (62)	$ -	$ 220
Other bond securities	23	(4)	109	128
Other invested assets	25	-	(2)	23

(in millions)	Net Investment Income	Net Realized Capital (Gains) Losses	Other Income	Total
Three Months Ended March 31, 2019				
Liabilities:				
Policyholder contract deposits	**$ -**	**$ 569**	**$ -**	**$ 569**
Derivative liabilities, net	**-**	**(24)**	**(16)**	**(40)**
Three Months Ended March 31, 2018				
Liabilities:				
Policyholder contract deposits	$ -	$ (506)	$ -	$ (506)
Derivative liabilities, net	-	1	(37)	(36)

The following table presents the gross components of purchases, sales, issuances and settlements, net, shown above, for the three-month periods ended March 31, 2019 and 2018 related to Level 3 assets and liabilities in the Condensed Consolidated Balance Sheets:

(in millions)	Purchases	Sales	Issuances and Settlements[(a)]	Purchases, Sales, Issuances and Settlements, Net[(a)]
Three Months Ended March 31, 2019				
Assets:				
Bonds available for sale:				
Obligations of states, municipalities and political subdivisions	**$ 47**	**$ (15)**	**$ (8)**	**$ 24**
Non-U.S. governments	**-**	**-**	**(4)**	**(4)**
Corporate debt	**49**	**-**	**(15)**	**34**
RMBS	**307**	**(26)**	**(693)**	**(412)**
CMBS	**184**	**-**	**(38)**	**146**
CDO/ABS	**198**	**(156)**	**(87)**	**(45)**
Total bonds available for sale	**785**	**(197)**	**(845)**	**(257)**
Other bond securities:				
RMBS	**-**	**-**	**(41)**	**(41)**
CMBS	**4**	**-**	**(1)**	**3**
CDO/ABS	**-**	**-**	**(201)**	**(201)**
Total other bond securities	**4**	**-**	**(243)**	**(239)**
Equity securities	**-**	**-**	**-**	**-**
Mortgage and other loans receivable	**-**	**-**	**-**	**-**
Other invested assets	**4**	**-**	**-**	**4**
Other assets	**-**	**-**	**1**	**1**
Total assets	**$ 793**	**$ (197)**	**$ (1,087)**	**$ (491)**
Liabilities:				
Policyholder contract deposits	**$ -**	**$ 173**	**$ 20**	**$ 193**
Derivative liabilities, net	**(13)**	**-**	**32**	**19**
Total liabilities	**$ (13)**	**$ 173**	**$ 52**	**$ 212**
Three Months Ended March 31, 2018				
Assets:				
Bonds available for sale:				
Obligations of states, municipalities and political subdivisions	$ 15	$ -	$ (84)	$ (69)
Non-U.S. governments	2	-	(1)	1
Corporate debt	254	(3)	(3)	248
RMBS	233	(5)	(764)	(536)
CMBS	12	-	(35)	(23)
CDO/ABS	495	(851)	(354)	(710)
Total bonds available for sale	1,011	(859)	(1,241)	(1,089)
Other bond securities:				
RMBS	1	(5)	(72)	(76)
CMBS	-	-	(1)	(1)
CDO/ABS	-	(4)	(256)	(260)
Total other bond securities	1	(9)	(329)	(337)
Equity securities	3	-	-	3
Mortgage and other loans receivable	-	(5)	-	(5)
Other invested assets	22	-	(4)	18
Total assets	$ 1,037	$ (873)	$ (1,574)	$ (1,410)
Liabilities:				
Policyholder contract deposits	$ -	$ 112	$ (46)	$ 66
Derivative liabilities, net	(7)	-	34	27
Total liabilities	$ (7)	$ 112	$ (12)	$ 93

(a) There were no issuances during the three-month periods ended March 31, 2019 and 2018, respectively.

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, 2019 and 2018 may include changes in fair value that were attributable to both observable (e.g., changes in market interest rates) and unobservable inputs (e.g., changes in unobservable long-dated volatilities).

Transfers of Level 3 Assets and Liabilities

We record transfers of assets and liabilities into or out of Level 3 classification at their fair values as of the end of each reporting period, consistent with the date of the determination of fair value. The Net realized and unrealized gains (losses) included in income or Other comprehensive income (loss) as shown in the table above excludes $55 million and $24 million of net losses related to assets and liabilities transferred into Level 3 during the three-month periods ended March 31, 2019 and 2018, respectively, and includes $1 million of net losses related to assets and liabilities transferred out of Level 3 in the three-month period ended March 31, 2019.

Transfers of Level 3 Assets

During the three-month periods ended March 31, 2019 and 2018, transfers into Level 3 assets primarily included certain investments in private placement corporate debt, RMBS, CMBS 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, CMBS 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, 2019 and 2018, transfers out of Level 3 assets primarily included private placement and other corporate debt, CMBS, RMBS, CDO/ABS and certain investments in municipal securities. Transfers of certain investments in 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, 2019 and 2018.

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, 2019	Valuation Technique	Unobservable Input[b]	Range (Weighted Average)
Assets:				
Obligations of states, municipalities and political subdivisions	$ 1,590	Discounted cash flow	Yield	3.59% - 4.58% (4.08%)
Corporate debt	530	Discounted cash flow	Yield	4.23% - 6.09% (5.16%)
RMBS[a]	13,243	Discounted cash flow	Constant prepayment rate	3.63% - 12.64% (8.13%)
			Loss severity	38.94% - 75.51% (57.22%)
			Constant default rate	2.17% - 7.14% (4.65%)
			Yield	2.96% - 5.07% (4.01%)
CDO/ABS[a]	4,554	Discounted cash flow	Yield	3.45% - 5.21% (4.33%)
CMBS	484	Discounted cash flow	Yield	2.81% - 5.81% (4.31%)
Liabilities:				
Embedded derivatives within Policyholder contract deposits:				
Guaranteed minimum withdrawal benefits (GMWB)	2,023	Discounted cash flow	Equity volatility	5.85% - 46.25%
			Base lapse rate	0.16% - 12.60%
			Dynamic lapse multiplier	20.00% - 180.00%
			Mortality multiplier[c]	40.00% - 153.00%
			Utilization	90.00% - 100.00%
			Equity / interest-rate correlation	20.00% - 40.00%
Index Annuities	2,382	Discounted cash flow	Lapse rate	0.50% - 40.00%
			Mortality multiplier[c]	42.00% - 162.00%
			Option Budget	1.00% - 4.00%
Indexed Life	448	Discounted cash flow	Base lapse rate	0.00% - 13.00%
			Mortality rate	0.00% - 100.00%

(in millions)	Fair Value at December 31, 2018	Valuation Technique	Unobservable Input[b]	Range (Weighted Average)
Assets:				
Obligations of states, municipalities and political subdivisions	$ 1,473	Discounted cash flow	Yield	3.91% - 5.00% (4.46%)
Corporate debt	445	Discounted cash flow	Yield	4.35% - 5.99% (5.17%)
RMBS[a]	13,608	Discounted cash flow	Constant prepayment rate	4.58% - 14.00% (9.29%)
			Loss severity	39.66% - 74.40% (57.03%)
			Constant default rate	2.46% - 7.39% (4.92%)
			Yield	3.31% - 5.50% (4.40%)
CDO/ABS[a]	5,461	Discounted cash flow	Yield	3.65% - 5.10% (4.37%)
CMBS	447	Discounted cash flow	Yield	3.29% - 6.07% (4.68%)
Liabilities:				
Embedded derivatives within Policyholder contract deposits:				
GMWB	1,943	Discounted cash flow	Equity volatility	6.05% - 47.65%
			Base lapse rate	0.16% - 12.60%
			Dynamic lapse multiplier	20.00% - 180.00%
			Mortality multiplier[c]	40.00% - 153.00%
			Utilization	90.00% - 100.00%
			Equity / interest-rate correlation	20.00% - 40.00%
Index Annuities	1,778	Discounted cash flow	Lapse rate	0.50% - 40.00%
			Mortality multiplier[c]	42.00% - 162.00%
			Option Budget	1.00% - 3.00%
Indexed Life	374	Discounted cash flow	Base lapse rate	0.00% - 13.00%
			Mortality rate	0.00% - 100.00%

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

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

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

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

Sensitivity to Changes in Unobservable Inputs

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

Obligations of States, Municipalities and Political Subdivisions

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

Corporate Debt

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

RMBS and CDO/ABS

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

CMBS

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

Embedded derivatives within Policyholder contract deposits

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

- Long-term equity volatilities represent equity volatility beyond the period for which observable equity volatilities are available. Increases in assumed volatility will generally increase the fair value of both the projected cash flows from rider fees as well as the projected cash flows related to benefit payments. Therefore, the net change in the fair value of the liability may be either a decrease or an increase, depending on the relative changes in projected rider fees and projected benefit payments.
- Equity / interest rate correlation estimates the relationship between changes in equity returns and interest rates in the economic scenario generator used to value our GMWB embedded derivatives. In general, a higher positive correlation assumes that equity markets and interest rates move in a more correlated fashion, which generally increases the fair value of the liability.
- Base lapse rate assumptions are determined by company experience and are adjusted at the contract level using a dynamic lapse function, which reduces the base lapse rate when the contract is in-the-money (when the contract holder’s guaranteed value, as estimated by the company, is worth more than their underlying account value). Lapse rates are also generally assumed to be lower in periods when a surrender charge applies. Increases in assumed lapse rates will generally decrease the fair value of the liability, as fewer policyholders would persist to collect guaranteed withdrawal amounts.
- Mortality rate assumptions, which vary by age and gender, are based on company experience and include a mortality improvement assumption. Increases in assumed mortality rates will decrease the fair value of the liability, while lower mortality rate assumptions will generally increase the fair value of the liability, because guaranteed payments will be made for a longer period of time.

- Utilization assumptions estimate the timing when policyholders with a GMWB will elect to utilize their benefit and begin taking withdrawals. The assumptions may vary by the type of guarantee, tax-qualified status, the contract's withdrawal history and the age of the policyholder. Utilization assumptions are based on company experience, which includes partial withdrawal behavior. Increases in assumed utilization rates will generally increase the fair value of the liability.
- Option budget estimates the expected long-term cost of options used to hedge exposures associated with equity price changes. The level of option budgets determines future costs of the options, which impacts the growth in account value and the valuation of embedded derivatives.

INVESTMENTS IN CERTAIN ENTITIES CARRIED AT FAIR VALUE USING NET ASSET VALUE PER SHARE

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

(in millions)	Investment Category Includes	March 31, 2019 Fair Value Using NAV Per Share (or its equivalent)	March 31, 2019 Unfunded Commitments	December 31, 2018 Fair Value Using NAV Per Share (or its equivalent)	December 31, 2018 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	**$ 970**	**$ 1,378**	$ 847	$ 1,327
Real Estate / Infrastructure	Investments in real estate properties and infrastructure positions, including power plants and other energy generating facilities	**232**	**179**	190	83
Venture capital	Early-stage, high-potential, growth companies expected to generate a return through an eventual realization event, such as an initial public offering or sale of the company	**130**	**116**	126	127
Growth Equity	Funds that make investments in established companies for the purpose of growing their businesses	**371**	**29**	362	28
Mezzanine	Funds that make investments in the junior debt and equity securities of leveraged companies	**218**	**97**	211	75
Other	Includes distressed funds that invest in securities of companies that are in default or under bankruptcy protection, as well as funds that have multi-strategy, and other strategies	**623**	**285**	514	307
Total private equity funds		**2,544**	**2,084**	2,250	1,947
Hedge funds:					
Event-driven	Securities of companies undergoing material structural changes, including mergers, acquisitions and other reorganizations	**815**	**-**	787	-
Long-short	Securities that the manager believes are undervalued, with corresponding short positions to hedge market risk	**725**	**-**	863	-
Macro	Investments that take long and short positions in financial instruments based on a top-down view of certain economic and capital market conditions	**820**	**-**	887	-
Distressed	Securities of companies that are in default, under bankruptcy protection or troubled	**18**	**-**	21	8
Other	Includes investments held in funds that are less liquid, as well as other strategies which allow for broader allocation between public and private investments	**160**	**1**	158	1
Total hedge funds		**2,538**	**1**	2,716	9
Total		**$ 5,082**	**$ 2,085**	$ 4,966	$ 1,956

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, 2019, assuming average original expected lives of 10 years for the funds, 19 percent of the total fair value using net asset value per share (or its equivalent) presented above would have expected remaining lives of three years or less, 43 percent between four and six years and 38 percent between seven and 10 years.

The hedge fund investments included above, which are carried at fair value, are generally redeemable monthly (35 percent), quarterly (29 percent), semi-annually (10 percent) and annually (26 percent), with redemption notices ranging from one day to 180 days. At March 31, 2019, investments representing approximately 56 percent of the total fair value of these hedge fund investments had partial contractual redemption restrictions. These partial redemption restrictions are generally related to one or more investments held in the hedge funds that the fund manager deemed to be illiquid. The majority of these contractual restrictions, which may have been put in place at the fund's inception or thereafter, have pre-defined end dates. The majority of these restrictions are generally expected to be lifted by the end of 2019.

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)	**2019**	2018
Assets:		
Bond and equity securities	**$ 355**	$ 23
Alternative investments[(a)]	**230**	128
Liabilities:		
Long-term debt[(b)]	**(60)**	52
Total gain	**$ 525**	$ 203

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

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

As a result of the adoption of the Financial Instruments Recognition and Measurement Standard on January 1, 2018, we are required to record unrealized gains and losses attributable to the observable effect of changes in credit spreads on our liabilities for which the fair value option was elected in Other Comprehensive Income. 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, 2019			December 31, 2018		
(in millions)	Fair Value	Outstanding Principal Amount	Difference	Fair Value	Outstanding Principal Amount	Difference
Liabilities:						
Long-term debt*	**$ 2,263**	**$ 1,685**	**$ 578**	$ 2,213	$ 1,653	$ 560

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

FAIR VALUE MEASUREMENTS ON A NON-RECURRING BASIS

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

	Assets at Fair Value Non-Recurring Basis				Impairment Charges Three Months Ended March 31,	
(in millions)	Level 1	Level 2	Level 3	Total	**2019**	2018
March 31, 2019						
Other investments	$ -	$ -	$ 207	$ 207	$ 41	$ 28
Other assets	-	-	1	1	8	-
Total	$ -	$ -	$ 208	$ 208	$ 49	$ 28
December 31, 2018						
Other investments	$ -	$ -	$ 315	$ 315		
Other assets	-	-	11	11		
Total	$ -	$ -	$ 326	$ 326		

FAIR VALUE INFORMATION ABOUT FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

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

	Estimated Fair Value				Carrying
(in millions)	Level 1	Level 2	Level 3	Total	Value
March 31, 2019					
Assets:					
Mortgage and other loans receivable	$ -	$ 107	$ 44,870	$ 44,977	$ 43,834
Other invested assets	-	699	6	705	705
Short-term investments	-	7,093	-	7,093	7,093
Cash	2,565	-	-	2,565	2,565
Other assets	348	15	-	363	363
Liabilities:					
Policyholder contract deposits associated with investment-type contracts	-	337	119,312	119,649	122,616
Other liabilities	-	1,606	-	1,606	1,606
Long-term debt	1,044	24,384	8,432	33,860	33,513
December 31, 2018					
Assets:					
Mortgage and other loans receivable	$ -	$ 105	$ 43,522	$ 43,627	$ 43,135
Other invested assets	-	731	6	737	737
Short-term investments	-	6,659	-	6,659	6,659
Cash	2,873	-	-	2,873	2,873
Other assets	308	35	-	343	343
Liabilities:					
Policyholder contract deposits associated with investment-type contracts	-	339	121,035	121,374	120,602
Other liabilities	-	1,154	-	1,154	1,154
Long-term debt	-	22,822	8,775	31,597	32,327

6. Investments

SECURITIES AVAILABLE FOR SALE

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

(in millions)	Amortized Cost or Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Other-Than-Temporary Impairments in AOCI[(a)]
March 31, 2019					
Bonds available for sale:					
U.S. government and government sponsored entities	**$ 3,267**	**$ 151**	**$ (17)**	**$ 3,401**	**$ -**
Obligations of states, municipalities and political subdivisions	**14,952**	**1,013**	**(43)**	**15,922**	**-**
Non-U.S. governments	**14,799**	**600**	**(125)**	**15,274**	**-**
Corporate debt	**133,768**	**6,314**	**(1,409)**	**138,673**	**(24)**
Mortgage-backed, asset-backed and collateralized:					
RMBS	**31,324**	**2,871**	**(191)**	**34,004**	**1,171**
CMBS	**12,895**	**355**	**(89)**	**13,161**	**31**
CDO/ABS	**17,603**	**287**	**(124)**	**17,766**	**17**
Total mortgage-backed, asset-backed and collateralized	**61,822**	**3,513**	**(404)**	**64,931**	**1,219**
Total bonds available for sale[(b)]	**$ 228,608**	**$ 11,591**	**$ (1,998)**	**$ 238,201**	**$ 1,195**
December 31, 2018					
Bonds available for sale:					
U.S. government and government sponsored entities	$ 3,170	$ 132	$ (42)	$ 3,260	$ -
Obligations of states, municipalities and political subdivisions	15,421	701	(121)	16,001	4
Non-U.S. governments	14,376	451	(302)	14,525	-
Corporate debt	130,436	3,911	(3,647)	130,700	4
Mortgage-backed, asset-backed and collateralized:					
RMBS	31,940	2,754	(317)	34,377	1,155
CMBS	12,673	242	(214)	12,701	31
CDO/ABS	17,764	228	(165)	17,827	17
Total mortgage-backed, asset-backed and collateralized	62,377	3,224	(696)	64,905	1,203
Total bonds available for sale[(b)]	$ 225,780	$ 8,419	$ (4,808)	$ 229,391	$ 1,211

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

(b) At March 31, 2019 and December 31, 2018, bonds available for sale held by us that were below investment grade or not rated totaled $29.1 billion and $28.8 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	Gross Unrealized Losses
March 31, 2019						
Bonds available for sale:						
U.S. government and government sponsored entities	**$ 508**	**$ 10**	**$ 356**	**$ 7**	**$ 864**	**$ 17**
Obligations of states, municipalities and political subdivisions	**331**	**8**	**935**	**35**	**1,266**	**43**
Non-U.S. governments	**2,642**	**52**	**1,635**	**73**	**4,277**	**125**
Corporate debt	**16,010**	**520**	**21,874**	**889**	**37,884**	**1,409**
RMBS	**4,715**	**73**	**3,800**	**118**	**8,515**	**191**
CMBS	**1,524**	**20**	**2,796**	**69**	**4,320**	**89**
CDO/ABS	**7,121**	**99**	**1,554**	**25**	**8,675**	**124**
Total bonds available for sale	**$ 32,851**	**$ 782**	**$ 32,950**	**$ 1,216**	**$ 65,801**	**$ 1,998**
December 31, 2018						
Bonds available for sale:						
U.S. government and government sponsored entities	$ 574	$ 13	$ 873	$ 29	$ 1,447	$ 42
Obligations of states, municipalities and political subdivisions	1,965	51	1,530	70	3,495	121
Non-U.S. governments	3,851	149	2,422	153	6,273	302
Corporate debt	47,364	2,181	20,056	1,466	67,420	3,647
RMBS	5,231	94	5,641	223	10,872	317
CMBS	2,646	47	4,264	167	6,910	214
CDO/ABS	9,169	144	1,324	21	10,493	165
Total bonds available for sale	$ 70,800	$ 2,679	$ 36,110	$ 2,129	$ 106,910	$ 4,808

At March 31, 2019, we held 10,388 individual fixed maturity securities that were in an unrealized loss position, of which 4,656 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, 2019 because we neither intend to sell the securities nor do we believe that it is more likely than not that we will be required to sell these securities before recovery of their amortized cost basis. For fixed maturity securities with significant declines, we performed fundamental credit analyses on a security-by-security basis, which included consideration of credit enhancements, expected defaults on underlying collateral, review of relevant industry analyst reports and forecasts and other available market data.

Contractual Maturities of Fixed Maturity Securities Available for Sale

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

	Total Fixed Maturity Securities Available for Sale		Fixed Maturity Securities in a Loss Position Available for Sale	
(in millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
March 31, 2019				
Due in one year or less	**$ 10,113**	**$ 10,263**	**$ 2,009**	**$ 1,978**
Due after one year through five years	**46,478**	**47,484**	**11,419**	**11,088**
Due after five years through ten years	**44,185**	**45,355**	**15,183**	**14,787**
Due after ten years	**66,010**	**70,168**	**17,274**	**16,438**
Mortgage-backed, asset-backed and collateralized	**61,822**	**64,931**	**21,914**	**21,510**
Total	**$ 228,608**	**$ 238,201**	**$ 67,799**	**$ 65,801**
December 31, 2018				
Due in one year or less	$ 9,539	$ 9,674	$ 2,322	$ 2,294
Due after one year through five years	47,400	47,905	17,382	16,844
Due after five years through ten years	42,363	42,045	27,724	26,517
Due after ten years	64,101	64,862	35,319	32,980
Mortgage-backed, asset-backed and collateralized	62,377	64,905	28,971	28,275
Total	$ 225,780	$ 229,391	$ 111,718	$ 106,910

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,	**2019**		2018	
(in millions)	Gross Realized Gains	Gross Realized Losses	Gross Realized Gains	Gross Realized Losses
Fixed maturity securities	**$ 93**	**$ 124**	$ 70	$ 60
Equity securities	**-**	**-**	16	-
Total	**$ 93**	**$ 124**	$ 86	$ 60

For the three-month periods ended March 31, 2019 and 2018, the aggregate fair value of available for sale securities sold was $6.4 billion and $5.5 billion, respectively, which resulted in net realized capital gains (losses) of $(31) million and $26 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, 2019		December 31, 2018	
(in millions)	Fair Value	Percent of Total	Fair Value	Percent of Total
Fixed maturity securities:				
U.S. government and government sponsored entities	$ 2,780	23 %	$ 2,665	21 %
Non-U.S. governments	51	-	45	-
Corporate debt	1,745	14	1,671	13
Mortgage-backed, asset-backed and collateralized:				
RMBS	1,757	14	1,714	14
CMBS	399	3	388	3
CDO/ABS and other collateralized*	4,779	39	4,932	39
Total mortgage-backed, asset-backed and collateralized	6,935	56	7,034	56
Total fixed maturity securities	11,511	93	11,415	90
Equity securities	841	7	1,253	10
Total	$ 12,352	100 %	$ 12,668	100 %

* Includes $164 million and $178 million of U.S. government agency-backed ABS at March 31, 2019 and December 31, 2018, respectively.

OTHER INVESTED ASSETS

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

(in millions)	March 31, 2019	December 31, 2018
Alternative investments[(a) (b)]	$ 8,711	$ 8,966
Investment real estate[(c)]	9,204	8,935
All other investments	1,428	1,440
Total	$ 19,343	$ 19,341

(a) At March 31, 2019, included hedge funds of $3.9 billion, private equity funds of $4.4 billion, and affordable housing partnerships of $392 million. At December 31, 2018, included hedge funds of $4.2 billion, private equity funds of $4.3 billion, and affordable housing partnerships of $438 million.

(b) At March 31, 2019, approximately 72 percent of our hedge fund portfolio is available for redemption in 2019. The remaining 28 percent will be available for redemption between 2020 and 2027.

(c) Net of accumulated depreciation of $633 million and $598 million at March 31, 2019 and December 31, 2018, respectively.

NET INVESTMENT INCOME

The following table presents the components of Net investment income:

Three Months Ended March 31, *(in millions)*	2019	2018
Available for sale fixed maturity securities, including short-term investments	$ 2,653	$ 2,610
Other fixed maturity securities	327	(21)
Equity securities	79	(32)
Interest on mortgage and other loans	498	450
Alternative investments[(a)]	419	337
Real estate	69	31
Other investments	(52)	10
Total investment income	3,993	3,385
Investment expenses	114	124
Net investment income	$ 3,879	$ 3,261

(a) Includes income from hedge funds, private equity funds and affordable housing partnerships. Hedge funds are recorded as of the balance sheet date. Private equity funds are generally reported on a one-quarter lag.

NET REALIZED CAPITAL GAINS AND LOSSES

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

Three Months Ended March 31, (in millions)	2019	2018
Sales of fixed maturity securities	$ (31)	$ 10
Sales of equity securities	-	16
Other-than-temporary impairments:		
Change in intent	(3)	(49)
Foreign currency declines	(6)	(6)
Issuer-specific credit events	(71)	(32)
Adverse projected cash flows	(3)	-
Provision for loan losses	(24)	(24)
Foreign exchange transactions	(37)	53
Variable annuity embedded derivatives, net of related hedges	(261)	147
All other derivatives and hedge accounting	(72)	(225)
Other	62	91
Net realized capital losses	$ (446)	$ (19)

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)	2019	2018
Increase (decrease) in unrealized appreciation (depreciation) of investments:		
Fixed maturity securities	$ 5,982	$ (4,969)
Other investments	(69)	(25)
Total increase (decrease) in unrealized appreciation (depreciation) of investments	$ 5,913	$ (4,994)

The following table summarizes the unrealized gains and losses recognized in Net Investment Income during the reporting period on equity securities still held at the reporting date:

(in millions)	Equities	Other Invested Assets	Total
Three Months Ended March 31, 2019			
Net gains and losses recognized during the period on equity securities	$ 79	$ 239	$ 318
Less: Net gains and losses recognized during the period on equity securities sold during the period	19	10	29
Unrealized gains and losses recognized during the reporting period on equity securities still held at the reporting date	$ 60	$ 229	$ 289
Three Months Ended March 31, 2018			
Net gains and losses recognized during the period on equity securities	$ (31)	$ 192	$ 161
Less: Net gains and losses recognized during the period on equity securities sold during the period	(8)	(1)	(9)
Unrealized gains and losses recognized during the reporting period on equity securities still held at the reporting date	$ (23)	$ 193	$ 170

EVALUATING INVESTMENTS FOR OTHER-THAN-TEMPORARY IMPAIRMENTS

For a discussion of our policy for evaluating investments for other-than-temporary impairments see Note 6 to the Consolidated Financial Statements in the 2018 Annual Report.

Credit Impairments

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

Three Months Ended March 31, (in millions)	2019	2018
Balance, beginning of year	$ -	$ 526
Increases due to:		
Credit impairments on new securities subject to impairment losses	68	14
Additional credit impairments on previously impaired securities	6	17
Reductions due to:		
Credit impaired securities fully disposed for which there was no prior intent or requirement to sell	(21)	(51)
Accretion on securities previously impaired due to credit*	(53)	(148)
Balance, end of period	$ -	$ 358

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

Purchased Credit Impaired (PCI) Securities

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

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

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

(in millions)	At Date of Acquisition
Contractually required payments (principal and interest)	$ 36,385
Cash flows expected to be collected*	29,862
Recorded investment in acquired securities	20,156

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

(in millions)	March 31, 2019	December 31, 2018
Outstanding principal balance	$ 12,063	$ 12,495
Amortized cost	8,307	8,646
Fair value	9,973	10,280

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

Three Months Ended March 31, *(in millions)*	2019	2018
Balance, beginning of year	$ 7,210	$ 7,501
Newly purchased PCI securities	12	23
Accretion	(172)	(187)
Effect of changes in interest rate indices	(134)	206
Net reclassification from (to) non-accretable difference, including effects of prepayments	(115)	58
Balance, end of period	$ 6,801	$ 7,601

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, 2019	December 31, 2018
Fixed maturity securities available for sale	$ 1,503	$ 1,050
Other bond securities, at fair value	$ 184	$ 122

At March 31, 2019 and December 31, 2018, amounts borrowed under repurchase and securities lending agreements totaled $1.7 billion and $1.2 billion, respectively.

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

(in millions)	Overnight and Continuous	up to 30 days	31 - 90 days	91 - 364 days	365 days or greater	Total
	Remaining Contractual Maturity of the Agreements					
March 31, 2019						
Bonds available for sale:						
Non-U.S. governments	$ 41	$ -	$ -	$ -	$ -	$ 41
Corporate debt	46	7	-	-	-	53
Other bond securities:						
U.S. government and government sponsored entities	86	-	-	-	-	86
Non-U.S. governments	-	3	-	-	-	3
Corporate debt	-	63	32	-	-	95
Total	$ 173	$ 73	$ 32	$ -	$ -	$ 278
December 31, 2018						
Bonds available for sale:						
Non-U.S. governments	$ 25	$ 35	$ -	$ -	$ -	$ 60
Corporate debt	51	55	-	-	-	106
Other bond securities:						
U.S. government and government sponsored entities	11	-	-	-	-	11
Non-U.S. governments	-	3	-	-	-	3
Corporate debt	17	38	53	-	-	108
Total	$ 104	$ 131	$ 53	$ -	$ -	$ 288

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

(in millions)	Overnight and Continuous	up to 30 days	31 - 90 days	91 - 364 days	365 days or greater	Total
	Remaining Contractual Maturity of the Agreements					
March 31, 2019						
Bonds available for sale:						
Obligations of states, municipalities and political subdivisions	$ -	$ 77	$ 55	$ -	$ -	$ 132
Non-U.S. governments	-	19	23	-	-	42
Corporate debt	-	276	528	431	-	1,235
Total	$ -	$ 372	$ 606	$ 431	$ -	$ 1,409
December 31, 2018						
Bonds available for sale:						
Obligations of states, municipalities and political subdivisions	$ -	$ 50	$ 130	$ -	$ -	$ 180
Non-U.S. governments	-	21	8	-	-	29
Corporate debt	-	330	345	-	-	675
Total	$ -	$ 401	$ 483	$ -	$ -	$ 884

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

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

(in millions)	March 31, 2019	December 31, 2018
Securities collateral pledged to us	$ 1,374	$ 426
Amount sold or repledged by us	121	106

At March 31, 2019 and December 31, 2018, amounts loaned under reverse repurchase agreements totaled $1.4 billion and $426 million, respectively.

We do not currently offset any secured financing transactions. All such transactions are collateralized and margined daily consistent with market standards and subject to enforceable master netting arrangements with rights of set off.

Insurance – Statutory and Other Deposits

The total carrying value of cash and securities deposited by our insurance subsidiaries under requirements of regulatory authorities or other insurance-related arrangements, including certain annuity-related obligations and certain reinsurance treaties, was $8.2 billion and $7.9 billion at March 31, 2019 and December 31, 2018, 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 $185 million and $202 million of stock in FHLBs at March 31, 2019 and December 31, 2018, respectively. In addition, our subsidiaries have pledged securities available for sale and residential loans associated with borrowings and funding agreements from FHLBs, with a fair value of $4.6 billion and $2.1 billion, respectively, at March 31, 2019 and $4.2 billion and $2.1 billion, respectively, at December 31, 2018.

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 $1.6 billion at both March 31, 2019 and December 31, 2018, respectively. This collateral primarily consists of securities of the U.S. government and government sponsored entities and generally cannot be repledged or resold by the counterparties.

Investments held in escrow accounts or otherwise subject to restriction as to their use were $262 million and $273 million, comprised of bonds available for sale and short term investments at March 31, 2019 and December 31, 2018, respectively.

7. Lending Activities

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

(in millions)	March 31, 2019	December 31, 2018
Commercial mortgages*	$ 33,665	$ 32,882
Residential mortgages	6,500	6,532
Life insurance policy loans	2,124	2,147
Commercial loans, other loans and notes receivable	1,967	1,971
Total mortgage and other loans receivable	44,256	43,532
Allowance for credit losses	(422)	(397)
Mortgage and other loans receivable, net	$ 43,834	$ 43,135

* Commercial mortgages primarily represent loans for apartments, offices and retail properties, with exposures in New York and California representing the largest geographic concentrations (aggregating approximately 23 percent and 10 percent, respectively, at March 31, 2019, and 22 percent and 11 percent, respectively, at December 31, 2018).

CREDIT QUALITY OF COMMERCIAL MORTGAGES

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

	Debt Service Coverage Ratios[a]			
(in millions)	>1.20X	1.00X - 1.20X	<1.00X	Total
March 31, 2019				
Loan-to-Value Ratios[b]				
Less than 65%	$ 20,054	$ 2,274	$ 247	$ 22,575
65% to 75%	9,266	297	203	9,766
76% to 80%	838	20	20	878
Greater than 80%	244	96	106	446
Total commercial mortgages	$ 30,402	$ 2,687	$ 576	$ 33,665
December 31, 2018				
Loan-to-Value Ratios[b]				
Less than 65%	$ 19,204	$ 2,543	$ 250	$ 21,997
65% to 75%	9,060	300	203	9,563
76% to 80%	476	20	15	511
Greater than 80%	596	103	112	811
Total commercial mortgages	$ 29,336	$ 2,966	$ 580	$ 32,882

(a) The debt service coverage ratio compares a property's net operating income to its debt service payments, including principal and interest. Our weighted average debt service coverage ratio was 1.9X for both periods ended March 31, 2019 and December 31, 2018.

(b) The loan-to-value ratio compares the current unpaid principal balance of the loan to the estimated fair value of the underlying property collateralizing the loan. Our weighted average loan-to-value ratio was 58 percent for both periods ended March 31, 2019, and December 31, 2018.

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

(dollars in millions)	Number of Loans	Class: Apartments	Offices	Retail	Industrial	Hotel	Others	Total[(c)]	Percent of Total $
March 31, 2019									
Credit Quality Performance Indicator:									
In good standing	**762**	**$ 12,061**	**$ 9,797**	**$ 5,613**	**$ 2,989**	**$ 2,511**	**$ 584**	**$ 33,555**	**100 %**
Restructured[(a)]	**2**	**-**	**94**	**-**	**-**	**16**	**-**	**110**	**-**
90 days or less delinquent	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
>90 days delinquent or in process of foreclosure	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total[(b)]	**764**	**$ 12,061**	**$ 9,891**	**$ 5,613**	**$ 2,989**	**$ 2,527**	**$ 584**	**$ 33,665**	**100 %**
Allowance for credit losses:									
Specific		**$ -**	**$ 2**	**$ -**	**$ -**	**$ 1**	**$ -**	**$ 3**	**- %**
General		**126**	**104**	**51**	**12**	**20**	**7**	**320**	**1**
Total allowance for credit losses		**$ 126**	**$ 106**	**$ 51**	**$ 12**	**$ 21**	**$ 7**	**$ 323**	**1 %**
December 31, 2018									
Credit Quality Performance Indicator:									
In good standing	762	$ 11,190	$ 9,774	$ 5,645	$ 3,074	$ 2,507	$ 580	$ 32,770	100 %
Restructured[(a)]	2	-	96	-	-	16	-	112	-
90 days or less delinquent	-	-	-	-	-	-	-	-	-
>90 days delinquent or in process of foreclosure	-	-	-	-	-	-	-	-	-
Total[(b)]	764	$ 11,190	$ 9,870	$ 5,645	$ 3,074	$ 2,523	$ 580	$ 32,882	100 %
Allowance for credit losses:									
Specific		$ -	$ 2	$ -	$ -	$ 1	$ -	$ 3	- %
General		122	104	51	13	19	6	315	1
Total allowance for credit losses		$ 122	$ 106	$ 51	$ 13	$ 20	$ 6	$ 318	1 %

(a) Loans that have been modified in troubled debt restructurings and are performing according to their restructured terms. *For additional discussion of troubled debt restructurings see Note 7 to the Consolidated Financial Statements in the 2018 Annual Report.*

(b) Does not reflect allowance for credit losses.

(c) Our commercial mortgage loan portfolio is current as to payments of principal and interest, for both periods presented. There were no significant amounts of nonperforming commercial mortgages (defined as those loans where payment of contractual principal or interest is more than 90 days past due) during any of the periods presented.

ALLOWANCE FOR CREDIT LOSSES

For a discussion of our accounting policy for evaluating Mortgage and other loans receivable for impairment see Note 7 to the Consolidated Financial Statements in the 2018 Annual Report.

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

Three Months Ended March 31, (in millions)	2019 Commercial Mortgages	2019 Other Loans	2019 Total	2018 Commercial Mortgages	2018 Other Loans	2018 Total
Allowance, beginning of year	**$ 318**	**$ 79**	**$ 397**	$ 247	$ 75	$ 322
Loans charged off	**-**	**-**	**-**	-	-	-
Recoveries of loans previously charged off	**-**	**-**	**-**	-	-	-
Net charge-offs	**-**	**-**	**-**	-	-	-
Provision for loan losses	**5**	**20**	**25**	27	(2)	25
Other	**-**	**-**	**-**	-	-	-
Allowance, end of period	**$ 323 ***	**$ 99**	**$ 422**	$ 274 *	$ 73	$ 347

* Of the total allowance, $3 million and $23 million relate to individually assessed credit losses on $148 million and $82 million of commercial mortgages at March 31, 2019 and 2018, respectively.

There were no loans modified in troubled debt restructurings during the three-month periods ended March 31, 2019, and March 31, 2018.

8. Variable Interest Entities

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

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

BALANCE SHEET CLASSIFICATION AND EXPOSURE TO LOSS

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

(in millions)	Real Estate and Investment Entities[(d)]	Securitization Vehicles[(e)]	Affordable Housing Partnerships	Other	Total
March 31, 2019					
Assets:					
Bonds available for sale	**$ -**	**$ 8,285**	**$ -**	**$ -**	**$ 8,285**
Other bond securities	**-**	**3,802**	**-**	**2**	**3,804**
Mortgage and other loans receivable	**-**	**3,593**	**-**	**-**	**3,593**
Other invested assets	**5,438**	**-**	**3,650**	**25**	**9,113**
Other[(a)]	**603**	**2,064**	**459**	**72**	**3,198**
Total assets[(b)]	**$ 6,041**	**$ 17,744**	**$ 4,109**	**$ 99**	**$ 27,993**
Liabilities:					
Long-term debt	**$ 2,593**	**$ 3,764**	**$ 2,152**	**$ 5**	**$ 8,514**
Other[(c)]	**227**	**546**	**207**	**23**	**1,003**
Total liabilities	**$ 2,820**	**$ 4,310**	**$ 2,359**	**$ 28**	**$ 9,517**
December 31, 2018					
Assets:					
Bonds available for sale	$ -	$ 7,662	$ -	$ -	$ 7,662
Other bond securities	-	3,923	-	2	3,925
Mortgage and other loans receivable	-	3,693	-	-	3,693
Other invested assets	5,212	-	3,142	24	8,378
Other[(a)]	580	1,581	394	70	2,625
Total assets[(b)]	$ 5,792	$ 16,859	$ 3,536	$ 96	$ 26,283
Liabilities:					
Long-term debt	$ 2,577	$ 3,154	$ 1,834	$ 4	$ 7,569
Other[(c)]	227	165	159	24	575
Total liabilities	$ 2,804	$ 3,319	$ 1,993	$ 28	$ 8,144

(a) Comprised primarily of Short-term investments and Other assets at March 31, 2019 and December 31, 2018.

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

(c) Comprised primarily of Other liabilities at March 31, 2019 and December 31, 2018.

(d) At March 31, 2019 and December 31, 2018, off-balance sheet exposure primarily consisting of commitments to real estate and investment entities was $2.9 billion and $1.4 billion, respectively.

(e) At March 31, 2019 and December 31, 2018, $16.9 billion and $16.0 billion, respectively, of the total assets of consolidated securitization vehicles were owed to AIG Parent or its subsidiaries.

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

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

		Maximum Exposure to Loss		
(in millions)	Total VIE Assets	On-Balance Sheet[b]	Off-Balance Sheet	Total
March 31, 2019				
Real estate and investment entities[a]	**$ 264,238**	**$ 6,492**	**$ 3,190**	**$ 9,682**
Affordable housing partnerships	**3,650**	**544**	**-**	**544**
Other	**5,365**	**327**	**-** [c]	**327**
Total	**$ 273,253**	**$ 7,363**	**$ 3,190**	**$ 10,553**
December 31, 2018				
Real estate and investment entities[a]	$ 309,598	$ 6,820	$ 2,501	$ 9,321
Affordable housing partnerships	4,116	607	-	607
Other	2,813	284	1,222 [c]	1,506
Total	$ 316,527	$ 7,711	$ 3,723	$ 11,434

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

(b) At March 31, 2019 and December 31, 2018, $7.0 billion and $7.4 billion, respectively, of our total unconsolidated VIE assets were recorded as Other invested assets.

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

For additional information on VIEs see Note 10 to the Consolidated Financial Statements in the 2018 Annual Report.

9. Derivatives and Hedge Accounting

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

For a discussion of our accounting policies and procedures regarding derivatives and hedge accounting see Note 11 to the Consolidated Financial Statements in the 2018 Annual Report.

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

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

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

	March 31, 2019				December 31, 2018			
	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	$ -	$ -	$ 830	$ 14	$ 10	$ -	$ 866	$ 19
Foreign exchange contracts	5,749	371	2,954	150	6,357	363	2,536	147
Derivatives not designated as hedging instruments:[(a)]								
Interest rate contracts	50,037	2,664	28,818	1,906	42,821	2,890	27,329	2,004
Foreign exchange contracts	13,113	736	4,108	700	11,134	801	5,434	711
Equity contracts	14,356	488	3,938	51	17,807	398	2,399	15
Credit contracts[(b)]	3	1	1,441	240	8	1	1,406	236
Other contracts[(c)]	39,096	13	57	5	39,070	15	58	6
Total derivatives, gross	$ 122,354	$ 4,273	$ 42,146	$ 3,066	$ 117,207	$ 4,468	$ 40,028	$ 3,138
Counterparty netting[(d)]		(1,647)		(1,647)		(1,713)		(1,713)
Cash collateral[(e)]		(1,734)		(188)		(1,840)		(187)
Total derivatives on condensed consolidated balance sheets[(f)]		$ 892		$ 1,231		$ 915		$ 1,238

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

(b) As of March 31, 2019 and December 31, 2018, included CDSs on super senior multi-sector CDOs with a net notional amount of $580 million and $592 million (fair value liability of $217 million and $224 million), respectively. The net notional amount represents the maximum exposure to loss on the portfolio. As of March 31, 2019 and December 31, 2018, there were no super senior corporate debt/CLOs remaining.

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

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

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

(f) Freestanding derivatives only, excludes embedded derivatives. Derivative instrument assets and liabilities are recorded in Other Assets and Liabilities, respectively. Fair value of assets related to bifurcated embedded derivatives was zero at both March 31, 2019 and December 31, 2018. Fair value of liabilities related to bifurcated embedded derivatives was $4.9 billion and $4.1 billion, respectively, at March 31, 2019 and December 31, 2018. 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 $1.7 billion at both March 31, 2019 and December 31, 2018. In the case of collateral posted under derivative transactions that are not subject to clearing, this collateral can generally be repledged or resold by the counterparties. Collateral provided to us from third parties for derivative transactions was $1.9 billion and $2.1 billion at March 31, 2019 and December 31, 2018, 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, 2019 and 2018, we recognized gains (losses) of $64 million and $(120) million, respectively, included in Change in foreign currency translation adjustment in Other comprehensive income related to the net investment hedge relationships.

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

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

	Gains/(Losses) Recognized in Earnings for:			
(in millions)	Hedging Derivatives[(a)]	Excluded Components[(b)]	Hedged Items	Net Impact
Three Months Ended March 31, 2019				
Interest rate contracts:				
Realized capital gains/(losses)	**$ -**	**$ -**	**$ -**	**$ -**
Interest credited to policyholder account balances	**5**	**-**	**(5)**	**-**
Net investment income	**(1)**	**-**	**1**	**-**
Foreign exchange contracts:				
Realized capital gains/(losses)	**(8)**	**(14)**	**8**	**(14)**
Three Months Ended March 31, 2018				
Interest rate contracts:				
Realized capital gains/(losses)	$ (8)	$ -	$ 9	$ 1
Interest credited to policyholder account balances	-	-	-	-
Net investment income	-	-	-	-
Foreign exchange contracts:				
Realized capital gains/(losses)	(8)	(33)	8	(33)

(a) Gains and losses on derivative instruments designated and qualifying in fair value hedges that are included in the assessment of hedge effectiveness.

(b) Gains and losses on derivative instruments designated and qualifying in fair value hedges that are excluded from the assessment of hedge effectiveness and recognized in earnings on a mark-to-market basis.

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:

Three Months Ended March 31,	Gains (Losses) Recognized in Earnings	
(in millions)	**2019**	2018
By Derivative Type:		
Interest rate contracts	**$ 359**	$ (398)
Foreign exchange contracts	**(28)**	(139)
Equity contracts	**(208)**	(73)
Credit contracts	**(8)**	11
Other contracts	**16**	17
Embedded derivatives	**(449)**	591
Total	**$ (318)**	$ 9
By Classification:		
Policy fees	**$ 17**	$ 17
Net investment income	**(5)**	(4)
Net realized capital losses	**(334)**	(13)
Other income	**-**	12
Policyholder benefits and claims incurred	**4**	(3)
Total	**$ (318)**	$ 9

CREDIT RISK-RELATED CONTINGENT FEATURES

We estimate that at March 31, 2019, based on our outstanding financial derivative transactions, a downgrade of our long-term senior debt ratings to BBB or BBB– by Standard & Poor’s Financial Services LLC, a subsidiary of S&P Global Inc., and/or a downgrade to Baa2 or Baa3 by Moody’s Investors’ Service, Inc. would permit counterparties to make additional collateral calls and permit certain counterparties to elect early termination of contracts, resulting in corresponding collateral postings and termination payments in the total amount of up to approximately $63 million. The aggregate fair value of our derivatives that were in a net liability position and that contain such credit risk-related contingencies which can be triggered below our long-term senior debt ratings of BBB+ or Baa1 was approximately $436 million and $423 million at March 31, 2019 and December 31, 2018, respectively. The aggregate fair value of assets posted as collateral under these contracts at March 31, 2019 and December 31, 2018, was approximately $480 million and $453 million, respectively.

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 $3.8 billion and $3.9 billion at March 31, 2019 and December 31, 2018, respectively. These securities have par amounts of $8.3 billion and $8.5 billion at March 31, 2019 and December 31, 2018, respectively, and have remaining stated maturity dates that extend to 2052.

10. Insurance Liabilities

LIABILITY FOR UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES (LOSS RESERVES)

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

Our gross loss reserves before reinsurance and discount are net of contractual deductible recoverable amounts due from policyholders of approximately $12.7 billion and $12.3 billion at March 31, 2019 and December 31, 2018, respectively. These recoverable amounts are related to certain policies with high deductibles (in excess of high dollar amounts retained by the insured through self-insured retentions, deductibles, retrospective programs, or captive arrangements, each referred to generically as “deductibles”), primarily for U.S. commercial casualty business. With respect to the deductible portion of the claim, we manage and pay the entire claim on behalf of the insured and are reimbursed by the insured for the deductible portion of the claim. Thus, these recoverable amounts represent a credit exposure to us. At March 31, 2019 and December 31, 2018, we held collateral of approximately $9.0 billion and $9.2 billion, respectively, for these deductible recoverable amounts, consisting primarily of letters of credit and funded trust agreements.

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

	Three Months Ended March 31,	
(in millions)	**2019**	2018
Liability for unpaid loss and loss adjustment expenses, beginning of period	**$ 83,639**	$ 78,393
Reinsurance recoverable	**(31,690)**	(26,708)
Net Liability for unpaid loss and loss adjustment expenses, beginning of period	**51,949**	51,685
Losses and loss adjustment expenses incurred:		
Current year	**4,805**	4,698
Prior years, excluding discount and amortization of deferred gain	**(15)**	(40)
Prior years, discount charge (benefit)	**497**	(205)
Prior years, amortization of deferred gain on retroactive reinsurance[(a)]	**(86)**	(39)
Total losses and loss adjustment expenses incurred	**5,201**	4,414
Losses and loss adjustment expenses paid:		
Current year	**(344)**	(610)
Prior years	**(6,120)**	(4,779)
Total losses and loss adjustment expenses paid	**(6,464)**	(5,389)
Other changes:		
Foreign exchange effect	**216**	274
Retroactive reinsurance adjustment (net of discount)[(b)]	**(190)**	(97)
Total other changes	**26**	177
Liability for unpaid loss and loss adjustment expenses, end of period:		
Net liability for unpaid losses and loss adjustment expenses	**50,712**	50,887
Reinsurance recoverable	**31,784**	27,211
Total	**$ 82,496**	$ 78,098

(a) Includes $9 million and $5 million for the retroactive reinsurance agreement with NICO covering U.S. asbestos exposures for the three-month periods ended March 31, 2019 and 2018, respectively.

(b) Includes change in discount on retroactive reinsurance of $(307) million and $128 million for the three-month periods ended March 31, 2019 and 2018, respectively.

On January 20, 2017, we entered into an adverse development reinsurance agreement with National Indemnity Company (NICO), a subsidiary of Berkshire Hathaway Inc. (Berkshire), under which we transferred to NICO 80 percent of the reserve risk on substantially all of our U.S. Commercial long-tail exposures for accident years 2015 and prior. Under this agreement, we ceded to NICO 80 percent of the paid losses on subject business paid on or after January 1, 2016 in excess of $25 billion of net paid losses, up to an aggregate limit of $25 billion. At NICO's 80 percent share, NICO's limit of liability under the contract is $20 billion. We account for this transaction as retroactive reinsurance. We paid total consideration, including interest, of $10.2 billion. The consideration was placed into a collateral trust account as security for NICO's claim payment obligations, and Berkshire has provided a parental guarantee to secure the obligations of NICO under the agreement. The total paid claims subject to the agreement as of March 31, 2019 were below the attachment point.

Discounting of Loss Reserves

At March 31, 2019, the loss reserves reflect a net loss reserve discount of $1.9 billion, including tabular and non-tabular calculations based upon the following assumptions:

The discount for asbestos reserves has been fully amortized.

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

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

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

The discount consists of $603 million of tabular discount and $1.3 billion of non-tabular discount for workers' compensation as of March 31, 2019. During the three-month periods ended March 31, 2019 and 2018, the benefit/(charge) from changes in discount of $(473) million and $205 million, respectively, were recorded as part of the policyholder benefits and losses incurred in the Consolidated Statement of Income.

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

	March 31, 2019			December 31, 2018		
(in millions)	North America Commercial Insurance	Legacy Portfolio	Total	North America Commercial Insurance	Legacy Portfolio	Total
U.S. workers' compensation	**$ 2,387**	**$ 894**	**$ 3,281**	$ 2,782	$ 973	$ 3,755
Retroactive reinsurance	**(1,412)**	**-**	**(1,412)**	(1,720)	-	(1,720)
Total reserve discount*	**$ 975**	**$ 894**	**$ 1,869**	$ 1,062	$ 973	$ 2,035

* Excludes $198 million and $163 million of discount related to certain long tail liabilities in the United Kingdom at March 31, 2019 and December 31, 2018, respectively.

The following tables present the net loss reserve discount benefit (charge):

Three Months Ended March 31,	2019			2018		
(in millions)	North America Commercial Insurance	Legacy Portfolio	Total	North America Commercial Insurance	Legacy Portfolio	Total
Current accident year	$ 24	$ -	$ 24	$ 19	$ -	$ 19
Accretion and other adjustments to prior year discount	(251)	(13)	(264)	45	(18)	27
Effect of interest rate changes	(167)	(66)	(233)	123	36	159
Net reserve discount benefit (charge)	(394)	(79)	(473)	187	18	205
Change in discount on loss reserves ceded under retroactive reinsurance	307	-	307	(128)	-	(128)
Net change in total reserve discount[(a)]	$ (87)	$ (79)	$ (166)	$ 59	$ 18	$ 77

(a) Excludes $35 million and $(5) million discount related to certain long tail liabilities in the United Kingdom for the three-month periods ended March 31, 2019 and 2018, respectively.

During the three-month period ended March 31, 2019, effective interest rates declined due to a decrease in the forward yield curve component of the discount rates. This decrease reflects a decline in U.S. Treasury rates. The decrease together with certain changes in payout pattern assumptions resulted in a decrease in the loss reserve discount by $233 million in the first quarter of 2019.

During the three-month period ended March 31, 2018, effective interest rates increased due to an increase in the forward yield curve component of the discount rates. This increase reflects an incline in U.S. Treasury rates. The increase together with certain changes in payout pattern assumptions resulted in an increase in the loss reserve discount by $159 million in the first quarter of 2018.

11. Contingencies, Commitments and Guarantees

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

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

LEGAL CONTINGENCIES

Overview. In the normal course of business, AIG and our subsidiaries are, like others in the insurance and financial services industries in general, subject to regulatory and government investigations and actions, and litigation and other forms of dispute resolution in a large number of proceedings pending in various domestic and foreign jurisdictions. Certain of these matters involve potentially significant risk of loss due to potential for significant jury awards and settlements, punitive damages or other penalties. Many of these matters are also highly complex and seek recovery on behalf of a class or similarly large number of plaintiffs. It is therefore inherently difficult to predict the size or scope of potential future losses arising from these matters. In our insurance and reinsurance operations, litigation and arbitration concerning the scope of coverage under insurance and reinsurance contracts, and litigation and arbitration in which our subsidiaries defend or indemnify their insureds under insurance contracts, are generally considered in the establishment of our loss reserves. Separate and apart from the foregoing matters involving insurance and reinsurance coverage, AIG, our subsidiaries and their respective officers and directors are subject to a variety of additional types of legal proceedings brought by holders of AIG securities, customers, employees and others, alleging, among other things, breach of contractual or fiduciary duties, bad faith and violations of federal and state statutes and regulations. With respect to these other categories of matters not arising out of claims for insurance or reinsurance coverage, we establish reserves for loss contingencies when it is probable that a loss will be incurred and the amount of the loss can be reasonably estimated. In many instances, we are unable to determine whether a loss is probable or to reasonably estimate the amount of such a loss and, therefore, the potential future losses arising from legal proceedings may exceed the amount of liabilities that we have recorded in our financial statements covering these matters. While such potential future charges could be material, based on information currently known to management, management does not believe, other than as may be discussed below, that any such charges are likely to have a material adverse effect on our financial position or results of operation.

Additionally, from time to time, various regulatory and governmental agencies review the transactions and practices of AIG and our subsidiaries in connection with industry-wide and other inquiries into, among other matters, the 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 such requests.

Tax Litigation

We are party to pending tax litigation before the Southern District of New York. *For additional information see Note 15 to the Condensed Consolidated Financial Statements.*

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 $7.3 billion at March 31, 2019.

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 AIG Financial Products Corp. and related subsidiaries (collectively 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, 2019 was $82 million. In those transactions, AIGFP has agreed to pay such amount if the lessee fails to pay. The amount payable by AIGFP is, in certain cases, partially offset by amounts payable under other instruments typically equal to the present value of scheduled payments to be made by AIGFP. In the event that AIGFP is required to make a payment to the equity investor, the lessee is unconditionally obligated to reimburse AIGFP. To the extent that the equity investor is paid the equity termination value from the standby letter of credit and/or other sources, including payments by the lessee, AIGFP takes an assignment of the equity investor's rights under the lease of the underlying property. Because the obligations of the lessee under the lease transactions are generally economically defeased, lessee bankruptcy is the most likely circumstance in which AIGFP would be required to pay without reimbursement.

AIG Parent files a consolidated federal income tax return with certain subsidiaries and acts as an agent for the consolidated tax group when making payments to the Internal Revenue Service (IRS). AIG Parent and its subsidiaries have adopted, pursuant to a written agreement, a method of allocating consolidated federal income taxes. Under an Amended and Restated Tax Payment Allocation Agreement dated June 6, 2011 between AIG Parent and one of its Bermuda-domiciled insurance subsidiaries, AIG Life of Bermuda, Ltd. (AIGB), AIG Parent has agreed to indemnify AIGB for any tax liability (including interest and penalties) resulting from adjustments made by the IRS or other appropriate authorities to taxable income, special deductions or credits in connection with investments made by AIGB in certain affiliated entities.

Asset Dispositions

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

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

Other

- *For additional discussion on commitments and guarantees associated with VIEs see Note 8.*
- *For additional disclosures about derivatives see Note 9.*
- *For additional disclosures about guarantees of outstanding debt of AIG Life Holdings, Inc. (AIGLH), see Note 16.*

12. Equity

SHARES OUTSTANDING

Preferred Stock

On March 14, 2019, we issued 20,000 shares of 5.85% Series A Non-Cumulative Preferred Stock (Series A Preferred Stock) (equivalent to 20,000,000 Depositary Shares, each representing a 1/1,000th interest in a share of Series A Preferred Stock), $5.00 par value and $25,000 liquidation preference per share (equivalent to $25 per Depositary Share). After underwriting discounts and expenses, we received net proceeds of approximately $485 million.

We may redeem the Series A Preferred Stock at our option, (a) in whole, but not in part, at any time prior to March 15, 2024, within 90 days after the occurrence of a “Rating Agency Event,” at a redemption price equal to $25,500 per share of the Series A Preferred Stock (equivalent to $25.50 per Depositary Share), plus an amount equal to any dividends per share that have been declared but not paid prior to the redemption date (but no amount due in respect of any dividends that have not been declared prior to such date), or (b) (i) in whole, but not in part, at any time prior to March 15, 2024, within 90 days after the occurrence of a “Regulatory Capital Event,” or (ii) in whole or in part, from time to time, on or after March 15, 2024, in each case, at a redemption price equal to $25,000 per share of the Series A Preferred Stock (equivalent to $25.00 per Depositary Share), plus an amount equal to any dividends per share that have been declared but not paid prior to the redemption date (but no amount due in respect of any dividends that have not been declared prior to such date).

A “Rating Agency Event” is generally defined to mean that any nationally recognized statistical rating organization within the meaning of Section 3(a)(62) of the Exchange Act that then publishes a rating for us amends, clarifies or changes the criteria it uses to assign equity credit to securities such as the Series A Preferred Stock, which amendment, clarification or change results in the shortening of the length of time the Series A Preferred Stock is assigned a particular level of equity credit by that rating agency as compared to the length of time it would have been assigned that level of equity credit by that rating agency or its predecessor on the initial issuance of the Series A Preferred Stock, or the lowering of the equity credit (including up to a lesser amount) assigned to the Series A Preferred Stock by that rating agency as compared to the equity credit assigned by that rating agency or its predecessor on the initial issuance of the Series A Preferred Stock. A “Regulatory Capital Event” is generally defined to mean our good faith determination that as a result of a change in law, rule or regulation, or a proposed change or an official judicial or administrative pronouncement, there is more than an insubstantial risk that the full liquidation preference of the Series A Preferred Stock would not qualify as capital (or a substantially similar concept) for purposes of any group capital standard to which we are or will be subject.

Holders of the Series A Preferred Stock will be entitled to receive dividend payments only when, as and if declared by our board of directors (or a duly authorized committee of the board). Dividends will be payable from the original date of issue at a rate of 5.85% per annum, payable quarterly, in arrears, on the fifteenth day of March, June, September and December of each year, beginning on June 15, 2019. Dividends on the Series A Preferred Stock will be non-cumulative.

In the event of any liquidation, dissolution or winding-up of the affairs of AIG, whether voluntary or involuntary, before any distribution or payment out of our assets may be made to or set aside for the holders of any junior stock, holders of the Series A Preferred Stock will be entitled to receive out of our assets legally available for distribution to our stockholders, an amount equal to $25,000 per share of Series A Preferred Stock (equivalent to $25.00 per Depositary Share), together with an amount equal to all declared and unpaid dividends (if any), but no amount in respect of any undeclared dividends prior to such payment date. Distributions will be made only to the extent of our assets that are available for distribution to stockholders (i.e., after satisfaction of all our liabilities to creditors, if any).

The Series A Preferred Stock does not have voting rights, except in limited circumstances, including in the case of certain dividend non-payments.

Common Stock

The following table presents a rollforward of outstanding shares:

Three Months Ended March 31, 2019	Common Stock Issued	Treasury Stock	Common Stock Outstanding
Shares, beginning of year	**1,906,671,492**	**(1,040,062,063)**	**866,609,429**
Shares issued	-	3,127,472	3,127,472
Shares repurchased	-	-	-
Shares, end of period	**1,906,671,492**	**(1,036,934,591)**	**869,736,901**

Dividends

Dividends are payable on AIG Common Stock only when, as and if declared by our Board of Directors in its discretion, from funds legally available for this purpose. In considering whether to pay a dividend on or purchase shares of AIG Common Stock, our Board of Directors considers a number of factors, including, but not limited to: the capital resources available to support our insurance operations and business strategies, AIG's funding capacity and capital resources in comparison to internal benchmarks, expectations for capital generation, rating agency expectations for capital, regulatory standards for capital and capital distributions, and such other factors as our Board of Directors may deem relevant. The payment of dividends is also subject to the terms of AIG's outstanding Series A Preferred Stock, pursuant to which no dividends may be declared or paid on any AIG Common Stock unless the full dividends for the latest completed dividend period on all outstanding shares of Series A Preferred Stock have been declared and paid or provided for.

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

Declaration Date	Record Date	Payment Date	Dividends Paid Per Share
February 13, 2019	March 15, 2019	March 29, 2019	0.32
February 8, 2018	March 15, 2018	March 29, 2018	0.32

For a discussion of restrictions on payments of dividends to AIG Parent by its subsidiaries see Note 19 to the Consolidated Financial Statements in the 2018 Annual Report.

Repurchase of AIG Common Stock

The following table presents repurchases of AIG Common Stock and warrants to purchase shares of AIG Common Stock:

Three Months Ended March 31, *(in millions)*	**2019**	2018
Aggregate repurchases of common stock	$ -	$ 298
Total number of common shares repurchased	-	5
Aggregate repurchases of warrants	$ -	$ 2
Total number of warrants repurchased*	-	-

* For the three-month periods ended March 31, 2018, we repurchased 97,553 warrants to purchase shares of AIG Common Stock. For the three-month periods ended March 31, 2019, we did not repurchase any warrants to purchase shares of AIG Common Stock..

Our Board of Directors has authorized the repurchase of shares of AIG Common Stock and warrants to purchase shares of AIG Common Stock through a series of actions. On February 13, 2019, our Board of Directors authorized an additional increase of approximately $1.5 billion to its previous share repurchase authorization. As of March 31, 2019, $2.0 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.

We did not repurchase any shares of AIG Common Stock during the three months ended March 31, 2019. The timing of any future repurchases will depend on market conditions, our business and strategic plans, financial condition, results of operations, liquidity and other factors. The repurchase of AIG Common Stock is also subject to the terms of AIG's outstanding Series A Preferred Stock, pursuant to which AIG may not (other than in limited circumstances) purchase, redeem or otherwise acquire AIG Common Stock unless the full dividends for the latest completed dividend period on all outstanding shares of Series A Preferred Stock have been declared and paid or provided for.

ACCUMULATED OTHER COMPREHENSIVE INCOME

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

(in millions)	Unrealized Appreciation (Depreciation) of Fixed Maturity Securities on Which Other-Than-Temporary Credit Impairments Were Taken	Unrealized Appreciation (Depreciation) of All Other Investments	Foreign Currency Translation Adjustments	Retirement Plan Liabilities Adjustment	Fair Value of Liabilities Under Fair Value Option Attributable to Changes in Own Credit Risk	Total
Balance, December 31, 2018, net of tax	**$ (38)**	**$ 2,426**	**$ (2,725)**	**$ (1,086)**	**$ 10**	**$ (1,413)**
Change in unrealized appreciation of investments	**849**	**5,064**	**-**	**-**	**-**	**5,913**
Change in deferred policy acquisition costs adjustment and other	**(8)**	**(856)**	**-**	**-**	**-**	**(864)**
Change in future policy benefits	**-**	**(1,068)**	**-**	**-**	**-**	**(1,068)**
Change in foreign currency translation adjustments	**-**	**-**	**188**	**-**	**-**	**188**
Change in net actuarial loss	**-**	**-**	**-**	**1**	**-**	**1**
Change in prior service credit	**-**	**-**	**-**	**(1)**	**-**	**(1)**
Change in deferred tax liability	**(165)**	**(432)**	**(24)**	**(1)**	**-**	**(622)**
Change in fair value of liabilities under fair value option attributable to changes in own credit risk	**-**	**-**	**-**	**-**	**-**	**-**
Total other comprehensive income (loss)	**676**	**2,708**	**164**	**(1)**	**-**	**3,547**
Noncontrolling interests	**-**	**5**	**1**	**-**	**-**	**6**
Balance, March 31, 2019, net of tax	**$ 638**	**$ 5,129**	**$ (2,562)**	**$ (1,087)**	**$ 10**	**$ 2,128**
Balance, December 31, 2017, net of tax	$ 793	$ 7,693	$ (2,090)	$ (931)	$ -	$ 5,465
Cumulative effect of change in accounting principles	169	(285)	(284)	(183)	7	(576)
Change in unrealized depreciation of investments	(240)	(4,754)	-	-	-	(4,994)
Change in deferred policy acquisition costs adjustment and other	30	634	-	-	-	664
Change in future policy benefits	-	741	-	-	-	741
Change in foreign currency translation adjustments	-	-	172	-	-	172
Change in net actuarial loss	-	-	-	16	-	16
Change in prior service credit	-	-	-	(4)	-	(4)
Change in deferred tax asset (liability)	60	671	(14)	17	-	734
Change in fair value of liabilities under fair value option attributable to changes in own credit risk	-	-	-	-	2	2
Total other comprehensive income (loss)	(150)	(2,708)	158	29	2	(2,669)
Noncontrolling interests	-	-	-	-	-	-
Balance, March 31, 2018, net of tax	$ 812	$ 4,700	$ (2,216)	$ (1,085)	$ 9	$ 2,220

The following table presents the other comprehensive income reclassification adjustments for the three-month periods ended March 31, 2019 and 2018, respectively:

(in millions)	Unrealized Appreciation (Depreciation) of Fixed Maturity Securities on Which Other-Than-Temporary Credit Impairments Were Taken	Unrealized Appreciation (Depreciation) of All Other Investments	Foreign Currency Translation Adjustments	Retirement Plan Liabilities Adjustment	Fair Value of Liabilities Under Fair Value Option Attributable to Changes in Own Credit Risk	Total
March 31, 2019						
Unrealized change arising during period	**$ 841**	**$ 3,109**	**$ 188**	**$ (5)**	**$ -**	**$ 4,133**
Less: Reclassification adjustments included in net income	**-**	**(31)**	**-**	**(5)**	**-**	**(36)**
Total other comprehensive income (loss), before income tax expense	**841**	**3,140**	**188**	**-**	**-**	**4,169**
Less: Income tax expense	**165**	**432**	**24**	**1**	**-**	**622**
Total other comprehensive income (loss), net of income tax expense	**$ 676**	**$ 2,708**	**$ 164**	**$ (1)**	**$ -**	**$ 3,547**
March 31, 2018						
Unrealized change arising during period	$ (208)	$ (3,386)	$ 172	$ 3	$ 2	$ (3,417)
Less: Reclassification adjustments included in net income	2	(7)	-	(9)	-	(14)
Total other comprehensive income (loss), before income tax expense (benefit)	(210)	(3,379)	172	12	2	(3,403)
Less: Income tax expense (benefit)	(60)	(671)	14	(17)	-	(734)
Total other comprehensive income (loss), net of income tax expense (benefit)	$ (150)	$ (2,708)	$ 158	$ 29	$ 2	$ (2,669)

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:

	Amount Reclassified from Accumulated Other Comprehensive Income Three Months Ended March 31,		
(in millions)	**2019**	2018	Affected Line Item in the Condensed Consolidated Statements of Income
Unrealized appreciation (depreciation) of fixed maturity securities on which other-than-temporary credit impairments were taken			
Investments	**$ -**	$ 2	Other realized capital gains
Total	**-**	2	
Unrealized appreciation (depreciation) of all other investments			
Investments	**(31)**	24	Other realized capital gains
Deferred acquisition costs adjustment	**-**	(31)	Amortization of deferred policy acquisition costs
Future policy benefits	**-**	-	Policyholder benefits and losses incurred
Total	**(31)**	(7)	
Change in retirement plan liabilities adjustment			
Prior-service credit	**-**	-	*
Actuarial losses	**(5)**	(9)	*
Total	**(5)**	(9)	
Total reclassifications for the period	**$ (36)**	$ (14)	

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

13. Earnings Per Share (EPS)

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

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

Three Months Ended March 31, *(dollars in millions, except per share data)*	2019	2018
Numerator for EPS:		
Income from continuing operations	$ 937	$ 950
Less: Net income from continuing operations attributable to noncontrolling interests	283	11
Income attributable to AIG common shareholders from continuing operations	654	939
Loss from discontinued operations, net of income tax expense	-	(1)
Net income attributable to AIG common shareholders	$ 654	$ 938
Denominator for EPS:		
Weighted average shares outstanding — basic	875,383,084	907,951,597
Dilutive shares	2,129,160	17,314,980
Weighted average shares outstanding — diluted[(a)]	877,512,244	925,266,577
Income per common share attributable to AIG:		
Basic:		
Income from continuing operations	$ 0.75	$ 1.03
Income from discontinued operations	$ -	$ -
Net income attributable to AIG	$ 0.75	$ 1.03
Diluted:		
Income from continuing operations	$ 0.75	$ 1.01
Income from discontinued operations	$ -	$ -
Net income attributable to AIG	$ 0.75	$ 1.01

(a) Dilutive shares included 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 64.3 million and 0.7 million for the three-month periods ended March 31, 2019 and 2018, respectively, because the effect of including those shares in the calculation would have been anti-dilutive.

14. 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.

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, 2019						
Components of net periodic benefit cost:						
Service cost	**$ 2**	**$ 6**	**$ 8**	**$ -**	**$ -**	**$ -**
Interest cost	**44**	**4**	**48**	**2**	**-**	**2**
Expected return on assets	**(57)**	**(5)**	**(62)**	**-**	**-**	**-**
Amortization of prior service cost	**-**	**-**	**-**	**-**	**-**	**-**
Amortization of net loss	**8**	**1**	**9**	**-**	**-**	**-**
Net periodic benefit cost (credit)	**(3)**	**6**	**3**	**2**	**-**	**2**
Settlement gain	**-**	**(4)**	**(4)**	**-**	**-**	**-**
Net benefit cost (credit)	**$ (3)**	**$ 2**	**$ (1)**	**$ 2**	**$ -**	**$ 2**
Three Months Ended March 31, 2018						
Components of net periodic benefit cost:						
Service cost	$ 2	$ 6	$ 8	$ -	$ -	$ -
Interest cost	41	4	45	2	-	2
Expected return on assets	(71)	(7)	(78)	-	-	-
Amortization of prior service cost	-	1	1	-	-	-
Amortization of net loss	7	2	9	-	-	-
Net periodic benefit cost (credit)	(21)	6	(15)	2	-	2
Settlement gain	-	-	-	-	-	-
Net benefit cost (credit)	$ (21)	$ 6	$ (15)	$ 2	$ -	$ 2

For the three-month period ended March 31, 2019, we did not make any contributions to the U.S. AIG Retirement Plan.

15. Income Taxes

U.S. TAX REFORM OVERVIEW

On December 22, 2017, the U.S. enacted Public Law 115-97, known informally as the Tax Cuts and Jobs Act (the Tax Act). The Tax Act reduced the statutory rate of U.S. federal corporate income tax to 21 percent and enacted numerous other changes impacting AIG and the insurance industry.

The Tax Act includes provisions for Global Intangible Low-Taxed Income (GILTI) under which taxes on foreign income are imposed on the excess of a deemed return on tangible assets of certain foreign subsidiaries and for Base Erosion and Anti-Abuse Tax (BEAT) under which taxes are imposed on certain base eroding payments to affiliated foreign companies. There are substantial uncertainties in the interpretation of BEAT and GILTI and, while certain formal guidance was issued by the U.S. tax authority, there are still aspects of the Tax Act that remain unclear and additional guidance is expected later in 2019. Such guidance may result in changes to the interpretations and assumptions we made and actions we may take, which may impact amounts recorded with respect to international provisions of the Tax Act, possibly materially. Consistent with accounting guidance, we treat BEAT as a period tax charge in the period the tax is incurred and have made an accounting policy election to treat GILTI taxes in a similar manner.

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, and are recorded in the period in which the change occurs. While certain impacts of the Tax Act are included in our annual effective tax rate, we continue to refine our calculations as additional information becomes available, which may result in changes to the estimated annual effective tax rate.

INTERIM TAX EXPENSE (BENEFIT)

For the three-month period ended March 31, 2019, the effective tax rate on income from continuing operations was 18.8 percent. The effective tax rate on income from continuing operations differs from the statutory tax rate of 21 percent primarily due to tax benefits associated with tax exempt income, reclassifications from accumulated other comprehensive income to income from continuing operations related to the disposal of available for sale securities, and valuation allowance activity related to certain foreign subsidiaries, partially offset by tax charges associated with the effect of foreign operations, state and local income taxes, a net tax charge related to the accrual of IRS interest, excess tax charges related to share based compensation payments recorded through the income statement, non-deductible transfer pricing charges, and U.S. tax imposed on GILTI earned by certain foreign subsidiaries. The effect of foreign operations is primarily related to income in our foreign operations taxed at statutory tax rates higher than 21 percent, other foreign taxes, and foreign income subject to U.S. taxation.

For the three-month period ended March 31, 2018, the effective tax rate on income from continuing operations was 22.6 percent. The effective tax rate on income from continuing operations differs from the statutory tax rate of 21 percent primarily due to tax charges related to income in our foreign operations taxed at statutory tax rates higher than 21 percent, tax on GILTI earned by certain foreign subsidiaries, valuation allowance activity related to certain foreign subsidiaries and non-deductible transfer pricing charges, partially offset by tax benefits associated with tax exempt income, reclassifications from accumulated other comprehensive income to income from continuing operations related to the disposal of available for sale securities and excess tax deductions related to share based compensation payments recorded through the income statement.

As a result of the Tax Act, the majority of accumulated foreign earnings that were previously untaxed are subject to a one-time deemed repatriation tax. Going forward, certain foreign earnings of our foreign affiliates will be exempt from U.S. tax upon repatriation. Notwithstanding the changes, U.S. tax on foreign exchange gain or loss and certain non-U.S. withholding taxes will continue to be applicable upon future repatriations of foreign earnings. For the three-month period ended March 31, 2019, we consider our foreign earnings with respect to certain operations in Canada, South Africa, the Far East, Latin America, Bermuda as well as the European, Asia Pacific and Middle East regions to be indefinitely reinvested. These earnings relate to ongoing operations and have been reinvested in active business operations. Deferred taxes, if necessary, have been provided on earnings of non-U.S. affiliates whose earnings are not indefinitely reinvested.

ASSESSMENT OF DEFERRED TAX ASSET VALUATION ALLOWANCE

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

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

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

In performing our assessment of the recoverability of the deferred tax asset under this framework, we consider tax laws governing 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 our 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, 2019, 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 and interpretations and assumptions related to the impact of the Tax Act 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, 2019, recent changes in market conditions, including interest rate fluctuations, 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 deferred tax asset related to net unrealized tax capital losses. 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, 2019, based on all available evidence, we concluded that no valuation allowance is required. For the three-month period ended March 31, 2019, we released $290 million of valuation allowance associated with the unrealized tax losses in the U.S. Life Insurance Companies' available for sale securities portfolio, all of which was allocated to other comprehensive income.

For the three-month period ended March 31, 2019, recent changes in market conditions, including interest rate fluctuations, impacted the unrealized tax gains and losses in the U.S. Non-Life Companies' available for sale securities portfolio, resulting in an increase to the deferred tax liability related to net unrealized tax capital gains. As of March 31, 2019, we continue to be in an overall unrealized tax gain position with respect to the U.S. Non-Life Companies' available for sale securities portfolio and thus concluded no valuation allowance is necessary in the U.S. Non-Life Companies' available for sale securities portfolio.

For the three-month period ended March 31, 2019, we recognized a net decrease of $38 million in our deferred tax asset valuation allowance associated with certain foreign subsidiaries, primarily attributable to changes in projections and current year activity.

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. The Southern District of New York denied our summary judgment motion and upon AIG's appeal, the U.S. Court of Appeals for the Second Circuit (the Second Circuit) affirmed the denial. AIG's petition for certiorari to the U.S. Supreme Court from the decision of the Second Circuit was denied on March 7, 2016. As a result, the case has been remanded back to the Southern District of New York for a jury trial.

In January 2018, the parties reached non-binding agreements in principle on issues presented in the dispute and are currently reviewing the computations reflecting the settlement terms. The resolution is not final and is subject to various reviews. The litigation has been stayed pending the outcome of the review process. We can provide no assurance regarding the outcome of any such litigation or whether binding compromised settlements with the parties will ultimately be reached. We currently believe that we have adequate reserves for the potential liabilities that may result from these matters.

ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES

At both March 31, 2019 and December 31, 2018, our unrecognized tax benefits, excluding interest and penalties, were $4.7 billion. At March 31, 2019 and December 31, 2018, 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 than the permissibility, of the deduction were $45 million and $38 million, respectively. Accordingly, at both March 31, 2019 and December 31, 2018, the amounts of unrecognized tax benefits that, if recognized, would favorably affect the effective tax rate were $4.7 billion.

Interest and penalties related to unrecognized tax benefits are recognized in income tax expense. At March 31, 2019 and December 31, 2018, we had accrued liabilities of $2.3 billion and $2.2 billion, respectively, for the payment of interest (net of the federal benefit) and penalties. For the three-month periods ended March 31, 2019 and 2018, we accrued expense (benefit) of $58 million and $54 million, respectively, for the payment of interest and penalties.

We believe it is reasonably possible that our unrecognized tax benefits could decrease within the next 12 months by as much as $3.9 billion, principally as a result of potential resolutions or settlements of prior years' tax items. The prior years' tax items include unrecognized tax benefits related to the deductibility of certain expenses and matters related to cross border financing transactions.

16. Information Provided in Connection with Outstanding Debt

The following Condensed Consolidating Financial Statements reflect the results of Validus Holdings, Ltd. and AIG Life Holdings, Inc. (AIGLH), each a holding company and a wholly owned subsidiary of AIG. AIG provides a full and unconditional guarantee of the senior notes of Validus and all outstanding debt of AIGLH.

CONDENSED CONSOLIDATING BALANCE SHEETS

(in millions)	American International Group, Inc. (As Guarantor)	Validus Holdings, Ltd.	AIGLH	Other Subsidiaries	Reclassifications and Eliminations	Consolidated AIG
March 31, 2019						
Assets:						
Short-term investments[a]	**$ 2,051**	**$ 2**	**$ -**	**$ 11,306**	**$ (2,226)**	**$ 11,133**
Other investments[b]	**3,750**	**-**	**-**	**309,980**	**-**	**313,730**
Total investments	**5,801**	**2**	**-**	**321,286**	**(2,226)**	**324,863**
Cash	**2**	**1**	**3**	**2,559**	**-**	**2,565**
Loans to subsidiaries[c]	**35,221**	**-**	**-**	**608**	**(35,829)**	**-**
Investment in consolidated subsidiaries[c]	**36,737**	**4,282**	**29,312**	**-**	**(70,331)**	**-**
Other assets, including deferred income taxes[d]	**15,707**	**1,796**	**126**	**170,000**	**(2,135)**	**185,494**
Total assets	**$ 93,468**	**$ 6,081**	**$ 29,441**	**$ 494,453**	**$ (110,521)**	**$ 512,922**
Liabilities:						
Insurance liabilities	**$ -**	**$ -**	**$ -**	**$ 298,689**	**$ -**	**$ 298,689**
Long-term debt	**22,993**	**357**	**643**	**11,783**	**-**	**35,776**
Other liabilities, including intercompany balances[b]	**9,080**	**221**	**133**	**111,293**	**(4,363)**	**116,364**
Loans from subsidiaries[c]	**608**	**-**	**-**	**35,222**	**(35,830)**	**-**
Total liabilities	**32,681**	**578**	**776**	**456,987**	**(40,193)**	**450,829**
Total AIG shareholders' equity	**60,787**	**5,503**	**28,665**	**36,160**	**(70,328)**	**60,787**
Non-redeemable noncontrolling interests	**-**	**-**	**-**	**1,306**	**-**	**1,306**
Total equity	**60,787**	**5,503**	**28,665**	**37,466**	**(70,328)**	**62,093**
Total liabilities and equity	**$ 93,468**	**$ 6,081**	**$ 29,441**	**$ 494,453**	**$ (110,521)**	**$ 512,922**
December 31, 2018						
Assets:						
Short-term investments[a]	$ 1,141	$ 2	$ -	$ 10,329	$ (1,798)	$ 9,674
Other investments[b]	3,377	-	-	301,158	-	304,535
Total investments	4,518	2	-	311,487	(1,798)	314,209
Cash	2	9	9	2,853	-	2,873
Loans to subsidiaries[c]	34,963	-	-	615	(35,578)	-
Investment in consolidated subsidiaries[c]	33,300	4,029	26,321	-	(63,650)	-
Other assets, including deferred income taxes[d]	15,389	1,798	124	159,430	(1,839)	174,902
Total assets	$ 88,172	$ 5,838	$ 26,454	$ 474,385	$ (102,865)	$ 491,984
Liabilities:						
Insurance liabilities	$ -	$ -	$ -	$ 293,652	$ -	$ 293,652
Long-term debt	22,422	359	643	11,116	-	34,540
Other liabilities, including intercompany balances[b]	8,774	228	144	100,974	(3,637)	106,483
Loans from subsidiaries[c]	615	-	-	34,963	(35,578)	-
Total liabilities	31,811	587	787	440,705	(39,215)	434,675
Total AIG shareholders' equity	56,361	5,251	25,667	32,732	(63,650)	56,361
Non-redeemable noncontrolling interests	-	-	-	948	-	948
Total equity	56,361	5,251	25,667	33,680	(63,650)	57,309
Total liabilities and equity	$ 88,172	$ 5,838	$ 26,454	$ 474,385	$ (102,865)	$ 491,984

(a) At March 31, 2019, includes restricted cash of $8 million and $243 million for American International Group, Inc. (As Guarantor) and Other Subsidiaries, respectively. At December 31, 2018, includes restricted cash of $124 million and $18 million for American International Group, Inc. (As Guarantor) and Other Subsidiaries, respectively.

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

(c) Eliminated in consolidation.

(d) At March 31, 2019, includes restricted cash of $1 million and $362 million for American International Group, Inc. (As Guarantor) and Other Subsidiaries, respectively. At December 31, 2018, includes restricted cash of $1 million and $342 million for American International Group, Inc. (As Guarantor) and Other Subsidiaries, respectively.

CONDENSED CONSOLIDATING STATEMENTS OF INCOME

(in millions)	American International Group, Inc. (As Guarantor)	Validus Holdings, Ltd.	AIGLH	Other Subsidiaries	Reclassifications and Eliminations	Consolidated AIG
Three Months Ended March 31, 2019						
Revenues:						
Equity in earnings of consolidated subsidiaries*	**$ 708**	**$ 207**	**$ 700**	**$ -**	**$ (1,615)**	**$ -**
Other income	**287**	**1**	**-**	**12,208**	**(40)**	**12,456**
Total revenues	**995**	**208**	**700**	**12,208**	**(1,655)**	**12,456**
Expenses:						
Interest expense	**246**	**-**	**13**	**94**	**(4)**	**349**
Loss on extinguishment of debt	**-**	**4**	**-**	**(6)**	**-**	**(2)**
Other expenses	**188**	**1**	**-**	**10,804**	**(38)**	**10,955**
Total expenses	**434**	**5**	**13**	**10,892**	**(42)**	**11,302**
Income (loss) from continuing operations before income tax expense (benefit)	**561**	**203**	**687**	**1,316**	**(1,613)**	**1,154**
Income tax expense (benefit)	**(94)**	**-**	**(1)**	**312**	**-**	**217**
Income (loss) from continuing operations	**655**	**203**	**688**	**1,004**	**(1,613)**	**937**
Income (loss) from discontinued operations, net of income taxes	**(1)**	**-**	**-**	**1**	**-**	**-**
Net income (loss)	**654**	**203**	**688**	**1,005**	**(1,613)**	**937**
Less:						
Net income (loss) from continuing operations attributable to noncontrolling interests	**-**	**-**	**-**	**283**	**-**	**283**
Net income (loss) attributable to AIG	**$ 654**	**$ 203**	**$ 688**	**$ 722**	**$ (1,613)**	**$ 654**
Three Months Ended March 31, 2018						
Revenues:						
Equity in earnings of consolidated subsidiaries*	$ 1,033	$ -	$ 722	$ -	$ (1,755)	$ -
Other income	258	-	-	11,512	(58)	11,712
Total revenues	1,291	-	722	11,512	(1,813)	11,712
Expenses:						
Interest expense	220	-	12	48	(3)	277
Loss on extinguishment of debt	-	-	-	4	-	4
Other expenses	152	-	1	10,106	(55)	10,204
Total expenses	372	-	13	10,158	(58)	10,485
Income (loss) from continuing operations before income tax expense (benefit)	919	-	709	1,354	(1,755)	1,227
Income tax expense (benefit)	(19)	-	3	293	-	277
Income (loss) from continuing operations	938	-	706	1,061	(1,755)	950
Loss from discontinued operations, net of income taxes	-	-	-	(1)	-	(1)
Net income (loss)	938	-	706	1,060	(1,755)	949
Less:						
Net income (loss) from continuing operations attributable to noncontrolling interests	-	-	-	11	-	11
Net income (loss) attributable to AIG	$ 938	$ -	$ 706	$ 1,049	$ (1,755)	$ 938

* Eliminated in consolidation.

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

(in millions)	American International Group, Inc. (As Guarantor)	Validus Holdings, Ltd.	AIGLH	Other Subsidiaries	Reclassifications and Eliminations	Consolidated AIG
Three Months Ended March 31, 2019						
Net income (loss)	**$ 654**	**$ 203**	**$ 688**	**$ 1,005**	**$ (1,613)**	**$ 937**
Other comprehensive income (loss)	**3,541**	**1**	**5,308**	**9,175**	**(14,478)**	**3,547**
Comprehensive income (loss)	**4,195**	**204**	**5,996**	**10,180**	**(16,091)**	**4,484**
Total comprehensive income attributable to noncontrolling interests	**-**	**-**	**-**	**289**	**-**	**289**
Comprehensive income (loss) attributable to AIG	**$ 4,195**	**$ 204**	**$ 5,996**	**$ 9,891**	**$ (16,091)**	**$ 4,195**
Three Months Ended March 31, 2018						
Net income (loss)	$ 938	$ -	$ 706	$ 1,060	$ (1,755)	$ 949
Other comprehensive income (loss)	(2,669)	-	4,950	14,655	(19,605)	(2,669)
Comprehensive income (loss)	(1,731)	-	5,656	15,715	(21,360)	(1,720)
Total comprehensive income attributable to noncontrolling interests	-	-	-	11	-	11
Comprehensive income (loss) attributable to AIG	$ (1,731)	$ -	$ 5,656	$ 15,704	$ (21,360)	$ (1,731)

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

(in millions)	American International Group, Inc. (As Guarantor)	Validus Holdings, Ltd.	AIGLH	Other Subsidiaries	Reclassifications and Eliminations	Consolidated AIG
Three Months Ended March 31, 2019						
Net cash (used in) provided by operating activities	**$ 318**	**$ (8)**	**$ 480**	**$ (665)**	**$ (1,101)**	**$ (976)**
Cash flows from investing activities:						
Sales of investments	**864**	**-**	**-**	**13,840**	**(364)**	**14,340**
Sales of divested businesses, net	**-**	**-**	**-**	**-**	**-**	**-**
Purchase of investments	**(675)**	**-**	**-**	**(14,804)**	**364**	**(15,115)**
Loans to subsidiaries - net	**(10)**	**-**	**-**	**10**	**-**	**-**
Contributions from (to) subsidiaries - net	**(319)**	**-**	**-**	**-**	**319**	**-**
Acquisition of businesses, net of cash and restricted cash acquired	**-**	**-**	**-**	**-**	**-**	**-**
Net change in short-term investments	**(1,020)**	**-**	**-**	**(201)**	**-**	**(1,221)**
Other, net	**(20)**	**-**	**-**	**37**	**-**	**17**
Net cash (used in) provided by investing activities	**(1,180)**	**-**	**-**	**(1,118)**	**319**	**(1,979)**
Cash flows from financing activities:						
Issuance of long-term debt	**596**	**-**	**-**	**853**	**-**	**1,449**
Repayments of long-term debt	**-**	**-**	**-**	**(589)**	**-**	**(589)**
Issuance of preferred stock	**485**	**-**	**-**	**-**	**-**	**485**
Purchase of common stock	**-**	**-**	**-**	**-**	**-**	**-**
Intercompany loans - net	**(10)**	**-**	**-**	**10**	**-**	**-**
Cash dividends paid	**(278)**	**-**	**(486)**	**(615)**	**1,101**	**(278)**
Other, net	**(47)**	**-**	**-**	**2,063**	**(319)**	**1,697**
Net cash (used in) provided by financing activities	**746**	**-**	**(486)**	**1,722**	**782**	**2,764**
Effect of exchange rate changes on cash and restricted cash	**-**	**-**	**-**	**12**	**-**	**12**
Change in cash and restricted cash	**(116)**	**(8)**	**(6)**	**(49)**	**-**	**(179)**
Cash and restricted cash at beginning of year	**127**	**9**	**9**	**3,213**	**-**	**3,358**
Cash and restricted cash at end of period	**$ 11**	**$ 1**	**$ 3**	**$ 3,164**	**$ -**	**$ 3,179**
Three Months Ended March 31, 2018						
Net cash (used in) provided by operating activities	$ 9	$ -	$ 362	$ (501)	$ (808)	$ (938)
Cash flows from investing activities:						
Sales of investments	1,322	-	-	15,830	(2,681)	14,471
Sales of divested businesses, net	-	-	-	6	-	6
Purchase of investments	(39)	-	-	(15,405)	2,681	(12,763)
Loans to subsidiaries - net	422	-	-	(60)	(362)	-
Contributions from (to) subsidiaries - net	153	-	-	-	(153)	-
Net change in short-term investments	(2,460)	-	-	(580)	-	(3,040)
Other, net	(79)	-	-	(567)	-	(646)
Net cash (used in) investing activities	(681)	-	-	(776)	(515)	(1,972)
Cash flows from financing activities:						
Issuance of long-term debt	2,472	-	-	567	-	3,039
Repayments of long-term debt	(1,107)	-	-	(220)	-	(1,327)
Purchase of common stock	(298)	-	-	-	-	(298)
Intercompany loans - net	60	-	-	(422)	362	-
Cash dividends paid	(289)	-	(377)	(431)	808	(289)
Other, net	(154)	-	-	1,362	153	1,361
Net cash (used in) provided by financing activities	684	-	(377)	856	1,323	2,486
Effect of exchange rate changes on cash and restricted cash	-	-	-	58	-	58
Change in cash and restricted cash	12	-	(15)	(363)	-	(366)
Cash and restricted cash at beginning of year	8	-	20	2,709	-	2,737
Cash and restricted cash at end of period	$ 20	$ -	$ 5	$ 2,346	$ -	$ 2,371

Supplementary Disclosure of Condensed Consolidating Cash Flow Information

(in millions)	American International Group, Inc. (As Guarantor)	Validus Holdings, Ltd.	AIGLH	Other Subsidiaries	Reclassifications and Eliminations	Consolidated AIG
March 31, 2019						
Cash	**$ 2**	**$ 1**	**$ 3**	**$ 2,559**	**$ -**	**$ 2,565**
Restricted cash included in Short-term investments	**8**	**-**	**-**	**243**	**-**	**251**
Restricted cash included in Other assets	**1**	**-**	**-**	**362**	**-**	**363**
Total cash and restricted cash shown in the Condensed Consolidating Statements of Cash Flows	**$ 11**	**$ 1**	**$ 3**	**$ 3,164**	**$ -**	**$ 3,179**
Cash (paid) received during the 2019 period for:						
Interest:						
Third party	**$ (225)**	**$ (11)**	**$ (23)**	**$ (56)**	**$ -**	**$ (315)**
Intercompany	**(1)**	**-**	**-**	**1**	**-**	**-**
Taxes:						
Income tax authorities	**$ (4)**	**$ -**	**$ -**	**$ (46)**	**$ -**	**$ (50)**
Intercompany	**194**	**-**	**-**	**(194)**	**-**	**-**
March 31, 2018						
Cash	$ 4	$ -	$ 5	$ 2,094	$ -	$ 2,103
Restricted cash included in Short-term investments	15	-	-	32	-	47
Restricted cash included in Other assets	1	-	-	220	-	221
Total cash and restricted cash shown in the Condensed Consolidating Statements of Cash Flows	$ 20	$ -	$ 5	$ 2,346	$ -	$ 2,371
Cash (paid) received during the 2018 period for:						
Interest:						
Third party	$ (260)	$ -	$ -	$ (97)	$ -	$ (357)
Intercompany	-	-	-	-	-	-
Taxes:						
Income tax authorities	$ (9)	$ -	$ -	$ (19)	$ -	$ (28)
Intercompany	403	-	-	(403)	-	-

American International Group, Inc. (As Guarantor) Supplementary Disclosure of Non-Cash Activities:

Three Months Ended March 31, *(in millions)*	**2019**	2018
Intercompany non-cash financing and investing activities:		
Capital contributions	**$ -**	$ 2,339
Dividends received in the form of securities	**486**	60
Return of capital	**-**	2,706

17. Subsequent Events

DIVIDENDS DECLARED

On May 6, 2019, our Board of Directors declared a cash dividend on AIG Common Stock of $0.32 per share, payable on June 28, 2019 to shareholders of record on June 14, 2019.

ITEM 2 | Management's Discussion and Analysis of Financial Condition and Results of Operations

Glossary and Acronyms of Selected Insurance Terms and References

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, 2018 (the 2018 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.

Cautionary Statement Regarding Forward-Looking Information

This Quarterly Report on Form 10-Q and other publicly available documents may include, and officers and representatives of AIG may from time to time make and discuss, 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 a 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 projections, goals, assumptions and statements may relate to future actions, prospective services or products, future performance or results of current and anticipated services or products, sales efforts, expenses, the outcome of contingencies such as legal proceedings, anticipated organizational, business or regulatory changes, anticipated sales, monetization and/or acquisitions of businesses or assets, or successful integration of acquired businesses, management succession and retention plans, exposure to risk, trends in operations and financial results.

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 and industry conditions;
- the occurrence of catastrophic events, both natural and man-made;
- our ability to successfully reorganize our businesses and execute on our initiatives to improve our underwriting capabilities and reinsurance programs, as well as improve profitability, without negatively impacting client relationships or our competitive position;
- our ability to successfully dispose of, monetize and/or acquire businesses or assets or successfully integrate acquired businesses;
- actions by credit rating agencies;
- changes in judgments concerning insurance underwriting and insurance liabilities;
- changes in judgments concerning potential cost saving opportunities;
- the impact of potential information technology, cybersecurity or data security breaches, including as a result of cyber-attacks or security vulnerabilities;
- disruptions in the availability of our electronic data systems or those of third parties;
- the effectiveness of our strategies to recruit and retain key personnel and our ability to implement effective succession plans;
- negative impacts on customers, business partners and other stakeholders;
- our ability to successfully manage Legacy portfolios;
- concentrations in our investment portfolios;
- the requirements, which may change from time to time, of the global regulatory framework to which we are subject;
- significant legal, regulatory or governmental proceedings;
- changes in judgments concerning the recognition of deferred tax assets and goodwill impairment; and
- such other factors discussed in:
  - Part I, Item 2. MD&A of this Quarterly Report on Form 10-Q; and
  - Part I, Item 1A. Risk Factors and Part II, Item 7. MD&A of the 2018 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.

INDEX TO 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 Securities and Exchange Commission rules and regulations. GAAP is the acronym for “generally accepted accounting principles” 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) (Adjusted book value per common share) are used to show the amount of our net worth on a per-common share basis. We believe these measures are useful to investors because they eliminate 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. These measures also eliminate the asymmetrical impact resulting from changes in fair value of our available for sale securities portfolio wherein there is largely no offsetting impact for certain related insurance liabilities. We exclude deferred tax assets representing U.S. tax attributes related to net operating loss carryforwards and foreign tax credits as they have not yet been utilized. Amounts for interim periods are estimates based on projections of full-year attribute utilization. As net operating loss carryforwards and foreign tax credits are utilized, the portion of the DTA utilized is included in these book value per common share metrics. Book value per common share, excluding AOCI, is derived by dividing total AIG common shareholders’ equity, excluding AOCI, by total common shares outstanding. Adjusted book value per common share is derived by dividing total AIG common shareholders’ equity, excluding AOCI and DTA (Adjusted Common Shareholders’ Equity), by total common shares outstanding. The reconciliation to book value per common share, the most comparable GAAP measure, is presented in the Executive Summary section of this MD&A.

Return on common equity – Adjusted after-tax income excluding AOCI and DTA (Adjusted return on common equity) is used to show the rate of return on common shareholders’ equity. We believe this measure is useful to investors because it eliminates 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. This measure also eliminates the asymmetrical impact resulting from changes in fair value of our available for sale securities portfolio wherein there is largely no offsetting impact for certain related insurance liabilities. We exclude deferred tax assets representing U.S. tax attributes related to net operating loss carryforwards and foreign tax credits as they have not yet been utilized. Amounts for interim periods are estimates based on projections of full-year attribute utilization. As net operating loss carryforwards and foreign tax credits are utilized, the portion of the DTA utilized is included in Adjusted return on common equity. Adjusted return on common equity is derived by dividing actual or annualized adjusted after-tax income attributable to AIG by average Adjusted Common Shareholders’ Equity. The reconciliation to return on common equity, the most comparable GAAP measure, is presented in the Executive Summary section of this MD&A.

Adjusted after-tax income attributable to AIG is derived by excluding the tax effected adjusted pre-tax income (APTI) adjustments described below and the following tax items from net income attributable to AIG:

- deferred income tax valuation allowance releases and charges;
- changes in uncertain tax positions and other tax items related to legacy matters having no relevance to our current businesses or operating performance; and
- net tax charge related to the enactment of the Tax Cuts and Jobs Act (Tax Act);

and by excluding the net realized capital gains (losses) from noncontrolling interests.

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 on a consolidated basis in the Consolidated Results of Operations section of this MD&A.

Adjusted revenues exclude Net realized capital gains (losses), income from non-operating litigation settlements (included in Other income for GAAP purposes) and changes in fair value of securities used to hedge guaranteed living benefits (included in Net investment income for GAAP purposes). Adjusted revenues is a GAAP measure for our operating segments.

Adjusted pre-tax income is derived by excluding the items set forth below from income from continuing operations before income tax. This definition is consistent across our segments. These items generally fall into one or more of the following broad categories: legacy matters having no relevance to our current businesses or operating performance; adjustments to enhance transparency to the underlying economics of transactions; and measures that we believe to be common to the industry. APTI is a GAAP measure for our segments. Excluded items include the following:

- 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;
- changes in the fair value of equity securities;
- loss (gain) on extinguishment of debt;
- all net realized capital gains and losses except earned income (periodic settlements and changes in settlement accruals) on derivative instruments used for non-qualifying (economic) hedging or for asset replication. Earned income on such economic hedges is reclassified from net realized capital gains and losses to specific APTI line items based on the economic risk being hedged (e.g. net investment income and interest credited to policyholder account balances);
- income or loss from discontinued operations;
- net loss reserve discount benefit (charge);
- pension expense related to a one-time lump sum payment to former employees;
- income and loss from divested businesses;
- non-operating litigation reserves and settlements;
- restructuring and other costs related to initiatives designed to reduce operating expenses, improve efficiency and simplify our organization;
- the portion of favorable or unfavorable prior year reserve development for which we have ceded the risk under retroactive reinsurance agreements and related changes in amortization of the deferred gain;
- integration and transaction costs associated with acquired businesses;
- losses from the impairment of goodwill; and
- non-recurring external costs associated with the implementation of non-ordinary course legal or regulatory changes or changes to accounting principles.

- ***General Insurance***
  - **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 (which for General Insurance excludes net loss reserve discount), 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. Our ratios are calculated using the relevant segment information calculated under GAAP, and thus may not be comparable to similar ratios calculated for regulatory reporting purposes. 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 and man-made catastrophe losses are generally weather or seismic events having a net impact on AIG in excess of $10 million each and also include certain man-made events, such as terrorism and civil disorders that exceed the $10 million threshold. We believe that as adjusted ratios are meaningful measures of our underwriting results on an ongoing basis as they exclude catastrophes and the impact of reserve discounting which are outside of management's control. We also exclude prior year development to provide transparency related to current accident year results.

- ***Life and Retirement***
  - **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, Federal Home Loan Bank (FHLB) funding agreements and mutual funds.

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

Critical Accounting Estimates

The preparation of financial statements in accordance with GAAP requires the application of accounting policies that often involve a significant degree of judgment.

The accounting policies that we believe are most dependent on the application of estimates and assumptions, which are critical accounting estimates, are related to the determination of:

- loss reserves;
- reinsurance assets;
- valuation of future policy benefit liabilities and timing and extent of loss recognition;
- valuation of liabilities for guaranteed benefit features of variable annuity products;
- valuation of embedded derivatives for fixed index annuity and life 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;
- allowances for loan losses;
- liability for legal contingencies;
- fair value measurements of certain financial assets and liabilities; and
- 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 and estimates associated with the Tax Act.

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.

For a complete discussion of our critical accounting estimates, see Part II, Item 7. MD&A — Critical Accounting Estimates in the 2018 Annual Report.

Executive Summary

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 our securities. You should read this Quarterly Report on Form 10-Q, together with the 2018 Annual Report, in their entirety for a more detailed description of events, trends, uncertainties, risks and critical accounting estimates affecting us.

Beginning in the first quarter of 2019, on a prospective basis, the changes in the fair value of equity securities are excluded from adjusted pre-tax income (loss).

AIG'S OPERATING STRUCTURE

Our Core businesses include General Insurance, Life and Retirement and Other Operations. General Insurance consists of two operating segments – North America and International. Life and Retirement consists of four operating segments – Individual Retirement, Group Retirement, Life Insurance and Institutional Markets. Blackboard U.S. Holdings, Inc. (Blackboard), AIG's technology-driven subsidiary, is reported within Other Operations. We also report a Legacy Portfolio consisting of our run-off insurance lines and legacy investments that we consider non-core. Effective February 2018, our Bermuda-domiciled composite reinsurer, Fortitude Reinsurance Company Ltd (Fortitude Re.) is included in our Legacy Portfolio.

Consistent with how we manage our business, our General Insurance North America operating segment primarily includes insurance businesses in the United States, Canada and Bermuda. Our General Insurance International operating segment includes insurance businesses in Japan, the United Kingdom, Europe, the Asia Pacific region, Latin America, Puerto Rico, Australia, the Middle East and Africa. General Insurance results are presented before consideration of internal reinsurance agreements.

For further discussion on our business segments see Note 3 to the Condensed Consolidated Financial Statements.

Business Segments

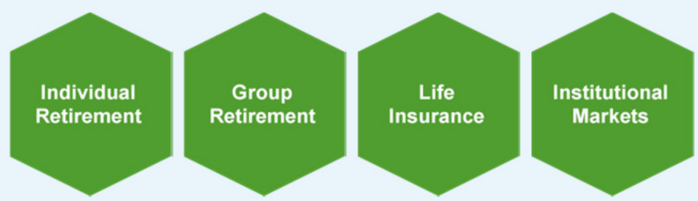
General Insurance

General Insurance is a leading provider of insurance products and services for commercial and personal insurance customers. It includes one of the world's most far-reaching property casualty networks. General Insurance offers a broad range of products to customers through a diversified, multichannel distribution network. Customers value General Insurance's strong capital position, extensive risk management and claims experience and its ability to be a market leader in critical lines of the insurance business.

General Insurance includes the following major operating companies: National Union Fire Insurance Company of Pittsburgh, Pa. (National Union); American Home Assurance Company (American Home); Lexington Insurance Company (Lexington); AIG General Insurance Company, Ltd. (AIG Sonpo); AIG Asia Pacific Insurance, Pte, Ltd.; AIG Europe S.A.; American International Group UK Ltd.; Validus Reinsurance, Ltd.; Talbot Holdings Ltd.; Western World Insurance Group, Inc. and Glatfelter Insurance Group.

Life and Retirement

Life and Retirement is a unique franchise that brings together a broad portfolio of life insurance, retirement and institutional products offered through an extensive, multichannel distribution network. It holds long-standing, leading market positions in many of the markets it serves in the U.S. With its strong capital position, customer-focused service, breadth of product expertise and deep distribution relationships across multiple channels, Life and Retirement is well positioned to serve growing market needs.



Life and Retirement includes the following major operating companies: American General Life Insurance Company (American General Life); The Variable Annuity Life Insurance Company (VALIC); The United States Life Insurance Company in the City of New York (U.S. Life); Laya Healthcare Limited and AIG Life Limited.

Other Operations

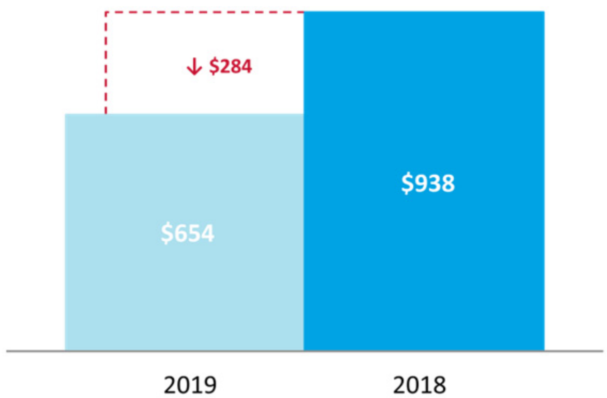
Other Operations consists of businesses and items not attributed to our General Insurance and Life and Retirement segments or our Legacy Portfolio. It includes AIG Parent; Blackboard; deferred tax assets related to tax attributes; corporate expenses and intercompany eliminations.

Legacy Portfolio

Legacy Portfolio includes Legacy Life and Retirement Run-Off Lines, Legacy General Insurance Run-Off Lines, and Legacy Investments. Effective February 2018, Fortitude Re, our Bermuda-domiciled composite reinsurer, is included in our Legacy Portfolio.

FINANCIAL PERFORMANCE SUMMARY

Net Income Attributable To AIG
Three Months Ended March 31,
(in millions)



2019 and 2018 Comparison

Decrease in Net income attributable to AIG is the result of:

Increases due to:

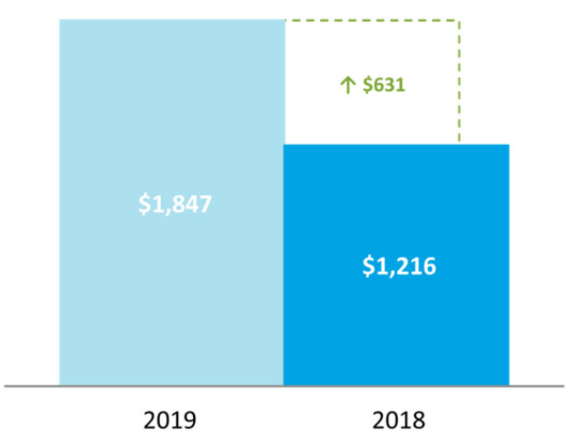
- improvement in accident year losses in General Insurance as a result of underwriting discipline, increased use of reinsurance and a change in business mix as well as lower catastrophe losses in General Insurance;
- higher investment returns in our hedge fund portfolio and equity securities due to robust equity market returns in the first quarter of 2019 and an increase in income from fixed maturity securities for which the fair value option was elected, compared to the same period in the prior year where returns were lower as a result of an increase in rates and widening spreads that occurred, as well as negative performance of our fair value option equity securities portfolio; and
- lower general and other operating expenses as a result of ongoing strategic initiatives to reduce costs.

These increases were more than offset by:

- higher net realized capital losses;
- a net loss reserve discount charge in the first quarter of 2019 compared to a loss reserve discount benefit in the first quarter of 2018; and
- the impact of noncontrolling interest attributed to Fortitude Re results in the first quarter of 2019 as discussed in Consolidated Results of Operations.

For further discussion see Consolidated Results of Operations.

Adjusted Pre-Tax Income*
Three Months Ended March 31,
(in millions)



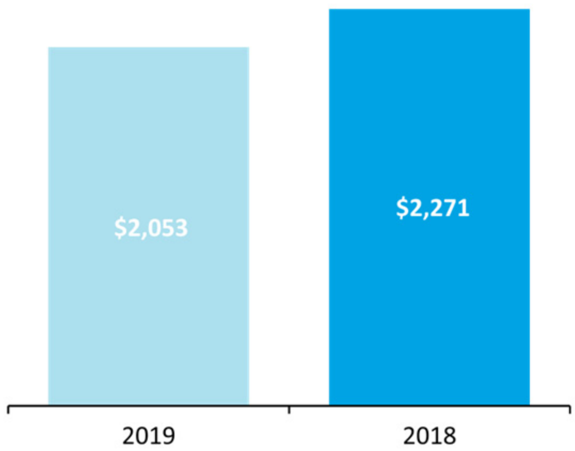
2019 and 2018 Comparison

Increase in Adjusted pre-tax income primarily due to:

- higher investment returns in our hedge fund portfolio due to robust equity market returns in the first quarter of 2019 and an increase in income from fixed maturity securities for which the fair value option was elected, compared to the same period in the prior year where returns were lower as a result of an increase in rates and widening spreads that occurred, as well as negative performance of our fair value option equity securities portfolio;
- lower general operating and other expenses; and
- a General Insurance underwriting profit in the first quarter of 2019 compared to an underwriting loss in the same period in the prior year driven by lower catastrophe losses and lower accident year losses as a result of underwriting discipline, increased use of reinsurance and a change in business mix.

* Non-GAAP measure – *for reconciliation of Non-GAAP to GAAP measures see Consolidated Results of Operations*.

General Operating and Other Expenses
Three Months Ended March 31,
(in millions)

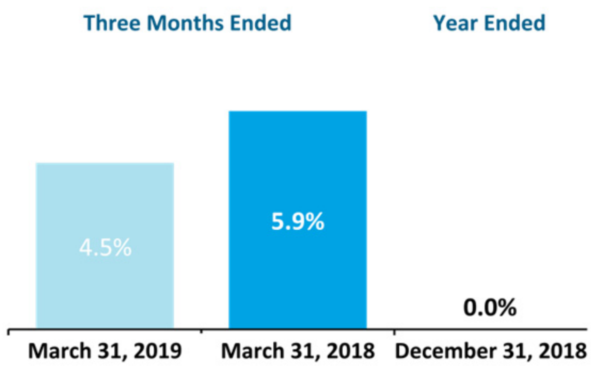


2019 and 2018 Comparison

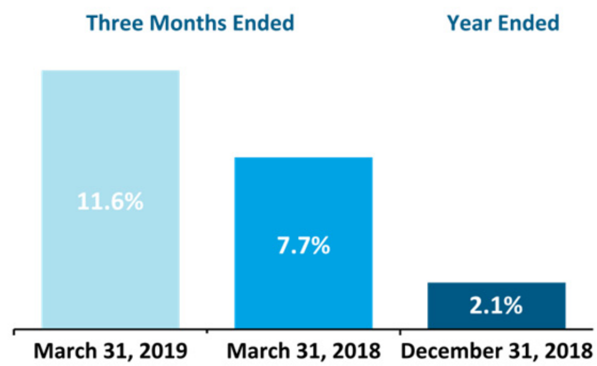
General operating and other expenses declined primarily due to lower employee related expenses and professional fee reductions pertaining to ongoing efficiency programs. The declines were partially offset due to the increase in expenses caused by the acquisitions of Validus and Glatfelter in the third and fourth quarters of 2018, respectively.

In keeping with our broad and ongoing efforts to transform for long-term competitiveness, general operating and other expenses for the first quarters of 2019 and 2018 included approximately $47 million and $24 million of pre-tax restructuring and other costs, respectively, which were primarily comprised of employee severance charges and other exit costs related to organizational simplification, operational efficiency, and business rationalization.

Return on Common Equity

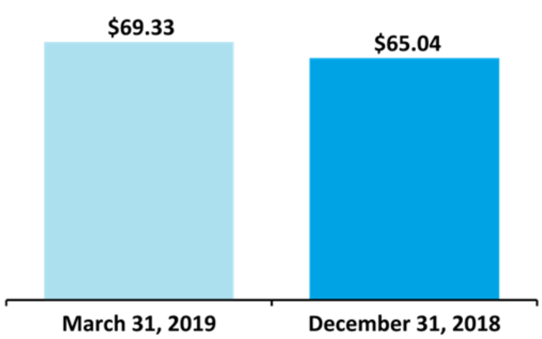


Adjusted Return on Common Equity*

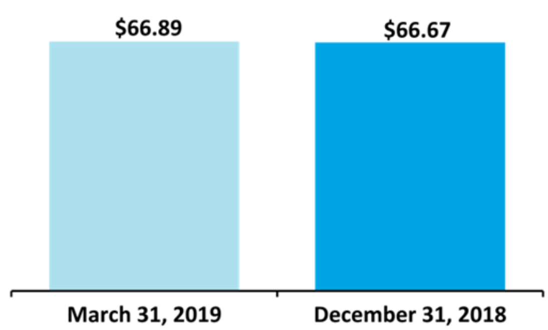


* Non-GAAP measure – *for reconciliation of Non-GAAP to GAAP measures see Consolidated Results of Operations.*

Book Value Per Common Share



Book Value Per Common Share, excluding AOCI*



* Non-GAAP measure – *for reconciliation of Non-GAAP to GAAP measures see Consolidated Results of Operations*.

AIG'S OUTLOOK – INDUSTRY AND ECONOMIC FACTORS

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 the first quarter of 2019, characterized by factors such as the impact of historically low interest rates, uncertainties in the annuity marketplace resulting from legislative and regulatory initiatives aimed at re-evaluating the standard of care for sales of investment products and services, slowing growth in China and Euro-Zone economies, global trade tensions and the UK's pending withdrawal from its membership in the European Union (the EU) (commonly referred to as Brexit). Brexit has also affected the U.S. dollar/British pound exchange rate and increased the volatility of exchange rates among the euro, British pound and the Japanese yen (the Major Currencies), which may continue for some time.

Impact of Changes in the Interest Rate Environment

Interest rates in 2019 have remained low by historical standards, notwithstanding that interest rates rose in 2018, and in some cases have risen close to highs of the preceding five to ten years. In early 2019, the Federal Open Market Committee of the Federal Reserve System indicated that it expects the pace of rate increases to slow. The low interest rate environment negatively affects sales of interest rate sensitive products in our industry and may negatively impact the profitability of our existing business as we reinvest cash flows from investments, including increased calls and prepayments of fixed maturity securities and mortgage loans, at rates below the average yield of our existing portfolios. As rates rise, some of these impacts may abate while there may be different impacts, some of which are highlighted below. We actively manage our exposure to the interest rate environment through portfolio selection and asset-liability management, including spread management strategies for our investment-oriented products and economic hedging of interest rate risk from guarantee features in our variable and fixed index annuities.

Additionally, sustained low interest rates on discounting of projected benefit cash flows for our pension plans may result in higher pension expense.

Annuity Sales and Surrenders

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. However, our disciplined rate setting has helped to mitigate some of the pressure on investment spreads. Rapidly rising interest rates could create the potential for increased sales, but may also drive higher surrenders. Customers are, however, currently buying fixed annuities with surrender charge periods of four to seven years in pursuit of higher returns, which may help mitigate increased early surrenders in a rising rate environment. In addition, older contracts that have higher minimum interest rates and continue to be attractive to the contract holders have driven better than expected persistency in Fixed Annuities, although the reserves for such contracts have continued to decrease over time in amount and as a percentage of the total annuity portfolio. We will closely monitor surrenders of Fixed Annuities as contracts with lower minimum interest rates come out of the surrender charge period in a more attractive rate environment. Low interest rates have also driven growth in our fixed index annuity products, which provide additional interest crediting, tied to favorable performance in certain equity market indices and the availability of guaranteed living benefits. Changes in interest rates significantly impact the valuation of our liabilities for annuities with guaranteed income features and the value of the related hedging portfolio.

Reinvestment and Spread Management

We actively monitor fixed income markets, including the level of interest rates, credit spreads and the shape of the yield curve. We also frequently review our interest rate assumptions and actively manage the crediting rates used for new and in-force business. Business strategies continue to evolve to maintain profitability of the overall business in light of the interest rate environment. A low interest rate environment puts margin pressure on pricing of new business and on existing products, due to the challenge of investing new money or recurring premiums and deposits, and reinvesting investment portfolio cash flows, in the low interest rate environment. 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.

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 asset-liability management process, product design elements and crediting rate strategies, a sustained low interest rate environment may negatively affect future profitability.

For additional information on our investment and asset-liability management strategies see Investments.

For investment-oriented products in our Individual Retirement, Group Retirement, Life Insurance and Institutional Markets businesses, our spread management strategies include disciplined pricing and product design for new business, modifying or limiting the sale of products that do not achieve targeted spreads, using asset-liability management to match assets to liabilities to the extent practicable, and actively managing crediting rates to help mitigate some of the pressure on investment spreads. Renewal crediting rate management is done under contractual provisions 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. We will continue to adjust crediting rates on in-force business to mitigate the pressure on spreads from declining base yields, but our ability to lower crediting rates may be limited by the competitive environment, contractual minimum crediting rates, and provisions that allow rates to be reset only at pre-established intervals. As interest rates rise, we may need to raise crediting rates on in-force business for competitive and other reasons potentially reducing the impact of investing in a higher interest rate environment.

Of the aggregate fixed account values of our Individual Retirement and Group Retirement annuity products, 63 percent were crediting at the contractual minimum guaranteed interest rate at March 31, 2019. The percentage of fixed account values of our annuity products that are currently crediting at rates above one percent was 65 percent and 66 percent at March 31, 2019 and December 31, 2018, respectively. These businesses continue to focus on pricing discipline and strategies to manage the minimum guaranteed interest crediting rates offered on new sales in the context of regulatory requirements and competitive positioning. In the core universal life business in our Life Insurance business, 65 percent of the account values were crediting at the contractual minimum guaranteed interest rate at March 31, 2019.

The following table presents fixed annuity and universal life account values of our Individual Retirement, Group Retirement and Life Insurance operating segments by contractual minimum guaranteed interest rate and current crediting rates:

	Current Crediting Rates			
March 31, 2019 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
Individual Retirement*				
<=1%	$ 1,002	$ 4,285	$ 20,198	$ 25,485
> 1% - 2%	6,884	183	1,768	8,835
> 2% - 3%	12,251	265	74	12,590
> 3% - 4%	9,505	42	7	9,554
> 4% - 5%	532	-	4	536
> 5% - 5.5%	34	-	5	39
Total Individual Retirement	$ 30,208	$ 4,775	$ 22,056	$ 57,039
Group Retirement*				
1%	$ 1,533	$ 2,686	$ 3,202	$ 7,421
> 1% - 2%	5,449	876	1,142	7,467
> 2% - 3%	14,954	3	-	14,957
> 3% - 4%	830	-	-	830
> 4% - 5%	7,078	-	-	7,078
> 5% - 5.5%	174	-	-	174
Total Group Retirement	$ 30,018	$ 3,565	$ 4,344	$ 37,927
Universal life insurance				
1%	$ -	$ -	$ -	$ -
> 1% - 2%	93	24	365	482
> 2% - 3%	277	578	1,081	1,936
> 3% - 4%	1,544	491	7	2,042
> 4% - 5%	2,988	227	-	3,215
> 5% - 5.5%	264	-	-	264
Total universal life insurance	$ 5,166	$ 1,320	$ 1,453	$ 7,939
Total	$ 65,392	$ 9,660	$ 27,853	$ 102,905
Percentage of total	64 %	9 %	27 %	100 %

* Individual Retirement and Group Retirement amounts shown include fixed options within variable annuity products.

General Insurance

The impact of low interest rates on our General Insurance segment is primarily on our long-tail Casualty line of business. We expect limited impacts on our existing long-tail Casualty business as the duration of our assets is slightly longer than that of our liabilities. Sustained low interest rates would potentially impact new and renewal business for the long-tail Casualty line as we may not be able to adjust our future pricing consistent with our profitability objectives to fully offset the impact of investing at lower rates. However, we will continue to maintain pricing discipline and risk selection.

In addition, for our General Insurance segment and General Insurance Run-Off Lines reported within the Legacy Portfolio, sustained low interest rates may unfavorably affect the net loss reserve discount for workers' compensation, and to a lesser extent could favorably impact assumptions about future medical costs, the combined net effect of which could result in higher net loss reserves.

Standard of Care Developments

The SEC, federal and state lawmakers and state insurance regulators continue their efforts at evaluating what is an appropriate regulatory framework around a standard of care for the sale of investment products and services. For example, on April 18, 2018, the SEC proposed a package of rulemakings and interpretations designed to address the standard of care issues and the transparency of retail investors' relationships with investment advisors and broker-dealers. Additionally, on July 18, 2018, the New York State Department of Financial Services adopted a best interest standard of care regulation applicable to annuity and life transactions through issuance of the First Amendment to Insurance Regulation 187 – Suitability and Best Interests in Life Insurance and Annuity Transactions (Regulation 187). The compliance date for Regulation 187 is August 1, 2019 for annuity products and February 1, 2020 for life products. As amended, Regulation 187 requires producers to act in their client's best interest when making point-of-sale and in-force recommendations, and provide in writing the basis for the recommendation, as well as the facts and analysis to support the recommendation. The amended regulation also imposes additional duties on life insurance companies in relation to these transactions, such as requiring insurers to establish and maintain procedures designed to prevent financial exploitation and abuse. We will implement and enhance processes and procedures, where needed, to comply with this regulation. Other states, such as Nevada, Maryland and New Jersey, have also proposed similar standard of care regulations applicable to insurance producers and/or insurance companies. We continue to closely follow these proposals and other relevant federal and state-level regulatory and legislative developments in this area. While we cannot predict the long-term impact of these developments on our Life and Retirement businesses, we believe our diverse product offerings and distribution relationships position us to compete effectively in this evolving marketplace.

Impact of Currency Volatility

Currency volatility remains acute. 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, especially as a result of the UK's announced exit from the EU, and such fluctuations will affect net premiums written growth trends reported in U.S. dollars, as well as financial statement line item comparability.

General Insurance businesses are transacted in most major foreign currencies. The following table presents the average of the quarterly weighted average exchange rates of the Major Currencies, which have the most significant impact on our businesses:

Three Months Ended March 31, Rate for 1 USD	**2019**	2018	Percentage Change
Currency:			
GBP	**0.78**	0.73	7 %
EUR	**0.88**	0.82	7 %
JPY	**110.50**	110.62	- %

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

Other Industry Developments

On September 7, 2017, the UK Ministry of Justice announced a proposal to increase the Ogden rate from negative 0.75 percent to between zero and one percent. Following this announcement, on December 20, 2018 the UK Parliament passed the Civil Liability Act 2018 which implements a new framework for determining the Ogden rate and requires the UK Ministry of Justice to start a review of the Ogden rate within 90 days of its commencement and review periodically thereafter. The Ministry of Justice concluded a public call for evidence on January 30, 2019 prior to beginning its first review. We will continue to monitor the progress of potential changes to the Ogden rate.

Consolidated Results of Operations

The following section provides a comparative discussion of our Consolidated Results of Operations on a reported basis for the three month periods ended March 31, 2019 and 2018. Factors that relate primarily to a specific business are discussed in more detail within the business segment operations section.

For a discussion of the Critical Accounting Estimates that affect our 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 2018 Annual Report.

The following table presents our consolidated results of operations and other key financial metrics:

Three Months Ended March 31, *(in millions)*	2019	2018	Percentage Change
Revenues:			
Premiums	$ 8,070	$ 7,275	11 %
Policy fees	735	764	(4)
Net investment income	3,879	3,261	19
Net realized capital losses	(446)	(19)	NM
Other income	218	431	(49)
Total revenues	12,456	11,712	6
Benefits, losses and expenses:			
Policyholder benefits and losses incurred	6,679	5,667	18
Interest credited to policyholder account balances	940	916	3
Amortization of deferred policy acquisition costs	1,289	1,358	(5)
General operating and other expenses	2,053	2,271	(10)
Interest expense	349	277	26
(Gain) loss on extinguishment of debt	(2)	4	NM
Net gain on sale of divested businesses	(6)	(8)	25
Total benefits, losses and expenses	11,302	10,485	8
Income from continuing operations before income tax expense	1,154	1,227	(6)
Income tax expense	217	277	(22)
Income from continuing operations	937	950	(1)
Loss from discontinued operations, net of income tax expense	-	(1)	NM
Net income	937	949	(1)
Less: Net income (loss) attributable to noncontrolling interests	283	11	NM
Net income attributable to AIG	$ 654	$ 938	(30)%

(in millions, except per share data)	March 31, 2019	December 31, 2018
Balance sheet data:		
Total assets	$ 512,922	$ 491,984
Long-term debt	35,776	34,540
Total AIG shareholders' equity	60,787	56,361
Book value per common share	69.33	65.04
Book value per common share, excluding AOCI	66.89	66.67
Adjusted book value per common share	55.47	54.95

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 (Adjusted book value per common share), which are non-GAAP measures. *For additional information see Use of Non-GAAP Measures.*

(in millions, except per share data)	March 31, 2019	December 31, 2018
Total AIG shareholders' equity	$ 60,787	$ 56,361
Preferred equity	485	-
Total AIG common shareholders' equity	60,302	56,361
Accumulated other comprehensive income (loss)	2,128	(1,413)
Total AIG common shareholders' equity, excluding AOCI	58,174	57,774
Deferred tax assets	9,926	10,153
Adjusted common shareholders' equity	$ 48,248	$ 47,621
Total common shares outstanding	869,736,901	866,609,429
Book value per common share	$ 69.33	$ 65.04
Book value per common share, excluding AOCI	66.89	66.67
Adjusted book value per common share	55.47	54.95

The following table presents a reconciliation of Return on common equity to Adjusted return on common equity, which is a non-GAAP measure. *For additional information see Use of Non-GAAP Measures.*

	Three Months Ended March 31,		Year Ended December 31,
(dollars in millions)	2019	2018	2018
Actual or annualized net income (loss) attributable to AIG	$ 2,616	$ 3,752	$ (6)
Actual or annualized adjusted after-tax income attributable to AIG	5,552	3,852	1,064
Average AIG common shareholders' equity	$ 58,332	$ 63,982	$ 60,819
Average AOCI	358	3,843	1,193
Average AIG common shareholders' equity, excluding average AOCI	57,974	60,139	59,626
Average DTA	10,040	10,353	10,133
Average adjusted AIG common shareholders' equity	$ 47,934	$ 49,786	$ 49,493
Return on common equity	4.5 %	5.9 %	0.0 %
Adjusted return on common equity	11.6 %	7.7 %	2.1 %

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

Three Months Ended March 31,	**2019**				2018			
(in millions, except per share data)	Pre-tax	Total Tax (Benefit) Charge	Noncontrolling Interest[(b)]	After Tax	Pre-tax	Total Tax (Benefit) Charge	Noncontrolling Interest	After Tax
Pre-tax income/net income, including noncontrolling interests	**$ 1,154**	**$ 217**	**$ -**	**$ 937**	$ 1,227	$ 277	$ -	$ 949
Noncontrolling interest			**(283)**	**(283)**			(11)	(11)
Pre-tax income/net income attributable to AIG	**$ 1,154**	**$ 217**	**$ (283)**	**$ 654**	$ 1,227	$ 277	$ (11)	$ 938
Changes in uncertain tax positions and other tax adjustments		**12**	**-**	**(12)**		4	-	(4)
Deferred income tax valuation allowance (releases) charges		**38**	**-**	**(38)**		(30)	-	30
Changes in fair value of securities used to hedge guaranteed living benefits	**(96)**	**(20)**	**-**	**(76)**	77	16	-	61
Changes in benefit reserves and DAC, VOBA and SIA related to net realized capital gains (losses)	**(99)**	**(21)**	**-**	**(78)**	31	6	-	25
Changes in the fair value of equity securities	**(79)**	**(17)**	**-**	**(62)**	-	-	-	-
Unfavorable (favorable) prior year development and related amortization changes ceded under retroactive reinsurance agreements	**(27)**	**(5)**	**-**	**(22)**	34	7	-	27
(Gain) loss on extinguishment of debt	**(2)**	**(1)**	**-**	**(1)**	4	1	-	3
Net realized capital (gains) losses[(a)]	**474**	**109**	**-**	**365**	19	(1)	-	20
Loss from discontinued operations				**-**				1
Income from divested businesses	**(6)**	**(1)**	**-**	**(5)**	(8)	(2)	-	(6)
Non-operating litigation reserves and settlements	**1**	**1**	**-**	**-**	13	3	-	10
Net loss reserve discount (benefit) charge	**473**	**99**	**-**	**374**	(205)	(43)	-	(162)
Integration and transaction costs associated with acquired businesses	**7**	**2**	**-**	**5**	-	-	-	-
Restructuring and other costs	**47**	**10**	**-**	**37**	24	5	-	19
Noncontrolling interest primarily related to net realized capital gains (losses) of Fortitude Holdings' standalone results[(b)]			**247**	**247**			1	1
Adjusted pre-tax income/Adjusted after-tax income	**$ 1,847**	**$ 423**	**$ (36)**	**$ 1,388**	$ 1,216	$ 243	$ (10)	$ 963
Weighted average diluted shares outstanding				**877.5**				925.3
Income per common share attributable to AIG (diluted)				**$ 0.75**				$ 1.01
Adjusted after-tax income per common share attributable to AIG (diluted)				**$ 1.58**				$ 1.04

(a) Includes all net realized capital gains and losses except earned income (periodic settlements and changes in settlement accruals) on derivative instruments used for non-qualifying (economic) hedging or for asset replication.

(b) Noncontrolling interests is primarily due to the 19.9 percent investment in Fortitude Holdings by an affiliate of The Carlyle Group L.P. (Carlyle), which occurred in the fourth quarter of 2018. Carlyle is allocated 19.9 percent of Fortitude Holdings' standalone financial results. Fortitude Holdings' results are mostly eliminated in AIG's consolidated income from continuing operations given that its results arise from intercompany transactions. Noncontrolling interests is calculated based on the standalone financial results of Fortitude Holdings. The most significant component of Fortitude Holdings' standalone results concerns gains related to the change in fair value of embedded derivatives, which moved materially in the quarter due to lower rates and tightening credit spreads, and which are recorded in net realized capital gains and losses of Fortitude Holdings. In accordance with AIG's adjusted after-tax income definition, realized capital gains and losses are excluded from noncontrolling interests.

Fortitude Holdings' summarized financial information (standalone results) is presented below:

Three Months Ended March 31, 2019 *(in millions)*	Fortitude Holdings	AIG Noncontrolling Interest
Revenues	**$ 606**	**$ 121**
Expenses	**472**	**94**
Adjusted pre-tax income	**134**	**27**
Taxes on adjusted pre-tax income	**28**	**6**
Adjusted after-tax income, excluding realized capital gains	**106**	**21**
Net realized capital gains	**1,573**	**313**
Taxes on realized capital gains	**330**	**66**
After-tax net realized capital gains	**1,243**	**247**
Net income	**$ 1,349**	**$ 268**

FIRST QUARTER PRE-TAX INCOME COMPARISON FOR 2019 AND 2018

Decrease in pre-tax income in the first quarter of 2019 compared to the first quarter of 2018 is the result of:

Increases due to:

- improvement in accident year losses in General Insurance as a result of underwriting discipline, increased use of reinsurance and a change in business mix as well as lower catastrophe losses in General Insurance;
- higher investment returns in our hedge fund portfolio and equity securities due to robust equity market returns in the first quarter of 2019 and an increase in income from fixed maturity securities for which the fair value option was elected, compared to the same period in the prior year where returns were lower as a result of an increase in rates and widening spreads that occurred, as well as negative performance of our fair value option equity securities portfolio; and
- lower general and other operating expenses as a result of ongoing strategic initiatives to reduce costs, partially offset by the increase in expenses caused by the acquisitions of Validus and Glatfelter in the third and fourth quarters of 2018, respectively.

These increases were more than offset by:

- higher net realized capital losses due to Life and Retirement guaranteed living benefits, net of hedges, which reflected net realized capital losses in the first quarter of 2019 compared to net realized capital gains in the first quarter of 2018, primarily due to changes in the movement in the non-performance or “own credit” risk adjustment (NPA), which is not hedged as part of our economic hedging program (see Insurance Reserves – Life and Annuity Reserves and DAC – Variable Annuity Guaranteed Benefits and Hedging Results), partially offset from gains in fixed income securities due to credit spreads tightening; and
- a net loss reserve discount charge in the first quarter of 2019 compared to a loss reserve discount benefit in the first quarter of 2018.

U.S. TAX REFORM OVERVIEW

On December 22, 2017, the U.S. enacted Public Law 115-97, known informally as the Tax Cuts and Jobs Act (the Tax Act). The Tax Act reduced the statutory rate of U.S. federal corporate income tax to 21 percent and enacted numerous other changes impacting AIG and the insurance industry. Changes specific to the insurance industry include the calculation of insurance tax reserves and related transition adjustments, amortization of specified policy acquisition expenses, treatment of separate account dividends received deductions and computation of pro-ration adjustments. Provisions of the Tax Act with broader application include reductions or elimination of deductions for certain items, e.g., reductions to corporate dividends received deductions, disallowance of entertainment expenses and limitations on the deduction of certain executive compensation costs. These provisions, generally, result in an increase in AIG’s taxable income.

The Tax Act includes provisions for Global Intangible Low-Taxed Income (GILTI) under which taxes on foreign income are imposed on the excess of a deemed return on tangible assets of certain foreign subsidiaries and for Base Erosion and Anti-Abuse Tax (BEAT) under which taxes are imposed on certain base eroding payments to affiliated foreign companies. There are substantial uncertainties in the interpretation of BEAT and GILTI and, while certain formal guidance was issued by the U.S. tax authority, there are still aspects of the Tax Act that remain unclear and additional guidance is expected later in 2019. Such guidance may result in changes to the interpretations and assumptions we made and actions we may take, which may impact amounts recorded with respect to international provisions of the Tax Act, possibly materially. Consistent with accounting guidance, we treat BEAT as a period tax charge in the period the tax is incurred and have made an accounting policy election to treat GILTI taxes in a similar manner.

Repatriation Assumptions

As a result of the Tax Act, the majority of accumulated foreign earnings that were previously untaxed are subject to a one-time deemed repatriation tax. Going forward, foreign earnings not taxed as part of the one-time deemed repatriation (or otherwise taxed currently under the GILTI or subpart F regimes) will generally be exempt from U.S. tax upon repatriation. Notwithstanding the changes, U.S. tax on foreign exchange gain or loss and certain non-U.S. withholding taxes will continue to be applicable upon future repatriations of foreign earnings. For 2019, we consider our foreign earnings with respect to certain operations in Canada, South Africa, the Far East, Latin America, Bermuda as well as the European, Asia Pacific and Middle East regions to be indefinitely reinvested. These earnings relate to ongoing operations and have been reinvested in active business operations. Deferred taxes, if necessary, have been provided on earnings of non-U.S. affiliates whose earnings are not indefinitely reinvested.

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 and are recorded in the period in which the change occurs. While certain impacts of the Tax Act are included in our annual effective tax rate, we continue to refine our calculations as additional information becomes available, which may result in changes to the estimated annual effective tax rate.

INCOME TAX EXPENSE ANALYSIS

For the three-month period ended March 31, 2019, the effective tax rate on income from continuing operations was 18.8 percent. The effective tax rate on income from continuing operations differs from the statutory tax rate of 21 percent primarily due to tax benefits associated with tax exempt income, reclassifications from accumulated other comprehensive income to income from continuing operations related to the disposal of available for sale securities, and valuation allowance activity related to certain foreign subsidiaries, partially offset by tax charges associated with the effect of foreign operations, state and local income taxes, a net tax charge related to the accrual of IRS interest, excess tax charges related to share based compensation payments recorded through the income statement, non-deductible transfer pricing charges, and U.S. tax imposed on GILTI earned by certain foreign subsidiaries. The effect of foreign operations is primarily related to income in our foreign operations taxed at statutory tax rates higher than 21 percent, other foreign taxes, and foreign income subject to U.S. taxation.

For the three-month period ended March 31, 2018, the effective tax rate on income from continuing operations was 22.6 percent. The effective tax rate on income from continuing operations differs from the statutory tax rate of 21 percent primarily due to tax charges related to income in our foreign operations taxed at statutory tax rates higher than 21 percent, tax on GILTI earned by certain foreign subsidiaries, valuation allowance activity related to certain foreign subsidiaries and non-deductible transfer pricing charges, partially offset by tax benefits associated with tax exempt income, reclassifications from accumulated other comprehensive income to income from continuing operations related to the disposal of available for sale securities and excess tax deductions related to share based compensation payments recorded through the income statement.

Business Segment Operations

Our business operations consist of General Insurance, Life and Retirement, Other Operations, and a Legacy Portfolio.

General Insurance consists of two operating segments: North America and International. Life and Retirement consists of four operating segments: Group Retirement, Individual Retirement, Life Insurance and Institutional Markets. Other Operations consists of businesses and items not allocated to our other businesses, which are primarily AIG Parent and Blackboard. Our Legacy Portfolio consists of our Legacy Life and Retirement Run-Off Lines, Legacy General Insurance Run-Off Lines, and Legacy Investments. Effective February 2018, Fortitude Re is included in our Legacy Portfolio.

The following table summarizes Adjusted pre-tax income (loss) from our business segment operations. *See also Note 3 to the Condensed Consolidated Financial Statements*.

Three Months Ended March 31, *(in millions)*	**2019**	2018
Core business:		
General Insurance		
North America	**$ 934**	$ 320
International	**334**	190
General Insurance	**1,268**	510
Life and Retirement		
Individual Retirement	**508**	499
Group Retirement	**232**	282
Life Insurance	**116**	52
Institutional Markets	**68**	59
Life and Retirement	**924**	892
Other Operations	**(387)**	(342)
Consolidations, eliminations and other adjustments	**(70)**	11
Total Core	**1,735**	1,071
Legacy Portfolio	**112**	145
Adjusted pre-tax income (loss)	**$ 1,847**	$ 1,216

General Insurance

General Insurance is managed by our geographic markets of North America and International. Our global presence is reflected in our multinational capabilities to provide our Commercial Lines and Personal Insurance products within these geographic markets.

PRODUCTS AND DISTRIBUTION

Liability: Products include general liability, environmental, commercial automobile liability, workers' compensation, excess casualty and crisis management insurance products. Casualty also includes risk- sharing and other customized structured programs for large corporate and multinational customers.

Financial Lines: Products include professional liability insurance for a range of businesses and risks, including directors and officers liability (D&O), mergers and acquisitions (M&A), fidelity, employment practices, fiduciary liability, cyber risk, kidnap and ransom, and errors and omissions insurance (E&O).

Property: Products include commercial and industrial property insurance products and services that cover exposures to man-made and natural disasters, including business interruption.

Special Risks: Products include aerospace, political risk, trade credit, portfolio solutions, energy-related property insurance products, surety, marine and crop insurance.

Personal Lines: Products include personal auto and property in selected markets and insurance for high net worth individuals offered through AIG Private Client Group (PCG) in the U.S. that covers auto, homeowners, umbrella, yacht, fine art and collections. In addition, we offer extended warranty insurance and services covering electronics, appliances, and HVAC.

Accident & Health: Products 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.

General Insurance products in North America and International markets are distributed through various channels, including captive and independent agents, brokers, affinity partners, airlines and travel agents, and retailers. Our distribution network is aided by our competitive position to write multiple-national and cross-border risks in both Commercial Lines and Personal Insurance.

BUSINESS STRATEGY

Profitable Growth: Deploy capital efficiently to act opportunistically and optimize diversity within the portfolio to grow in profitable lines, geographies and customer segments. Look to inorganic growth opportunities in profitable markets and segments to expand our capabilities and footprint.

Reinsurance Optimization: Strategically partner with reinsurers to reduce exposure to losses arising from frequency of large catastrophic events and the severity from individual risk losses. We strive to optimize our reinsurance program to manage volatility and protect the balance sheet from tail events and unpredictable net losses in support of our profitable growth objectives.

Underwriting Excellence: Empower and increase accountability of the underwriter and continue to integrate underwriting, claims and actuarial to enable better decision making. Focus on enhancing risk selection, driving consistent underwriting best practices and building robust monitoring standards to improve underwriting results.

COMPETITION AND CHALLENGES

Operating in a highly competitive industry, General Insurance competes against several hundred companies, specialty insurance organizations, mutual companies and other underwriting organizations in the U.S. In international markets, we compete for business with the foreign insurance operations of large global insurance groups and local companies in specific market areas and product types. Insurance companies compete through a combination of risk acceptance criteria, product pricing, service and terms and conditions. General Insurance seeks to distinguish itself in the insurance industry primarily based on its well-established brand, global franchise, multinational capabilities, financial and capital strength, innovative products, claims expertise to handle complex claims, expertise in providing specialized coverages and customer service.

We serve our business and individual customers on a global basis — from the largest multinational corporations to local businesses and individuals. Our clients benefit from our substantial underwriting expertise.

Our challenges include:

- long-tail Commercial Lines exposures that create added challenges to pricing and risk management;
- over capacity in certain lines of business that creates downward market pressure on pricing;
- tort environment volatility in certain jurisdictions and lines of business; and
- volatility in claims arising from natural and man-made catastrophes.

OUTLOOK—INDUSTRY AND ECONOMIC FACTORS

Below is a discussion of the industry and economic factors impacting our operating segments:

General Insurance – North America

Commercial Lines over recent years has experienced challenging market conditions, with widespread excess capacity increasing competition and suppressing rates across multiple classes of business. However, in more recent periods we are seeing growing market support for rate increases in certain U.S. liability segments (outside of workers' compensation), with increasing traction in excess casualty, D&O and commercial auto, where rates are supported by a trend of higher loss cost inflation. On the shorter tailed lines, the market is supporting higher rates for accounts which suffered losses from major catastrophe events in 2017 and 2018. We continue to achieve positive rate increases across a number of lines and classes of business as a result of our disciplined underwriting strategy and focus on risk selection. Further, we continue to achieve growth in several of our Commercial Lines high margin businesses, although these market segments remain highly competitive.

Personal Insurance growth prospects are supported by the need for full life cycle products and coverage, increases in personal wealth accumulation, and awareness of insurance protection and risk management. We compete in the high net worth market, accident and health insurance, travel insurance, and warranty services and will continue to expand our innovative products and services to distribution partners and clients.

General Insurance – International

We believe our global presence provides Commercial Lines and Personal Insurance a distinct competitive advantage, as the demand for multinational cross-border coverage and services increases due to the growing number of international customers, while giving us the ability to respond quickly to local market conditions and build client relationships.

The Commercial Lines market continues to be highly competitive, due to increased market capacity and ample availability of capital. Despite this, we continue to grow our most profitable segments and diversify our portfolio across all regions by expanding into new product lines (e.g., cyber), new client segments (e.g., middle market) and new distribution channels (e.g., digital and national brokers) while remaining a market leader in key developed and developing markets. We are maintaining our underwriting discipline and continuing our risk selection strategy to improve profitability.

Personal Insurance focuses on individual customers, as well as group and corporate clients. Although market competition within Personal Insurance has increased, we continue to benefit from the underwriting quality, portfolio diversity, and low volatility of the short-tailed risk in these business lines.

GENERAL INSURANCE RESULTS

Three Months Ended March 31, *(in millions)*		**2019**		2018	Percentage Change
Underwriting results:					
Net premiums written	$	6,033	$	6,171	(2)%
Decrease in unearned premiums		680		512	33
Net premiums earned		6,713		6,683	-
Losses and loss adjustment expenses incurred[(a)]		4,233		4,488	(6)
Acquisition expenses:					
Amortization of deferred policy acquisition costs		1,159		1,066	9
Other acquisition expenses		303		385	(21)
Total acquisition expenses		1,462		1,451	1
General operating expenses		839		995	(16)
Underwriting income (loss)		179		(251)	NM
Net investment income		1,089		761	43
Adjusted pre-tax income (loss)	$	1,268	$	510	149 %
Loss ratio[(a)]		63.1		67.2	(4.1)
Acquisition ratio		21.8		21.7	0.1
General operating expense ratio		12.5		14.9	(2.4)
Expense ratio		34.3		36.6	(2.3)
Combined ratio[(a)]		97.4		103.8	(6.4)
Adjustments for accident year loss ratio, as adjusted and accident year combined ratio, as adjusted:					
Catastrophe losses and reinstatement premiums		(2.7)		(5.7)	3.0
Prior year development, net of (additional) return premium on loss sensitive business		1.0		1.6	(0.6)
Adjustment for ceded premiums under reinsurance contracts related to prior accident years and other		0.4		-	0.4
Accident year loss ratio, as adjusted		61.8		63.1	(1.3)
Accident year combined ratio, as adjusted		96.1		99.7	(3.6)

(a) Consistent with our definition of APTI, excludes net loss reserve discount and the portion of favorable or unfavorable prior year reserve development for which we have ceded the risk under retroactive reinsurance agreements and related changes in amortization of the deferred gain.

The following table presents General Insurance net premiums written by operating segment, showing change on both reported and constant dollar basis:

Three Months Ended March 31,					Percentage Change in	
(in millions)		**2019**		2018	U.S. dollars	Original Currency
North America[(a)(b)]	$	2,578	$	2,039	26 %	26 %
International[(a)(c)]		3,455		4,132	(16)	(13)
Total net premiums written	$	6,033	$	6,171	(2)%	- %

(a) The three-month period ended March 31, 2019 includes Validus Net premiums written for North America and International of $1.1 billion and $171 million, respectively.

(b) The three-month period ended March 31, 2019 includes Glatfelter Net premiums written for North America of $76 million.

(c) As a result of the merger of AIUI Japan and Fuji Fire and Marine Insurance Company (Fuji), Fuji's fiscal reporting period was conformed to that of AIUI Japan (Japan Merger Impact). Therefore, the three-month period ended March 31, 2018 included approximately $300 million for two additional months of Net premiums written.

The following tables present General Insurance accident year catastrophes by geography[(a)] and number of events:

Catastrophes[(b)]

(in millions)	# of Events		North America		International		Total
Three Months Ended March 31, 2019							
Flooding	**1**	**$**	**-**	**$**	**10**	**$**	**10**
Windstorms and hailstorms	**3**		**153**		**2**		**155**
Tropical cyclone	**1**		**5**		**5**		**10**
Total catastrophe-related charges	**5**	**$**	**158**	**$**	**17**	**$**	**175**
Three Months Ended March 31, 2018							
Windstorms and hailstorms	4	$	274	$	19	$	293
Earthquakes	1		25		58		83
Total catastrophe-related charges	5	$	299	$	77	$	376

(a) Geography: North America primarily includes insurance businesses in the United States, Canada and Bermuda. International includes insurance businesses in Japan, the United Kingdom, Europe, the Asia Pacific region, Latin America, Puerto Rico, Australia, the Middle East and Africa. Geography results are presented before consideration of internal reinsurance agreements.

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

NORTH AMERICA RESULTS

Three Months Ended March 31, *(in millions)*		**2019**		2018	Percentage Change
Underwriting results:					
Net premiums written	**$**	**2,578**	$	2,039	26 %
Decrease in unearned premiums		**575**		653	(12)
Net premiums earned		**3,153**		2,692	17
Losses and loss adjustment expenses incurred[(a)]		**2,189**		2,153	2
Acquisition expenses:					
Amortization of deferred policy acquisition costs		**508**		358	42
Other acquisition expenses		**106**		154	(31)
Total acquisition expenses		**614**		512	20
General operating expenses		**361**		355	2
Underwriting loss		**(11)**		(328)	97
Net investment income		**945**		648	46
Adjusted pre-tax income	**$**	**934**	$	320	192 %
Loss ratio[(a)]		**69.4**		80.0	(10.6)
Acquisition ratio		**19.5**		19.0	0.5
General operating expense ratio		**11.4**		13.2	(1.8)
Expense ratio		**30.9**		32.2	(1.3)
Combined ratio[(a)]		**100.3**		112.2	(11.9)
Adjustments for accident year loss ratio, as adjusted and accident year combined ratio, as adjusted:					
Catastrophe losses and reinstatement premiums		**(5.1)**		(11.1)	6.0
Prior year development, net of (additional) return premium on loss sensitive business		**1.8**		2.8	(1.0)
Adjustment for ceded premiums under reinsurance contracts related to prior accident years and other		**1.0**		-	1.0
Accident year loss ratio, as adjusted		**67.1**		71.7	(4.6)
Accident year combined ratio, as adjusted		**98.0**		103.9	(5.9)

(a) Consistent with our definition of APTI, excludes net loss reserve discount and the portion of favorable or unfavorable prior year reserve development for which we have ceded the risk under retroactive reinsurance agreements and related changes in amortization of the deferred gain.

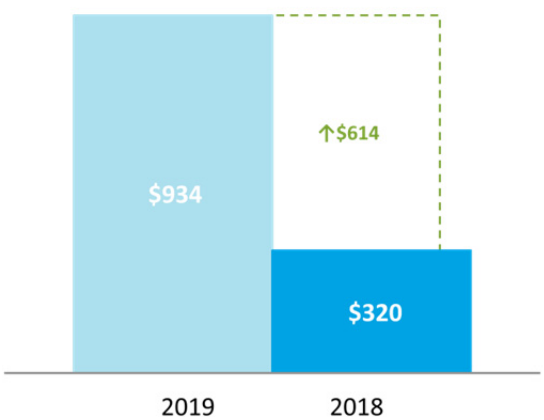
Business and Financial Highlights

The North America General Insurance business is focused on making progress towards improved underwriting results and efficiencies. This includes strengthening our talent base; ongoing investment in pricing and monitoring tools; continuous review of our risk appetite combined with enhanced focus on portfolio management and individual business strategy; and increased use of reinsurance.

Adjusted pre-tax income increased in the three-month period ended March 31, 2019 compared to the same period in the prior year, primarily due to higher net investment income reflecting higher income on alternative investments, lower catastrophe losses and the inclusion of the Validus acquisition.

For a discussion of 2019 reinsurance programs see Part II, Item 7 Management's Discussion and Analysis of Financial Condition Results of Operation - Enterprise Risk Management in our 2018 Annual Report.

North America Adjusted Pre-Tax Income (Loss)
Three Months Ended March 31,
(in millions)

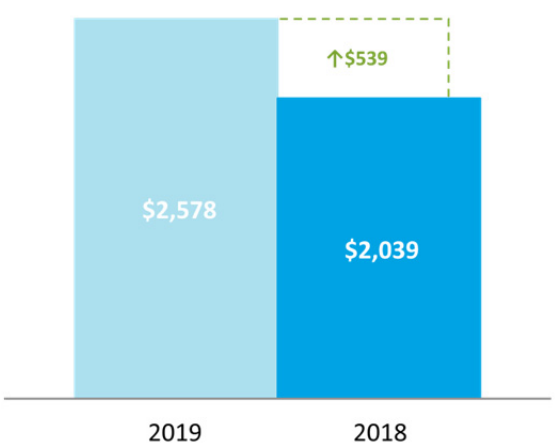


2019 and 2018 Comparison

Adjusted pre-tax income increased primarily due to:

- higher net investment income reflecting higher income on alternative investments and the inclusion of the Validus acquisition;
- lower catastrophe losses; and
- lower current accident year loss ratio, as adjusted, driven primarily by underwriting actions and a change in business mix including the Validus and Glatfelter acquisitions.

North America Net Premiums Written
Three Months Ended March 31,
(in millions)



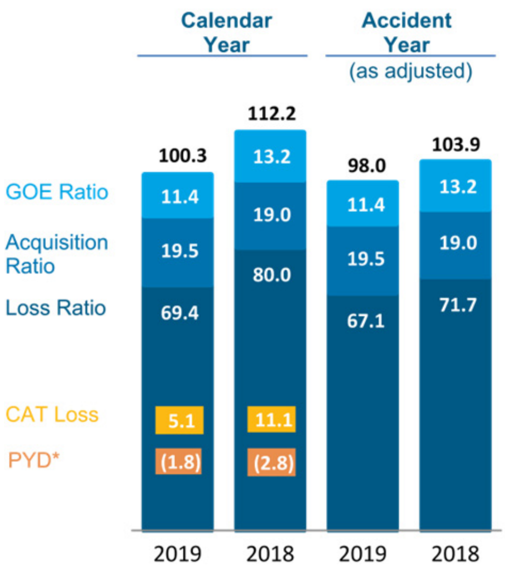
2019 and 2018 Comparison

Net premiums written increased primarily due to the inclusion of the Validus and Glatfelter acquisitions.

This increase was partially offset by:

- higher ceded premiums due to the changes in 2019 reinsurance programs; and
- lower production primarily in Excess Casualty, Retail Property, and Construction due to underwriting actions taken to strengthen our portfolio and to maintain pricing discipline.

North America Combined Ratios
Three Months Ended March 31,



2019 and 2018 Comparison

The decrease in the combined ratio reflected a decrease in both the loss ratio and the expense ratio.

The decrease in the loss ratio primarily reflected:

- lower catastrophe losses; and
- lower accident year loss ratio, as adjusted, due to a change in business mix including the Validus and Glatfelter acquisitions.

The decrease in the expense ratio reflected:

- lower general operating expense ratio primarily driven by expense reduction initiatives; and
- higher acquisition ratio primarily due to changes in portfolio mix and changes in the 2019 reinsurance programs.

INTERNATIONAL RESULTS

Three Months Ended March 31, *(in millions)*	2019	2018	Percentage Change
Underwriting results:			
Net premiums written	$ 3,455	$ 4,132	(16)%
(Increase) decrease in unearned premiums	105	(141)	NM
Net premiums earned	3,560	3,991	(11)
Losses and loss adjustment expenses incurred	2,044	2,335	(12)
Acquisition expenses:			
Amortization of deferred policy acquisition costs	651	708	(8)
Other acquisition expenses	197	231	(15)
Total acquisition expenses	848	939	(10)
General operating expenses	478	640	(25)
Underwriting income(a)	190	77	147
Net investment income	144	113	27
Adjusted pre-tax income	$ 334	$ 190	76 %
Loss ratio	57.4	58.5	(1.1)
Acquisition ratio	23.8	23.5	0.3
General operating expense ratio	13.4	16.0	(2.6)
Expense ratio	37.2	39.5	(2.3)
Combined ratio	94.6	98.0	(3.4)
Adjustments for accident year loss ratio, as adjusted and accident year combined ratio, as adjusted:			
Catastrophe losses and reinstatement premiums	(0.5)	(1.9)	1.4
Prior year development, net of (additional) return premium on loss sensitive business	0.4	0.7	(0.3)
Adjustment for ceded premiums under reinsurance contracts related to prior accident years	-	-	NM
Accident year loss ratio, as adjusted	57.3	57.3	(0.0)
Accident year combined ratio, as adjusted	94.5	96.8	(2.3)

(a) As result of the Japan Merger Impact, the three-month period ended March 31, 2018 includes two additional months of operating earnings increasing Net premiums written, Net premiums earned, Losses and loss adjustment expenses incurred, and Adjusted pre-tax income by approximately $300 million, $300 million, $200 million and $15 million, respectively.

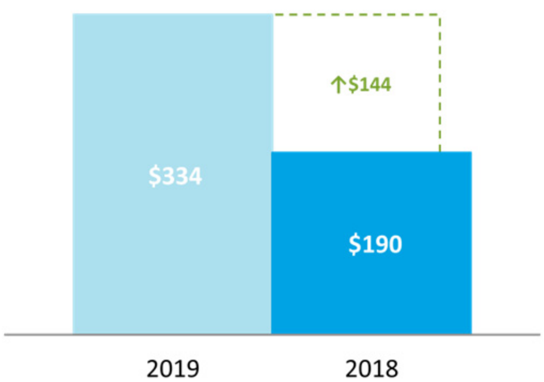
Business and Financial Highlights

The International General Insurance business is focused on underwriting profits and improved efficiency, further improving underwriting margins, and growing profitably in segments and geographies that support our growth strategy.

Adjusted pre-tax income increased in the first quarter of 2019 compared to the same period in the prior year primarily due to lower General operating expenses, inclusion of the Validus acquisition and lower catastrophe losses.

Net premiums written, excluding the impact of foreign exchange, decreased primarily due to the Japan Merger Impact, higher ceded premiums, and lower Accident & Health business in Asia Pacific, partially offset by inclusion of the Validus acquisition.

International Adjusted Pre-Tax Loss
Three Months Ended March 31,
(in millions)

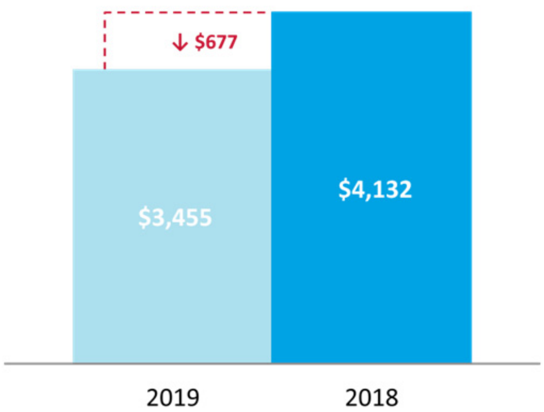


2019 and 2018 Comparison

Adjusted pre-tax Income increased primarily due to:

- lower general operating expenses;
- inclusion of the Validus acquisition; and
- lower catastrophe losses.

International Net Premiums Written
Three Months Ended March 31,
(in millions)



2019 and 2018 Comparison

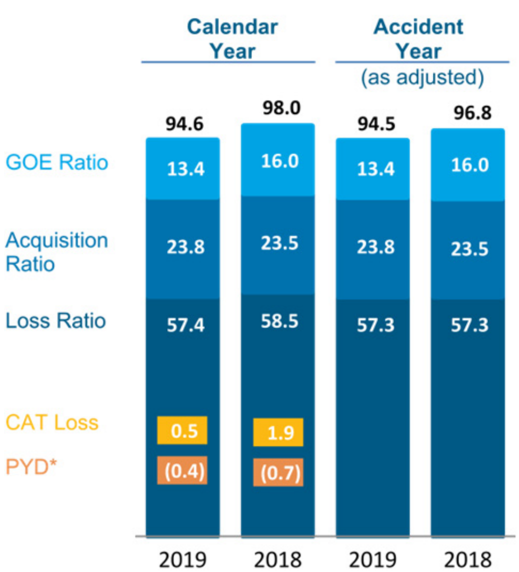
Net premiums written, excluding the impact of foreign exchange, decreased due to:

- the Japan Merger Impact;
- higher ceded premiums due to changes in 2019 reinsurance programs; and
- lower Accident & Health business in Asia Pacific.

This decrease was partially offset by:

- inclusion of the Validus acquisition.

International Combined Ratios
Three Months Ended March 31,



2019 and 2018 Comparison

The decrease in the combined ratio reflected a decrease in both the expense ratio and the loss ratio.

This decrease in the expense ratio reflected a lower general operating expense ratio driven by the Japan Merger Impact, lower employee-related expenses and other expense reduction initiatives.

This decrease in the loss ratio was primarily driven by lower catastrophe losses.

Life and Retirement

PRODUCTS AND DISTRIBUTION

Individual Retirement

Variable Annuities: Products include variable annuities that offer a combination of growth potential, death benefit features and income protection features. Variable annuities are distributed primarily through banks, wirehouses, and regional and independent broker-dealers.

Index Annuities: Products include fixed index annuities that provide growth potential based in part on the performance of a market index. Certain fixed index annuity products offer optional income protection features. Fixed index annuities are distributed primarily through banks, broker dealers, independent marketing organizations and independent insurance agents.

Fixed Annuities: Products include single premium fixed annuities, immediate annuities and deferred income annuities. The Fixed Annuities product line maintains its industry-leading position in the U.S. bank distribution channel by designing products collaboratively with banks and offering an efficient and flexible administration platform.

Retail Mutual Funds: Includes our mutual fund sales and related administration and servicing operations. Retail Mutual Funds are distributed primarily through broker-dealers.

Group Retirement

Group Retirement: Products and services consist of group mutual funds, group annuities, individual annuity and investment products, and financial planning and advisory services.

In March 2019, the products and services marketed by The Variable Annuity Life Insurance Company (VALIC), which include investment offerings and plan administrative and compliance services, were rebranded under the AIG Retirement Services name to allow the business to fully leverage the strength and scale of the AIG brand. Legal entity names will, however, remain unchanged: The Variable Annuity Life Insurance Company and its subsidiaries, VALIC Financial Advisors, Inc. and VALIC Retirement Services Company.

AIG Retirement Services career financial advisors and independent financial advisors provide retirement plan participants with enrollment support and comprehensive financial planning services.

Life Insurance

Life Insurance: In the U.S., products primarily include term life and universal life insurance distributed through independent marketing organizations, independent insurance agents, financial advisors and direct marketing. International operations include the distribution of life and health products in the UK and Ireland.

Institutional Markets

Institutional Markets: Products primarily include stable value wrap products, structured settlement and pension risk transfer annuities, corporate- and bank-owned life insurance and guaranteed investment contracts (GICs). Institutional Markets products are primarily distributed through specialized marketing and consulting firms and structured settlement brokers.

Federal Home Loan Bank (FHLB) Funding Agreements are issued through our Individual Retirement, Group Retirement and Institutional Markets operating segments. Funding agreements are issued by our U.S. Life and Retirement companies to FHLBs in their respective districts at floating rates over specified periods, which can be prepaid at our discretion. Proceeds are generally invested in fixed income securities and other suitable investments to generate spreads. These investment contracts do not have mortality or morbidity risk and are similar to GICs.

BUSINESS STRATEGY

Deliver client-centric solutions through our unique franchise by bringing together a broad portfolio of life insurance, retirement and institutional products offered through an extensive, multichannel distribution network. Life and Retirement focuses on ease of doing business, offering valuable solutions, and expanding and deepening its distribution relationships across multiple channels.

Position market leading businesses to serve growing needs by continually enhancing product solutions, service delivery and digital capabilities while using data and analytics in an innovative manner to improve customer experience.

Individual Retirement will continue to capitalize on the opportunity to meet consumer demand for guaranteed income by maintaining innovative variable and index annuity products, while also managing risk from guarantee features through risk-mitigating product design and well-developed economic hedging capabilities.

Our fixed annuity products provide diversity in our annuity product suite by offering stable returns for retirement savings.

Group Retirement continues to enhance its technology platform to improve the customer experience for plan sponsors and individual participants. AIG Retirement Services' (formerly VALIC) self-service tools paired with its career financial advisors provide a compelling service platform. Group Retirement's strategy also involves providing financial planning services for its clients and meeting their need for income in retirement.

Life Insurance in the U.S. will continue to position itself for growth and changing market dynamics while continuing to execute strategies to enhance returns. Our focus is on materializing success from a multi-year effort of building state-of-the-art platforms and underwriting innovations, which are expected to bring process improvements and cost efficiencies.

In the UK, AIG Life Insurance will continue to focus on growing the business organically and through potential acquisition opportunities.

Institutional Markets continues to grow its assets under management across multiple product lines, including stable value wrap, GICs and pension risk transfer annuities. Our growth strategy is opportunistic and allows us to pursue select transactions that meet our risk-adjusted return requirements.

Enhance Operational Effectiveness by simplifying processes and operating environments to increase competitiveness, improve service and product capabilities and facilitate delivery of our target customer experience. We continue to invest in technology to improve operating efficiency and ease of doing business for our distribution partners and customers. We believe that simplifying our operating models will enhance productivity and support further profitable growth.

Manage our Balance Sheet through a rigorous approach to our products and portfolio. We match our product design and high quality investments with our asset and liability exposures to maximize our ability to meet cash and liquidity needs under various operating scenarios.

Deliver Value Creation and Manage Capital by striving to deliver solid earnings through disciplined pricing, sustainable underwriting improvements, expense reductions, and diversification of risk, while optimizing capital allocation and efficiency within insurance entities to enhance return on equity.

COMPETITION AND CHALLENGES

Life and Retirement operates in the highly competitive insurance and financial services industry in the U.S. and select international markets, competing against various financial services companies, including banks and other life insurance and mutual fund companies. Competition is primarily based on product pricing and design, distribution, financial strength, customer service and ease of doing business.

Our business remains competitive due to its long-standing market leading positions, innovative products, distribution relationships across multiple channels, customer-focused service and strong financial ratings.

Our primary challenges include:

- a sustained low interest rate environment, which makes it difficult to profitably price new products and puts margin pressure on existing business due to lower reinvestment yields;
- increased competition in our primary markets, including aggressive pricing of annuities by private equity-backed annuity writers, increased competition and consolidation of employer groups in the group retirement planning market, and peers with different profitability targets in the pension risk transfer space;
- increasingly complex new and proposed regulatory requirements, which have affected industry growth; and
- upgrading our technology and underwriting processes while managing general operating expenses.

OUTLOOK—INDUSTRY AND ECONOMIC FACTORS

Below is a discussion of the industry and economic factors impacting our specific operating segments:

Individual 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 response to the continued low interest rate environment, which has added pressure to profit margins, we have developed guaranteed income benefits for both variable and fixed index annuities with margins that are less sensitive to the level of interest rates.

Changes in the interest rate environment can have a significant impact on sales, surrender rates, investment returns, guaranteed income features, and spreads in the annuity industry.

Group Retirement

Group Retirement competes in the defined contribution market under the AIG Retirement Services brand. AIG Retirement Services is a leading retirement plan provider in the U.S. for K-12 schools and school districts, higher education, healthcare, government and other not-for-profit institutions. The defined contribution market is a highly efficient and competitive market that requires support for both plan sponsors and individual participants. To meet this challenge, AIG Retirement Services is investing in a client-focused technology platform to support improved compliance and self-service functionality. AIG Retirement Services' model pairs self-service tools with its career financial advisors who provide individual plan participants with enrollment support and comprehensive financial planning services.

Changes in the interest rate environment can have a significant impact on investment returns, guaranteed income features, and spreads, and a moderate impact on sales and surrender rates.

Life Insurance

Consumers have a significant need for life insurance, whether it is used for income replacement for their surviving family, estate planning or wealth transfer. Additionally, consumers use life insurance to provide living benefits in case of chronic, critical or terminal illnesses, and to supplement retirement income.

In response to consumer needs and a sustained low interest rate environment, our Life Insurance product portfolio will continue to promote products with lower long-duration interest rate risk and mitigate exposure to products that have long-duration interest rate risk through sales levels and hedging strategies.

As life insurance ownership remains at historical lows in the U.S. and the UK, efforts to expand the reach and increase the affordability of life insurance are critical. The industry is investing in consumer-centric efforts to reduce traditional barriers to securing life protection by simplifying the sales and service experience. Digitally enabled processes and tools provide a fast, friendly and simple path to life insurance protection.

Institutional Markets

Institutional Markets serves a variety of needs for corporate clients. Demand is driven by a number of factors including the macroeconomic and regulatory environment. We expect to see continued growth in the pension risk transfer market as corporate plan sponsors look to transfer asset or liability, longevity, administrative and operational risks associated with their defined benefit plans.

Changes in the interest rate environment can have a significant impact on investment returns and net investment spreads, as well as reduce the tax efficiency associated with institutional life insurance products, dampening organic growth opportunities.

For additional discussion of the impact of market interest rate movement on our Life and Retirement business see Executive Summary – AIG's Outlook – Industry and Economic Factors – Impact of Changes in the Interest Rate Environment.

LIFE AND RETIREMENT RESULTS

Three Months Ended March 31, *(in millions)*	**2019**	2018	Percentage Change
Revenues:			
Premiums	**$ 1,229**	$ 446	176 %
Policy fees	**707**	734	(4)
Net investment income	**2,042**	2,046	-
Other income	**226**	234	(3)
Total adjusted revenues	**4,204**	3,460	22
Benefits and expenses:			
Policyholder benefits and losses incurred	**1,566**	830	89
Interest credited to policyholder account balances	**887**	854	4
Amortization of deferred policy acquisition costs	**200**	246	(19)
General operating and other expenses*	**587**	600	(2)
Interest expense	**40**	38	5
Total operating expenses	**3,280**	2,568	28
Adjusted pre-tax income	**$ 924**	$ 892	4 %

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

Our insurance companies generate significant revenues from investment activities. As a result, the operating segments in Life and Retirement are subject to variances in net investment income on the asset portfolios that support insurance liabilities and surplus.

For additional information on our investment strategy, asset-liability management process and invested asset composition see Investments.

INDIVIDUAL RETIREMENT RESULTS

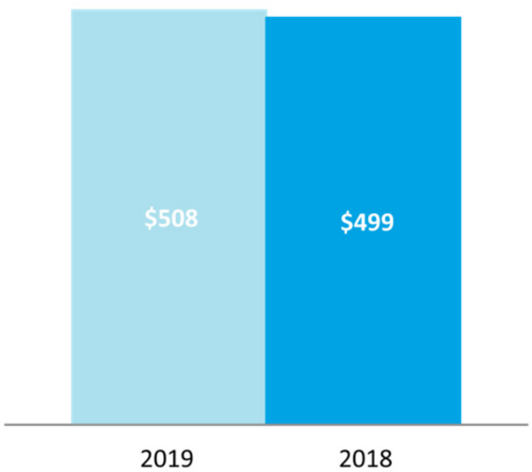
Three Months Ended March 31, (in millions)	2019	2018	Percentage Change
Revenues:			
Premiums	$ 11	$ 12	(8)%
Policy fees	193	204	(5)
Net investment income	999	984	2
Advisory fee and other income	148	161	(8)
Benefits and expenses:			
Policyholder benefits and losses incurred	31	47	(34)
Interest credited to policyholder account balances	424	412	3
Amortization of deferred policy acquisition costs	120	134	(10)
Non deferrable insurance commissions	77	81	(5)
Advisory fee expenses	54	54	-
General operating expenses	118	115	3
Interest expense	19	19	-
Adjusted pre-tax income	$ 508	$ 499	2 %
Fixed Annuities base net investment spread:			
Base yield	4.68 %	4.60 %	8 bps
Cost of funds	2.71	2.65	6
Fixed Annuities base net investment spread	1.97 %	1.95 %	2 bps

Business and Financial Highlights

The market environment continues to reflect uncertainties in the annuity business resulting from a sustained low interest rate environment. Interest rates declined in the first quarter of 2019 and remained low relative to historical levels. Excluding prior year deposits from FHLB funding agreements, premiums and deposits increased in the first quarter of 2019 compared to the same period in the prior year. Net flows increased in the first quarter of 2019 compared to the same period in the prior year primarily due to higher deposits driven by increased Fixed and Index Annuities sales, offset by lower sales for the Variable Annuities and Retail Mutual Funds.

Adjusted pre-tax income increased due to lower Variable Annuity DAC/SIA amortization and reserves from higher equity market performance, lower Fixed Annuity DAC amortization and reserves from policyholders reaching the end of the surrender charge period, higher base investment spread income primarily due to growth in Index Annuity assets from increased sales, and higher gains on securities for which the fair value option was elected due to tightening spreads and lower rates. Partially offsetting these increases were lower returns on alternative investments, lower fee income and advisory fees, net of expenses, primarily driven by lower Variable Annuity AUM due to the equity market decline at the end of 2018, as well as prior year non-recurring payments on structured securities, and higher Index Annuity DAC amortization and reserves mostly driven by sales growth.

Individual Retirement Adjusted Pre-Tax Income
Three Months Ended March 31,
(in millions)



2019 and 2018 Comparison

Adjusted pre-tax income increased primarily due to:

- an increase in net investment income, which included higher gains on securities for which the fair value option was elected and growth in income from base portfolio due to higher invested assets, and higher accretion income, partially offset by lower returns on alternative investments and prior-year non-recurring payments on structured securities; and
- higher equity market performance, which contributed to decreases in Variable Annuity DAC amortization and reserves, and lower Fixed Annuity DAC amortization due to policyholders reaching the end of the surrender charge period, partially offset by higher Index Annuity DAC amortization driven by growth in sales and DAC model refinements.

Partially offsetting these increases were:

- lower Variable Annuity policy and advisory fee income net of expenses due to a decrease in Variable Annuity assets under management related to the equity market decline at the end of 2018.

INDIVIDUAL RETIREMENT GAAP PREMIUMS, PREMIUMS AND DEPOSITS, SURRENDERS AND NET FLOWS

For Individual Retirement, premiums primarily represent amounts received on life-contingent payout annuities. Premiums decreased slightly in the first quarter of 2019 compared to the same period in the prior year.

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, FHLB funding agreements and mutual funds under administration.

Net flows for annuity products in Individual Retirement represent premiums and deposits less death, surrender and other withdrawal benefits. Net flows for mutual funds represent deposits less withdrawals. Deposits from FHLB funding agreements were excluded from net flows of Individual Retirement, as net flows from these funding agreements are not considered part of the metric to measure Individual Retirement's core recurring performance.

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

Three Months Ended March 31, *(in millions)*	**2019**	2018
Premiums	**$ 11**	$ 12
Deposits	**4,175**	4,347
Other	**-**	(1)
Premiums and deposits	**$ 4,186**	$ 4,358

The following table presents surrenders as a percentage of average reserves:

Three Months Ended March 31,	2019	2018
Surrenders as a percentage of average reserves		
Fixed Annuities	**8.1 %**	7.4 %
Variable and Index Annuities	**6.0**	6.4

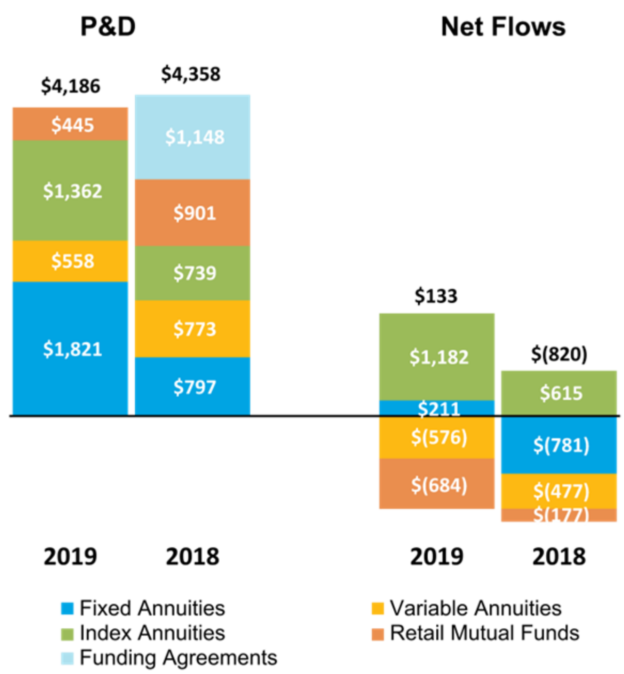
The following table presents reserves for Fixed Annuities and Variable and Index Annuities by surrender charge category:

	March 31, 2019		December 31, 2018	
(in millions)	Fixed Annuities	Variable and Index Annuities	Fixed Annuities	Variable and Index Annuities
No surrender charge	**$ 29,340**	**$ 21,488**	$ 30,036	$ 19,036
Greater than 0% - 2%	**972**	**7,172**	1,037	6,229
Greater than 2% - 4%	**2,859**	**12,154**	2,429	9,781
Greater than 4%	**16,083**	**32,662**	15,217	33,244
Non-surrenderable	**1,643**	**486**	1,608	474
Total reserves	**$ 50,897**	**$ 73,962**	$ 50,327	$ 68,764

Individual Retirement annuities are typically subject to a four- to seven-year surrender charge period, depending on the product. For Fixed Annuities, the proportion of reserves subject to surrender charge at March 31, 2019 has increased compared to December 31, 2018 due to improved net flows driven by higher Fixed Annuity sales, combined with fewer policyholders reaching the end of the surrender charge period in 2019 compared to 2018. The increase in reserves with no surrender charge for Variable and Index Annuities at March 31, 2019 compared to December 31, 2018 is due to normal aging of business.

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

Individual Retirement Premiums and Deposits (P&D) and Net Flows
Three Months Ended March 31,
(in millions)



2019 and 2018 Comparison

- **Fixed Annuities** premiums and deposits increased primarily due to higher broker dealer and bank distribution sales driven by favorable market conditions. Net flows increased primarily due to higher premiums and deposits, partially offset by increased surrenders.
- **Variable and Index Annuities** premiums and deposits increased primarily due to higher Index annuity sales driven by growth in all key distribution channels partially offset by decline in Variable Annuity premiums and deposits driven by lower broker dealer and bank distribution sales. Index annuity net flows increased primarily due to higher sales partially offset by higher surrenders. Variable annuity net flows remained negative and deteriorated primarily due to a decline in sales offset by lower surrenders.
- **Funding Agreements** premiums and deposits in the first quarter of 2018 reflected deposits from the FHLB funding agreements, which were excluded from reported net flows.
- **Retail Mutual Funds** premiums and deposits and net flows remained negative and deteriorated reflecting lower deposits and higher withdrawals due to continued negative industry trends in U.S. equity actively managed funds and the impact of underperformance within our largest fund.

GROUP RETIREMENT RESULTS

Three Months Ended March 31, *(in millions)*		2019		2018	Percentage Change
Revenues:					
Premiums	$	4	$	6	(33)%
Policy fees		100		112	(11)
Net investment income		541		582	(7)
Advisory fee and other income		64		61	5
Benefits and expenses:					
Policyholder benefits and losses incurred		10		16	(38)
Interest credited to policyholder account balances		282		275	3
Amortization of deferred policy acquisition costs		12		25	(52)
Non deferrable insurance commissions		28		29	(3)
Advisory fee expenses		23		22	5
General operating expenses		111		102	9
Interest expense		11		10	10
Adjusted pre-tax income	$	232	$	282	(18)%
Base net investment spread:					
Base yield		4.59 %		4.53 %	6 bps
Cost of funds		2.76		2.72	4
Base net investment spread		1.83 %		1.81 %	2 bps

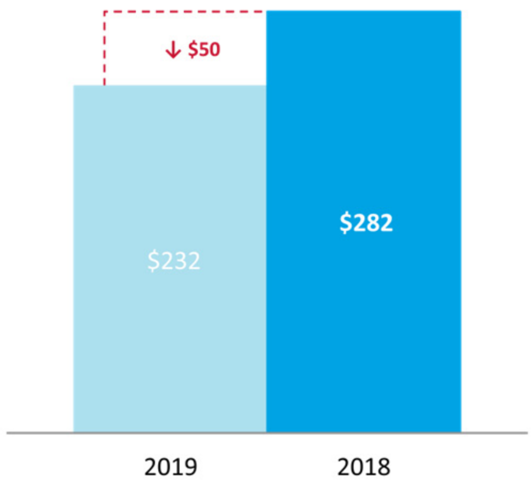
Business and Financial Highlights

Group Retirement is focused on implementing initiatives to grow its business. However, external factors, including increased competition and the consolidation of healthcare providers and other employers in target markets, continue to impact Group Retirement's customer retention. Excluding deposits from FHLB funding agreement, premiums and deposits increased in the first quarter of 2019 compared to the same period in 2018. Net flows deteriorated in the first quarter of 2019 compared to the same period of 2018 and continued to be negative primarily due to higher surrenders, partially offset by increased premiums and deposits.

Adjusted pre-tax income decreased in the first quarter of 2019 compared to the same period in 2018 primarily from lower net investment income due to prior year receipt of non-recurring payments on structured securities and lower alternative investment returns, lower fee income and higher general operating expenses. Partially offsetting these decreases were lower variable annuity DAC amortization and reserves due to higher equity market performance.

Group Retirement base net investment spread in the first quarter of 2019 increased compared to the same period in the prior year primarily due to higher accretion income.

Group Retirement Adjusted Pre-Tax Income
Three Months Ended March 31,
(in millions)



2019 and 2018 Comparison

Adjusted pre-tax income decreased primarily due to:

- lower net investment income, primarily from the prior year receipt of non-recurring payments on structured securities and lower returns on alternative investments, partially offset by higher income from base portfolio due to higher invested assets;
- lower policy and advisory fees, net of expenses primarily driven by decrease in separate account and mutual fund assets; and
- higher general operating expenses primarily due to higher project costs and compensation, partially offset by reduced corporate expenses.

Partially offsetting these decreases were:

- lower variable annuity DAC amortization and reserves due to higher equity market performance.

GROUP RETIREMENT GAAP PREMIUMS, PREMIUMS AND DEPOSITS, SURRENDERS AND NET FLOWS

For Group Retirement, premiums primarily represent amounts received on life-contingent payout annuities. Premiums in the first quarter of 2019, which primarily represent immediate annuities, decreased compared to the same period in the prior year. Overall, premiums is not a significant driver of the Group Retirement results.

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 under administration. Premiums and deposits included FHLB funding agreement in 2018.

Net flows for annuity products included in Group Retirement represent premiums and deposits less death, surrender and other withdrawal benefits. Net flows for mutual funds represent deposits less withdrawals. Deposits from FHLB funding agreement was excluded from net flows of Group Retirement in 2018, as net flows from this funding agreement is not considered part of the metric to measure Group Retirement's core recurring performance.

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

Three Months Ended March 31, *(in millions)*	**2019**	2018
Premiums	**$ 4**	$ 6
Deposits	**2,059**	2,066
Premiums and deposits	**$ 2,063**	$ 2,072

The following table presents Group Retirement surrenders as a percentage of average reserves and mutual funds under administration:

Three Months Ended March 31,	2019	2018
Surrenders as a percentage of average reserves and mutual funds	11.8 %	10.2 %

The following table presents reserves for Group Retirement annuities by surrender charge category:

(in millions)	March 31, 2019[(a)]	December 31, 2018[(a)]
No surrender charge[(b)]	$ 68,942	$ 65,500
Greater than 0% - 2%	1,086	650
Greater than 2% - 4%	898	1,115
Greater than 4%	5,893	5,868
Non-surrenderable	613	612
Total reserves	$ 77,432	$ 73,745

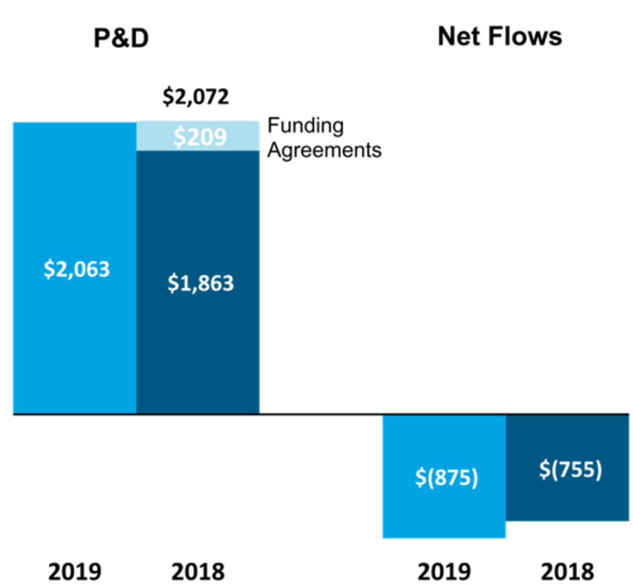
(a) Excludes mutual fund assets under administration of $19.5 billion and $17.9 billion at March 31, 2019 and December 31, 2018, respectively.

(b) Group Retirement amounts in this category include General Account reserves of approximately $6.2 billion and $6.3 billion, at March 31, 2019 and December 31, 2018, respectively, which are subject to 20 percent annual withdrawal limitations at the participant level and General Account reserves of $4.8 billion and $4.7 billion at March 31, 2019 and December 31, 2018, respectively, which are subject to 20 percent annual withdrawal limitations at the plan level.

Group Retirement annuities are typically subject to a five- to seven-year surrender charge period, depending on the product. At March 31, 2019, Group Retirement annuity reserves increased compared to the same period in the prior year primarily due to higher equity market performance. The surrender rate in the first quarter of 2019 increased compared to the same period in the prior year primarily due to higher surrenders, including approximately $566 million of large plan surrenders.

A discussion of the significant variances in premiums and deposits and net flows follows:

Group Retirement Premiums and Deposits and Net Flows
Three Months Ended March 31,
(in millions)



2019 and 2018 Comparison

Net flows deteriorated and continued to be negative primarily due to higher surrenders, including approximately $566 million of large plan surrenders, partially offset by increased other deposits. External factors including consolidation of healthcare providers and other employers in target markets continue to impact Group Retirement customer retention. Premiums and deposits in 2018 reflected deposits from FHLB funding agreement, which were excluded from reported net flows.

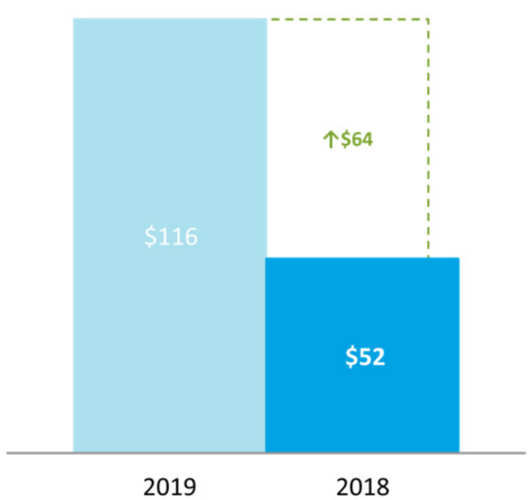
LIFE INSURANCE RESULTS

Three Months Ended March 31, *(in millions)*		**2019**		2018	Percentage Change
Revenues:					
Premiums	$	395	$	379	4 %
Policy fees		373		377	(1)
Net investment income		291		293	(1)
Other income		14		12	17
Benefits and expenses:					
Policyholder benefits and losses incurred		638		646	(1)
Interest credited to policyholder account balances		92		95	(3)
Amortization of deferred policy acquisition costs		67		86	(22)
Non deferrable insurance commissions		12		22	(45)
General operating expenses		141		154	(8)
Interest expense		7		6	17
Adjusted pre-tax income	$	116	$	52	123 %

Business and Financial Highlights

Life Insurance is focused on selling profitable new products through strategic channels to enhance future returns. Results for the first quarter of 2019 reflect growth in term and international life and health premiums primarily due to the acquisition of Ellipse in the UK, offset by lower group benefit premiums. Adjusted pre-tax income increased in the first quarter of 2019 compared to the same period in the prior year primarily due to favorable mortality experience, lower group benefits general operating expenses and commissions, and favorable reserve and reinsurance refinements.

Life Insurance Adjusted Pre-Tax Income
Three Months Ended March 31,
(in millions)



2019 and 2018 Comparison

Adjusted pre-tax income increased primarily due to:

- favorable mortality experience in the U.S.;
- continued decrease of group benefits general operating expenses and commissions; and
- favorable U.S. and international reserve and reinsurance refinements impacting ceded premiums, commissions and general operating expenses.

LIFE INSURANCE GAAP PREMIUMS AND PREMIUMS AND DEPOSITS

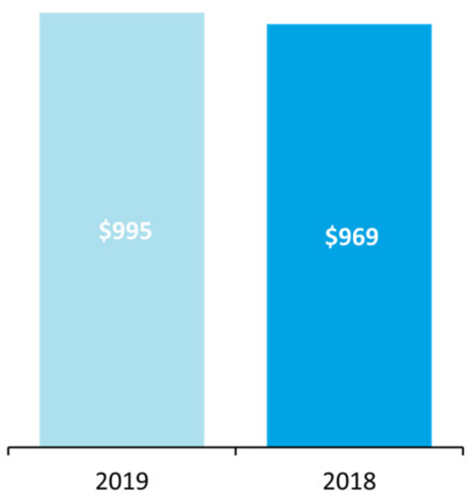
Premiums for Life Insurance represent amounts received on traditional life insurance policies, primarily term life, international life and health and group benefits. Premiums, excluding the effect of foreign exchange, increased in the first quarter of 2019 compared to the same period in the prior year. Premiums and deposits for Life Insurance 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 Insurance GAAP premiums to premiums and deposits:

Three Months Ended March 31, *(in millions)*	**2019**	2018
Premiums	$ **395**	$ 379
Deposits	**406**	412
Other	**194**	178
Premiums and deposits	$ **995**	$ 969

A discussion of the significant variances in premiums and deposits follows:

Life Insurance Premiums and Deposits
Three Months Ended March 31,
(in millions)



2019 and 2018 Comparison

Premiums and deposits, excluding the effect of foreign exchange, increased primarily due to increased term and international life and health premiums, including assumed premiums on business distributed by Laya Healthcare. These increases were partially offset by lower universal life deposits and lower premiums in individual health and group benefits as a result of the strategic decision to refocus the business at the end of 2016.

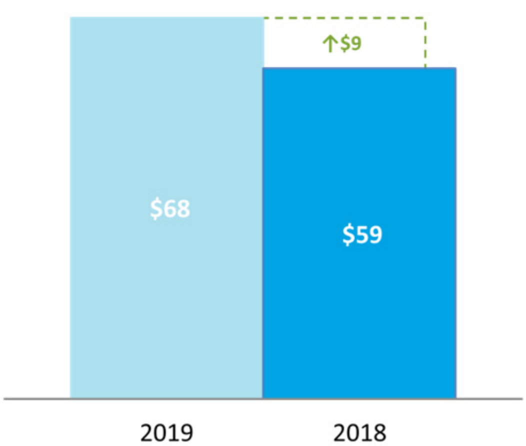
INSTITUTIONAL MARKETS RESULTS

Three Months Ended March 31, *(in millions)*		**2019**		2018	Percentage Change
Revenues:					
Premiums	$	819	$	49	NM%
Policy fees		41		41	-
Net investment income		211		187	13
Benefits and expenses:					
Policyholder benefits and losses incurred		887		121	NM
Interest credited to policyholder account balances		89		72	24
Amortization of deferred policy acquisition costs		1		1	-
Non deferrable insurance commissions		8		7	14
General operating expenses		15		14	7
Interest expense		3		3	-
Adjusted pre-tax income	$	68	$	59	15 %

Business and Financial Highlights

Institutional Markets continued to opportunistically grow its assets under management, which drove the increase in net investment spread over recent years. Product distribution continues to be strong and the business is focused on maintaining pricing discipline to achieve attractive risk adjusted returns.

Institutional Markets Adjusted Pre-Tax Income
Three Months Ended March 31,
(in millions)



2019 and 2018 Comparison

Increase in premiums and policyholder benefits were primarily due to pension risk transfer business written in the first quarter of 2019. Growth in reserves and assets under management drove the increase in net investment income with similar impact to policyholder benefits and interest credited.

Adjusted pre-tax income increased primarily due to:

- higher net investment income due to higher invested assets resulting from growth in Pension Risk Transfer and GIC over 2018.

Partially offsetting these increases were:

- lower alternative investment returns.

INSTITUTIONAL MARKETS GAAP PREMIUMS AND PREMIUMS AND DEPOSITS

Premiums for Institutional Markets primarily represent amounts received on pension risk transfer or structured settlement annuities with life contingencies. Premiums increased in the first quarter of 2019 compared to the same period in the prior year primarily driven by the pension risk transfer business written in the first quarter of 2019.

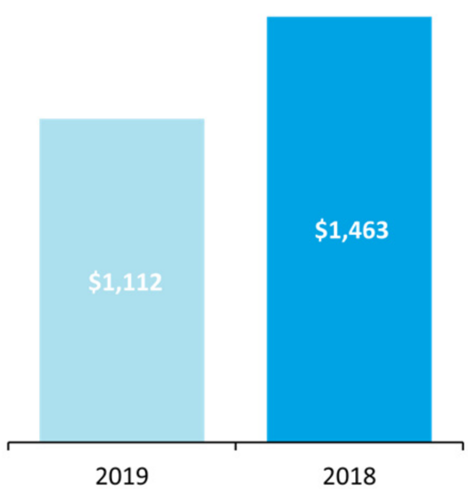
Premiums and deposits for Institutional Markets is a non-GAAP financial measure that includes direct premiums as well as deposits received on investment-type annuity contracts, including GICs. Deposits also include FHLB funding agreements.

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

Three Months Ended March 31, *(in millions)*	**2019**	2018
Premiums	**$ 819**	$ 49
Deposits	**286**	1,408
Other	**7**	6
Premiums and deposits	**$ 1,112**	$ 1,463

A discussion of the significant variances in premiums and deposits follows:

Institutional Markets Premiums and Deposits
Three Months Ended March 31,
(in millions)



2019 and 2018 Comparison

Premiums and deposits decreased in the first quarter of 2019 due to $1.4 billion of FHLB agreements in 2018 offset by higher pension risk transfer and a GIC issuance in the first quarter of 2019. Shift in premium and deposit mix is consistent with Institutional Markets' strategy to opportunistically grow the portfolio.

Other Operations

The following table presents Other Operations results:

Three Months Ended March 31, *(in millions)*	**2019**	2018	Percentage Change
Adjusted pre-tax income (loss) by activities:			
Parent and Other:			
Corporate general operating expenses	**$ (183)**	$ (153)	(20)%
Interest expense	**(303)**	(238)	(27)
All other income (expense), net	**99**	49	102
Total Parent and Other	**(387)**	(342)	(13)
Consolidation, eliminations and other adjustments	**(70)**	11	NM
Adjusted pre-tax loss	**$ (457)**	$ (331)	(38)%

2019 AND 2018 COMPARISON

Parent and Other adjusted pre-tax loss increased compared to the same period in prior year due to higher interest expense driven by debt issuances totaling $2.5 billion at the end of the first quarter of 2018, partially offset by higher income from investments.

Legacy Portfolio

Legacy Portfolio represents exited or discontinued product lines, policy forms or distribution channels. Effective February 2018, our Bermuda-domiciled composite reinsurer, Fortitude Re, is included in our Legacy Portfolio.

- **Legacy Life and Retirement Run-Off Lines -** Reserves consist of certain structured settlements, pension risk transfer annuities and single premium immediate annuities written prior to April 2012. Also includes exposures to whole life, long-term care and exited accident & health product lines.
- **Legacy General Insurance Run-Off Lines -** Reserves consist of excess workers' compensation, environmental exposures and exposures to other products within General Insurance that are no longer actively marketed. Also includes the remaining reserves in Eaglestone Reinsurance Company (Eaglestone).
- **Legacy Investments –** Includes investment classes that we have placed into run-off including holdings in direct investments as well as investments in global capital markets and global real estate.

BUSINESS STRATEGY

For Legacy insurance lines, securing the interests of our policyholders and insureds is paramount. We have considered and continue to evaluate the following strategies for these lines:

- Third-party and affiliated reinsurance and retrocessions to improve capital efficiency
- Commutations of assumed reinsurance and direct policy buy-backs
- Enhance insured policyholder options and claims resolution strategies
- Enhanced asset liability management and expense management

For Legacy investments, our business strategy is to maximize liquidity to AIG Parent and minimize book value impairments while sourcing for our insurance companies attractive assets for their portfolios.

SALE OF NON-CONTROLLING INTEREST IN FORTITUDE

Fortitude Re was established during the first quarter of 2018 in connection with a series of affiliated reinsurance transactions related to our Legacy Portfolio. Those reinsurance transactions were designed to consolidate most of our Legacy Insurance Run-Off Lines into a single legal entity. As of March 31, 2019, the affiliated transactions included the cession of approximately $31 billion of reserves from our Legacy Life and Retirement Run-Off Lines and approximately $4 billion of reserves from our Legacy General Insurance Run-Off Lines related to business written by multiple wholly-owned AIG subsidiaries. In the second quarter of 2018, we formed Fortitude Holdings to act as a holding company for Fortitude Re.

On November 13, 2018, we completed the sale of a 19.9 percent ownership interest in Fortitude Holdings to TCG, an affiliate of The Carlyle Group L.P. Fortitude Holdings owns 100 percent of the outstanding common shares of Fortitude Re and AIG has an 80.1 percent ownership interest in Fortitude Holdings.

The affiliated reinsurance transactions executed in the first quarter of 2018 with Fortitude Re resulted in prepaid insurance assets on the ceding subsidiaries' balance sheets of approximately $2.5 billion (after-tax). These assets have been eliminated in AIG's consolidated financial statements since the counterparties were wholly owned. In the event of a sale of a controlling interest in Fortitude Holdings, our Legacy Portfolio may recognize a loss for the portion of the unamortized balance of these assets and related deferred acquisition costs of $0.5 billion (after-tax) that are not recoverable, if any, in the period in which our interest in Fortitude Holdings becomes non-controlling. This loss would be incremental to any gain or loss recognized on the sale of our controlling interest in Fortitude Holdings.

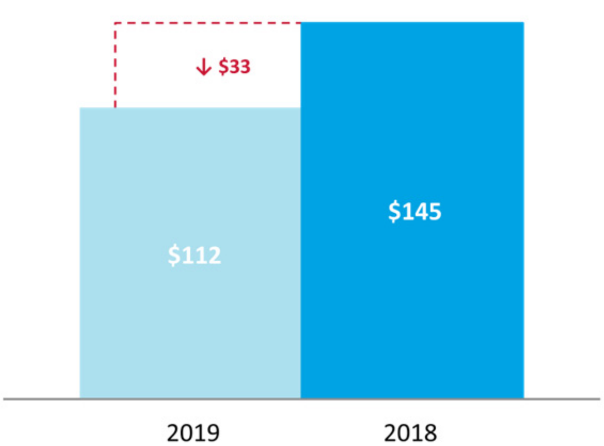
LEGACY PORTFOLIO RESULTS

Three Months Ended March 31, *(in millions)*		**2019**		2018	Percentage Change
Revenues:					
Premiums	$	118	$	141	(16)%
Policy fees		30		30	-
Net investment income		575		565	2
Other income (loss)		(17)		100	NM
Total adjusted revenues		706		836	(16)
Benefits and expenses:					
Policyholder benefits and losses and loss adjustment expenses incurred		432		506	(15)
Interest credited to policyholder account balances		54		59	(8)
Amortization of deferred policy acquisition costs		18		18	-
General operating and other expenses		85		100	(15)
Interest expense		5		8	(38)
Total benefits and expenses		594		691	(14)
Adjusted pre-tax income	$	112	$	145	(23)%
Adjusted pre-tax income by type:					
General Insurance Run-Off Lines	$	15	$	62	(76)%
Life and Retirement Run-Off Lines		87		28	211
Legacy Investments		10		55	(82)
Adjusted pre-tax income	$	112	$	145	(23)%
Selected Balance Sheet Data					
Legacy Investments, net of related debt	$	2,548	$	2,779	(8)%
Legacy General Insurance run-off reserves		5,432		5,926	(8)
Legacy Life and Retirement run-off reserves		37,262		37,793	(1)

Business and Financial Highlights

Legacy insurance lines, including those ceded to Fortitude Re, continue to run-off as anticipated for Legacy General Insurance and Legacy Life and Retirement Run-Off Lines. Legacy investments have been reduced significantly over the last several years declining from $6.7 billion at December 31, 2016 to $2.5 billion at March 31, 2019. The remaining Legacy investments primarily include structured credit junior notes for which we have elected the fair value option and real estate investments.

Legacy Portfolio Adjusted Pre-Tax Income
Three Months Ended March 31,
(in millions)



2019 and 2018 Comparison

Adjusted pre-tax income decreased due to:

- Lower Legacy General Insurance earnings compared to the first quarter of 2018 due to lower net investment income and lower premiums driven by the continued run-off of the Legacy General Insurance portfolio; and
- Lower Legacy Investment earnings compared to the first quarter of 2018 due to the continued decrease in net assets of the Legacy Investments Portfolio.

These decreases were partially offset by higher Legacy Life and Retirement earnings compared to the first quarter of 2018 due to a refinement in reserves related to payout annuities in the first quarter of 2018, which did not impact the first quarter of 2019.

Investments

OVERVIEW

Our investment strategies are tailored to the specific business needs of each operating unit. The investment objectives are driven by the respective operating segments 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 fixed maturity securities.

Investment Highlights in the First Quarter of 2019

- A drop in interest rates and narrowing credit spreads resulted in a net unrealized gain in our investment portfolio. Net unrealized gains in our available for sale portfolio increased to approximately $9.6 billion as of March 31, 2019 from approximately $3.6 billion as of December 31, 2018.
- We continued to make investments in structured securities and other fixed maturity securities and increased lending activities in mortgage loans with favorable risk compared to return characteristics to improve yields and increase net investment income.
- Higher investment returns in our hedge fund portfolio and equity securities due to robust equity market returns in the first quarter of 2019 and an increase in income from fixed maturity securities for which the fair value option was elected, compared to the same period in the prior year where returns were lower as a result of an increase in rates and widening spreads that occurred, as well as negative performance of our fair value option equity securities portfolio.
- During the first quarter of 2019, we sold our remaining investment in People's Insurance Company (Group) of China Limited and PICC Property & Casualty Company Limited.
- Blended investment yields on new investments were lower than blended rates on investments that were sold, matured or called.

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 General Insurance 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 General Insurance companies consist primarily of high-grade securities generally denominated in the currencies of the countries in which we operate.
- 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, included in Other Operations, 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.

Attribution of Net Investment Income to Operating Segments

Net investment income is attributed to our businesses based on internal models consistent with the nature of the underlying businesses.

For General Insurance — North America and International and Legacy General Insurance Run-Off Lines, we estimate investable funds based primarily on loss reserves and unearned premiums. The allocation of net investment income of the General Insurance companies to segments is calculated based on these estimated investable funds, consistent with the approximate duration of the liabilities and the required economic capital allocation for each segment

For Life and Retirement — Individual Retirement, Group Retirement, Life Insurance, and Institutional Markets and Legacy Life and Retirement Run-Off Lines, net investment income is attributed based on invested assets from segregated product line portfolios held in our Life and Retirement companies. All invested assets of the Life and Retirement companies in excess of liabilities are allocated based on estimates of required economic capital allocation for each segment.

Asset Liability Measurement

For the General 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 General Insurance companies focuses on growth of surplus and preservation of capital, subject to liability and other business considerations.

The General 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 General 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 General Insurance companies' liquidity, duration and credit quality objectives as well as current risk-return and tax objectives.

In addition, a portion of the surplus of General Insurance is invested in a diversified portfolio of alternative investments which seeks to balance liquidity, volatility and growth. 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.

Fixed maturity securities of the General Insurance companies' domestic operations, with an average duration of 3.8 years, are currently comprised of corporate bonds, structured securities, taxable municipal bonds and government and agency bonds as well as tax-exempt securities, which provide attractive risk-adjusted after-tax returns. The majority of these high quality investments are rated A or higher based on composite ratings.

Fixed maturity securities held in the General Insurance companies' foreign operations are of high quality, primarily rated A or higher based on composite ratings, with an average duration of 3.4 years.

The investment strategy of the Life and Retirement 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 and Retirement companies use asset-liability management as a primary tool to monitor and manage risk in their businesses. The Life and Retirement companies' fundamental investment strategy is to maintain a diversified, high to medium quality portfolio of fixed maturity securities that, to the extent practicable, 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, which may require us to further extend the duration of the investment portfolio.

The Life and Retirement 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 and Retirement 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 and Retirement companies, we have reduced 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.

Fixed maturity securities of the Life and Retirement companies domestic operations, with an average duration of 7.2 years, are comprised primarily 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 securities held in the Life and Retirement companies foreign operations are of high quality, primarily rated A or higher based on composite ratings, with an average duration of 18.2 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 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 U.S. 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.

For a full description of the composite AIG credit ratings see Credit Ratings.

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

March 31, 2019

(in millions)

NAIC Designation	1	2	Total Investment Grade	3	4	5	6	Total Below Investment Grade	Total
Other fixed maturity securities	$ 88,283	$ 71,515	**$ 159,798**	$ 6,629	$ 6,466	$ 2,009	$ 306	**$ 15,410**	**$ 175,208**
Mortgage-backed, asset-backed and collateralized	63,068	3,566	**66,634**	599	424	59	3,973	**5,055**	**71,689**
Total*	$ 151,351	$ 75,081	**$ 226,432**	$ 7,228	$ 6,890	$ 2,068	$ 4,279	**$ 20,465**	**$ 246,897**

* Excludes $2.8 billion of fixed maturity securities for which no NAIC Designation is available because they are held in legal entities within U.S. Insurance Companies that do not require a statutory filing.

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

March 31, 2019

(in millions)

Composite AIG Credit Rating	AAA/AA/A	BBB	Total Investment Grade	BB	B	CCC and Lower	Total Below Investment Grade	Total
Other fixed maturity securities	$ 87,876	$ 72,441	**$ 160,317**	$ 6,334	$ 7,074	$ 1,483	**$ 14,891**	**$ 175,208**
Mortgage-backed, asset-backed and collateralized	50,059	4,395	**54,454**	977	711	15,547	**17,235**	**71,689**
Total*	$ 137,935	$ 76,836	**$ 214,771**	$ 7,311	$ 7,785	$ 17,030	**$ 32,126**	**$ 246,897**

* Excludes $2.8 billion of fixed maturity securities for which no NAIC Designation is available because they are held in legal entities within U.S. Insurance Companies that do not require a statutory filing

Credit Ratings

At March 31, 2019, approximately 89 percent of our fixed maturity securities were held by our domestic entities. Approximately 16 percent of these securities were rated AAA by one or more of the principal rating agencies, and approximately 15 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.

Moody's Investors Service Inc. (Moody's), Standard & Poor's Financial Services LLC, a subsidiary of S&P Global Inc. (S&P), or similar foreign rating services rate a significant portion of our foreign entities' fixed maturity securities portfolio. 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, 2019, approximately 25 percent of such investments were either rated AAA or, on the basis of our internal analysis, were equivalent from a credit standpoint to securities rated AAA, and approximately 7 percent were below investment grade or not rated. Approximately 29 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 securities, 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 securities), 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.

For a discussion of credit risks associated with Investments see Enterprise Risk Management.

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, 2019**	December 31, 2018	**March 31, 2019**	December 31, 2018	**March 31, 2019**	December 31, 2018
Rating:						
Other fixed maturity securities						
AAA	**$ 11,303**	$ 11,170	**$ 2,713**	$ 2,619	**$ 14,016**	$ 13,789
AA	**28,959**	27,766	**130**	106	**29,089**	27,872
A	**43,846**	40,142	**1,424**	1,356	**45,270**	41,498
BBB	**72,395**	69,564	**303**	300	**72,698**	69,864
Below investment grade	**15,372**	14,511	**6**	-	**15,378**	14,511
Non-rated	**1,395**	1,333	**-**	-	**1,395**	1,333
Total	**$ 173,270**	$ 164,486	**$ 4,576**	$ 4,381	**$ 177,846**	$ 168,867
Mortgage-backed, asset-backed and collateralized						
AAA	**$ 28,564**	$ 28,859	**$ 545**	$ 481	**$ 29,109**	$ 29,340
AA	**12,909**	12,019	**885**	911	**13,794**	12,930
A	**6,927**	6,964	**288**	290	**7,215**	7,254
BBB	**4,230**	4,058	**165**	152	**4,395**	4,210
Below investment grade	**12,266**	12,923	**4,947**	5,096	**17,213**	18,019
Non-rated	**35**	82	**105**	104	**140**	186
Total	**$ 64,931**	$ 64,905	**$ 6,935**	$ 7,034	**$ 71,866**	$ 71,939
Total						
AAA	**$ 39,867**	$ 40,029	**$ 3,258**	$ 3,100	**$ 43,125**	$ 43,129
AA	**41,868**	39,785	**1,015**	1,017	**42,883**	40,802
A	**50,773**	47,106	**1,712**	1,646	**52,485**	48,752
BBB	**76,625**	73,622	**468**	452	**77,093**	74,074
Below investment grade	**27,638**	27,434	**4,953**	5,096	**32,591**	32,530
Non-rated	**1,430**	1,415	**105**	104	**1,535**	1,519
Total	**$ 238,201**	$ 229,391	**$ 11,511**	$ 11,415	**$ 249,712**	$ 240,806

Available-for-Sale Investments

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

(in millions)	Fair Value at March 31, 2019	Fair Value at December 31, 2018
Bonds available for sale:		
U.S. government and government sponsored entities	$ 3,401	$ 3,260
Obligations of states, municipalities and political subdivisions	15,922	16,001
Non-U.S. governments	15,274	14,525
Corporate debt	138,673	130,700
Mortgage-backed, asset-backed and collateralized:		
RMBS	34,004	34,377
CMBS	13,161	12,701
CDO/ABS	17,766	17,827
Total mortgage-backed, asset-backed and collateralized	64,931	64,905
Total bonds available for sale*	$ 238,201	$ 229,391

* At March 31, 2019 and December 31, 2018, the fair value of bonds available for sale held by us that were below investment grade or not rated totaled $29.1 billion and $28.8 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, 2019	December 31, 2018
Japan	$ 1,687	$ 1,645
Canada	1,067	1,038
France	923	905
Germany	837	783
United Kingdom	811	794
United Arab Emirates	491	454
Netherlands	485	518
Indonesia	475	453
Norway	408	380
Singapore	399	373
Other	7,742	7,227
Total	$ 15,325	$ 14,570

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

	March 31, 2019					December 31, 2018
(in millions)	Sovereign	Financial Institution	Non-Financial Corporates	Structured Products	**Total**	Total
Euro-Zone countries:						
France	**$ 923**	**$ 1,707**	**$ 1,833**	**$ -**	**$ 4,463**	$ 4,442
Germany	**837**	**169**	**2,478**	**-**	**3,484**	3,246
Netherlands	**485**	**950**	**1,100**	**99**	**2,634**	2,571
Ireland	**65**	**17**	**450**	**928**	**1,460**	1,494
Belgium	**243**	**124**	**808**	**-**	**1,175**	1,175
Spain	**42**	**232**	**834**	**-**	**1,108**	1,068
Italy	**1**	**90**	**392**	**-**	**483**	507
Luxembourg	**-**	**27**	**352**	**4**	**383**	377
Finland	**117**	**50**	**65**	**-**	**232**	228
Austria	**164**	**9**	**5**	**-**	**178**	156
Other - EuroZone	**579**	**77**	**230**	**-**	**886**	929
Total Euro-Zone	**$ 3,456**	**$ 3,452**	**$ 8,547**	**$ 1,031**	**$ 16,486**	$ 16,193
Remainder of Europe:						
United Kingdom	**$ 811**	**$ 3,835**	**$ 8,682**	**$ 3,145**	**$ 16,473**	$ 16,139
Switzerland	**31**	**1,173**	**865**	**-**	**2,069**	2,010
Sweden	**149**	**377**	**120**	**-**	**646**	639
Norway	**408**	**39**	**149**	**-**	**596**	566
Russian Federation	**114**	**28**	**153**	**-**	**295**	240
Other - Remainder of Europe	**132**	**56**	**142**	**-**	**330**	271
Total - Remainder of Europe	**$ 1,645**	**$ 5,508**	**$ 10,111**	**$ 3,145**	**$ 20,409**	$ 19,865
Total	**$ 5,101**	**$ 8,960**	**$ 18,658**	**$ 4,176**	**$ 36,895**	$ 36,058

Investments in Municipal Bonds

At March 31, 2019, the U.S. municipal bond portfolio was composed primarily of essential service revenue bonds and high-quality tax-exempt bonds with 91 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, 2019				
(in millions)	State General Obligation	Local General Obligation	Revenue	Total Fair Value	December 31, 2018 Total Fair Value
State:					
New York	**$ 18**	**$ 419**	**$ 2,633**	**$ 3,070**	$ 3,134
California	**695**	**396**	**1,909**	**3,000**	2,813
Texas	**152**	**568**	**898**	**1,618**	1,692
Illinois	**53**	**148**	**856**	**1,057**	979
Massachusetts	**379**	**-**	**374**	**753**	811
Virginia	**8**	**2**	**501**	**511**	541
Florida	**50**	**-**	**455**	**505**	542
Ohio	**64**	**5**	**425**	**494**	485
Washington	**190**	**-**	**261**	**451**	473
Georgia	**104**	**87**	**257**	**448**	445
Washington D.C.	**11**	**-**	**323**	**334**	340
Pennsylvania	**126**	**13**	**193**	**332**	353
Maryland	**104**	**93**	**80**	**277**	332
All other states[(a)]	**373**	**277**	**2,422**	**3,072**	3,061
Total[(b)(c)]	**$ 2,327**	**$ 2,008**	**$ 11,587**	**$ 15,922**	$ 16,001

(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 $373 million 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, 2019**	Fair Value at December 31, 2018
Financial institutions:		
Money Center/Global Bank Groups	**$ 10,175**	$ 9,602
Regional banks — other	**675**	630
Life insurance	**3,286**	3,201
Securities firms and other finance companies	**401**	389
Insurance non-life	**5,007**	4,648
Regional banks — North America	**6,836**	6,263
Other financial institutions	**11,301**	9,966
Utilities	**17,984**	17,542
Communications	**9,469**	9,249
Consumer noncyclical	**17,797**	16,410
Capital goods	**7,614**	7,237
Energy	**13,006**	12,350
Consumer cyclical	**9,965**	9,498
Basic	**5,465**	5,271
Other	**19,692**	18,444
Total*	**$ 138,673**	$ 130,700

* At both March 31, 2019 and December 31, 2018, approximately 89 percent 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, was 5.5 percent and 5.4 percent at March 31, 2019 and December 31, 2018, respectively. 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.

Investments in RMBS

The following table presents AIG's RMBS available for sale securities:

(in millions)	Fair Value at March 31, 2019	Fair Value at December 31, 2018
Agency RMBS	$ 15,273	$ 14,695
Alt-A RMBS	9,524	9,780
Subprime RMBS	2,855	2,982
Prime non-agency	5,652	6,211
Other housing related	700	709
Total RMBS[(a)(b)]	$ 34,004	$ 34,377

(a) Includes approximately $10.0 billion and $10.3 billion at March 31, 2019, and December 31, 2018, respectively, of certain RMBS that had experienced deterioration in credit quality since their origination. *For additional discussion on Purchased Credit Impaired (PCI) Securities see* Note *6*.

(b) The weighted average expected life was six years at March 31, 2019 and seven years at December 31 2018.

Our underwriting practices for investing in RMBS, other asset-backed securities (ABS) 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.

Investments in CMBS

The following table presents our CMBS available for sale securities:

(in millions)	Fair Value at March 31, 2019	Fair Value at December 31, 2018
CMBS (traditional)	$ 10,358	$ 9,975
Agency	2,123	2,047
Other	680	679
Total	$ 13,161	$ 12,701

The fair value of CMBS holdings remained stable during the first quarter of 2019. 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 securities by collateral type:

(in millions)	Fair value at March 31, 2019	Fair value at December 31, 2018
Collateral Type:		
Bank loans (CLO)	$ 8,450	$ 8,164
Other	53	56
Total	$ 8,503	$ 8,220

Commercial Mortgage Loans

At March 31, 2019, we had direct commercial mortgage loan exposure of $33.7 billion. All commercial mortgage loans were current or performing according to their restructured terms.

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	Class						Total	Percent of Total
		Apartments	Offices	Retail	Industrial	Hotel	Others		
March 31, 2019									
State:									
New York	**103**	**$ 2,475**	**$ 4,321**	**$ 525**	**$ 386**	**$ 100**	**$ -**	**$ 7,807**	**23 %**
California	**76**	**489**	**1,284**	**280**	**532**	**828**	**48**	**3,461**	**10**
Texas	**50**	**344**	**1,180**	**183**	**102**	**125**	**6**	**1,940**	**6**
New Jersey	**46**	**1,130**	**45**	**407**	**41**	**28**	**33**	**1,684**	**5**
Florida	**88**	**400**	**159**	**586**	**223**	**218**	**35**	**1,621**	**5**
Massachusetts	**14**	**647**	**242**	**549**	**26**	**-**	**-**	**1,464**	**4**
Illinois	**18**	**456**	**444**	**10**	**19**	**-**	**22**	**951**	**3**
Washington D.C.	**12**	**401**	**309**	**-**	**-**	**18**	**-**	**728**	**2**
Pennsylvania	**25**	**81**	**21**	**553**	**47**	**25**	**-**	**727**	**2**
Ohio	**26**	**178**	**10**	**197**	**246**	**-**	**4**	**635**	**2**
Other states	**225**	**1,926**	**785**	**1,312**	**764**	**458**	**72**	**5,317**	**16**
Foreign	**81**	**3,534**	**1,091**	**1,011**	**603**	**727**	**364**	**7,330**	**22**
Total*	**764**	**$ 12,061**	**$ 9,891**	**$ 5,613**	**$ 2,989**	**$ 2,527**	**$ 584**	**$ 33,665**	**100 %**
December 31, 2018									
State:									
New York	98	$ 2,009	$ 4,082	$ 512	$ 393	$ 100	$ -	$ 7,096	22 %
California	78	490	1,308	283	535	831	48	3,495	11
Texas	53	344	1,256	185	102	125	5	2,017	6
New Jersey	45	1,049	45	422	41	28	33	1,618	5
Florida	87	358	159	589	224	218	35	1,583	5
Massachusetts	14	635	243	549	26	-	-	1,453	4
Illinois	18	456	444	11	19	-	22	952	3
Pennsylvania	25	80	21	567	47	25	-	740	2
Washington D.C.	12	401	311	-	-	19	-	731	2
Ohio	27	179	10	199	235	-	5	628	2
Other states	228	1,869	790	1,326	773	460	73	5,291	16
Foreign	79	3,320	1,201	1,002	679	717	359	7,278	22
Total*	764	$ 11,190	$ 9,870	$ 5,645	$ 3,074	$ 2,523	$ 580	$ 32,882	100 %

* Does not reflect allowance for credit losses.

For additional discussion on commercial mortgage loans see Note 7 to the Consolidated Financial Statements in the 2018 Annual Report.

Impairments

The following table presents impairments by investment type:

Three Months Ended March 31, *(in millions)*	2019	2018
Other-than-temporary Impairments:		
Fixed maturity securities, available for sale	$ 83	$ 87
Other impairments:		
Real estate	20	10
Total	$ 103	$ 97

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 investment type and impairment type:

(in millions)	RMBS	CDO/ABS	CMBS	Other Fixed Maturity	Total
Three Months Ended March 31, 2019					
Impairment Type:					
Change in intent	$ -	$ -	$ -	$ 3	$ 3
Foreign currency declines	-	-	-	6	6
Issuer-specific credit events	6	1	6	58	71
Adverse projected cash flows	3	-	-	-	3
Total	$ 9	$ 1	$ 6	$ 67	$ 83
Three Months Ended March 31, 2018					
Impairment Type:					
Change in intent	$ -	$ -	$ -	$ 49	$ 49
Foreign currency declines	-	-	-	6	6
Issuer-specific credit events	15	2	6	9	32
Adverse projected cash flows	-	-	-	-	-
Total	$ 15	$ 2	$ 6	$ 64	$ 87

We recorded other-than-temporary impairment charges in the three months ended March 31, 2019 and 2018 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.

In addition, impairments are recorded on real estate.

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 $53 million and $148 million in the three-month periods ended March 31, 2019 and 2018, respectively.

For a discussion of our other-than-temporary impairment accounting policy see Note 6 to the Consolidated Financial Statements in the 2018 Annual Report.

The following table shows the aging of the pre-tax unrealized losses of fixed maturity 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, 2019	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)]		Unrealized			Unrealized			Unrealized			**Unrealized**	
(dollars in millions)	Cost[(c)]	Loss	Items[(e)]	Cost[(c)]	Loss	Items[(e)]	Cost[(c)]	Loss	Items[(e)]	**Cost[(c)]**	**Loss[(d)]**	**Items[(e)]**
Investment grade bonds												
0-6 months	$ 19,705	$ 296	2,837	$ 60	$ 15	3	$ 7	$ 6	2	**$ 19,772**	**$ 317**	**2,842**
7-11 months	6,367	155	851	-	-	-	-	-	-	**6,367**	**155**	**851**
12 months or more	31,763	1,008	3,894	45	13	13	17	11	5	**31,825**	**1,032**	**3,912**
Total	$ 57,835	$ 1,459	7,582	$ 105	$ 28	16	$ 24	$ 17	7	**$ 57,964**	**$ 1,504**	**7,605**
Below investment grade bonds												
0-6 months	$ 6,643	$ 121	1,867	$ 446	$ 158	32	$ 8	$ 6	11	**$ 7,097**	**$ 285**	**1,910**
7-11 months	347	13	119	50	12	10	-	-	-	**397**	**25**	**129**
12 months or more	2,088	115	709	229	53	24	24	16	11	**2,341**	**184**	**744**
Total	$ 9,078	$ 249	2,695	$ 725	$ 223	66	$ 32	$ 22	22	**$ 9,835**	**$ 494**	**2,783**
Total bonds												
0-6 months	$ 26,348	$ 417	4,704	$ 506	$ 173	35	$ 15	$ 12	13	**$ 26,869**	**$ 602**	**4,752**
7-11 months	6,714	168	970	50	12	10	-	-	-	**6,764**	**180**	**980**
12 months or more	33,851	1,123	4,603	274	66	37	41	27	16	**34,166**	**1,216**	**4,656**
Total[(e)]	$ 66,913	$ 1,708	10,277	$ 830	$ 251	82	$ 56	$ 39	29	**$ 67,799**	**$ 1,998**	**10,388**

(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, 2019.

(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 2019 was primarily attributable to increases in the fair value of fixed maturity securities. For the first quarter of 2019, net unrealized gains related to fixed maturity securities increased by $6.0 billion due primarily to a decrease in rates and a narrowing of credit spreads.

The change in net unrealized gains and losses on investments in the first quarter of 2018 was primarily attributable to decreases in the fair value of fixed maturity securities. For the first quarter of 2018, net unrealized losses related to fixed maturity securities decreased by $5.0 billion due primarily to an increase in rates and a widening of credit spreads.

For further discussion of our investment portfolio see also Note 6 to the Condensed Consolidated Financial Statements.

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)*	**2019**	2018
Sales of fixed maturity securities	**$ (31)**	$ 10
Sales of equity securities	**-**	16
Other-than-temporary impairments:		
Change in intent	**(3)**	(49)
Foreign currency declines	**(6)**	(6)
Issuer-specific credit events	**(71)**	(32)
Adverse projected cash flows	**(3)**	-
Provision for loan losses	**(24)**	(24)
Foreign exchange transactions	**(37)**	53
Variable annuity embedded derivatives, net of related hedges	**(261)**	147
All other derivatives and hedge accounting	**(72)**	(225)
Other	**62**	91
Net realized capital losses	**$ (446)**	$ (19)

Higher net realized capital losses in the first quarter of 2019 compared to the same period in the prior year due primarily to higher derivative losses and other-than-temporary impairment charges.

Net realized capital losses in the first quarter of 2018 were primarily related to other-than-temporary impairment charges and derivative losses, which were higher than the gains on sales of securities and foreign exchange gains.

Variable annuity embedded derivatives, net of related hedges, reflected losses in the first quarter of 2019 compared to gains in the same period in the prior year primarily due to changes in the non-performance or “own credit” risk adjustment used in the valuation of the variable annuities with guaranteed minimum withdrawal benefits (GMWB) embedded derivative, which are not hedged as part of our economic hedging program

For additional discussion of market risk management related to these product features see MD&A – Enterprise Risk Management – Insurance Risks – Life and Retirement Companies Key Risks – Variable Annuity Risk Management and Hedging Programs in the 2018 Annual Report. For more information on the economic hedging target and the impact to pre-tax income of this program see Insurance Reserves – Life and Annuity Reserves and DAC – Variable Annuity Guaranteed Benefits and Hedging Results in this MD&A.

For further discussion of our investment portfolio see also Note 6 to the Condensed Consolidated Financial Statements.

Insurance Reserves

LIABILITY FOR UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES (LOSS RESERVES)

The following table presents the components of our gross and net loss reserves by segment and major lines of business:

	March 31, 2019			December 31, 2018		
(in millions)	Net liability for unpaid losses and loss adjustment expenses	Reinsurance recoverable on unpaid losses and loss adjustment expenses	Gross liability for unpaid losses and loss adjustment expenses	Net liability for unpaid losses and loss adjustment expenses	Reinsurance recoverable on unpaid losses and loss adjustment expenses	Gross liability for unpaid losses and loss adjustment expenses
General Insurance:						
U.S. Workers' Compensation (net of discount)	**$ 4,507**	**$ 5,648**	**$ 10,155**	$ 4,772	$ 5,318	$ 10,090
U.S. Excess Casualty	**4,604**	**4,596**	**9,200**	4,715	4,576	9,291
U.S. Other Casualty	**4,457**	**4,641**	**9,098**	4,288	4,661	8,949
U.S. Financial Lines	**5,225**	**1,971**	**7,196**	5,315	1,960	7,275
U.S. Property and Special risks	**5,961**	**2,738**	**8,699**	6,534	2,748	9,282
U.S. Personal Insurance	**1,498**	**1,005**	**2,503**	1,706	1,001	2,707
UK/Europe Casualty and Financial Lines	**7,119**	**1,715**	**8,834**	7,022	1,789	8,811
UK/Europe Property and Special risks	**2,955**	**1,227**	**4,182**	2,988	1,251	4,239
UK/Europe and Japan Personal Insurance	**2,019**	**532**	**2,551**	2,264	553	2,817
Other product lines	**6,131**	**2,451**	**8,582**	6,105	2,522	8,627
Unallocated loss adjustment expenses	**1,894**	**1,301**	**3,195**	1,834	1,307	3,141
Total General Insurance	**46,370**	**27,825**	**74,195**	47,543	27,686	75,229
Legacy Portfolio - Run-off Lines:						
U.S. Run-off Long Tail Insurance lines (net of discount)	**3,823**	**3,657**	**7,480**	3,862	3,689	7,551
Other run-off product lines	**98**	**66**	**164**	104	66	170
Unallocated loss adjustment expenses	**383**	**115**	**498**	397	115	512
Total Legacy Portfolio - Run-off Lines	**4,304**	**3,838**	**8,142**	4,363	3,870	8,233
Other Operations (Blackboard)	**38**	**121**	**159**	43	134	177
Total	**$ 50,712**	**$ 31,784**	**$ 82,496**	$ 51,949	$ 31,690	$ 83,639

* Includes loss reserve discount of $1.9 billion and $2.0 billion as of March 31, 2019 and December 31, 2018, respectively. For discussion of loss reserve discount see Note 10 to the Condensed Consolidated Financial Statements.

PRIOR YEAR DEVELOPMENT

The following table summarizes incurred (favorable) unfavorable prior year development net of reinsurance by segment:

Three Months Ended March 31, *(in millions)*	**2019**	2018
General Insurance:		
North America*	**$ (60)**	$ (78)
International	**(12)**	(30)
Total General Insurance	**$ (72)**	$ (108)
Legacy Portfolio - Run-off Lines	**(2)**	(2)
Other Operations	**-**	-
Total prior year (favorable) unfavorable development	**$ (74)**	$ (110)

* Includes the amortization attributed to the deferred gain at inception from the NICO adverse development reinsurance agreement of $58 million and $62 million for the three months ended March 31, 2019 and 2018, respectively. Consistent with our definition of APTI, the amount excludes the portion of (favorable)/unfavorable prior year reserve development for which we have ceded the risk under the NICO reinsurance agreements of $1 million and $9 million for the three months ended March 31, 2019 and 2018, respectively, and related changes in amortization of the deferred gain of $28 million and $(23) million over those same periods.

Net Loss Development

In the first quarter of 2019, we recognized favorable prior year loss reserve development of $74 million. For North America, the favorable development was primarily driven by amortization of the deferred gain from the adverse development reinsurance agreement with NICO, favorable development in U.S. Property and Special Risks driven by favorable catastrophe activity, offset by adverse development in Excess Casualty. For International, the favorable development was driven by Europe and Japan Personal Insurance and Europe Property and Special Risks offset by adverse development in Europe Casualty and Financial Lines.

In the first quarter of 2018, we recognized favorable prior year loss reserve development of $110 million. For North America, the favorable development was primarily driven by amortization of the deferred gain from the adverse development reinsurance agreement with NICO. For International, the favorable development was driven by Europe and Japan Personal Insurance.

The following tables summarize incurred (favorable) unfavorable prior year development net of reinsurance, by segment and major lines of business, and by accident year groupings:

Three Months Ended March 31, 2019 *(in millions)*	Total	2018	2017 & Prior
General Insurance North America:			
U.S. Workers' Compensation	**$ (19)**	**$ 2**	**$ (21)**
U.S. Excess casualty	**17**	**-**	**17**
U.S. Other casualty	**(9)**	**-**	**(9)**
U.S. Financial lines	**(10)**	**-**	**(10)**
U.S. Property and special risks	**(46)**	**6**	**(52)**
U.S. Personal insurance	**9**	**(12)**	**21**
Other product lines	**(2)**	**-**	**(2)**
Total General Insurance North America	**$ (60)**	**$ (4)**	**$ (56)**
General Insurance International:			
UK/Europe casualty and financial lines	**$ 51**	**$ 3**	**$ 48**
UK/Europe property and special risks	**(33)**	**(2)**	**(31)**
UK/Europe and Japan Personal insurance	**(44)**	**(43)**	**(1)**
Other product lines	**14**	**(32)**	**46**
Total General Insurance International	**$ (12)**	**$ (74)**	**$ 62**
Legacy Portfolio - Run-off Lines	**(2)**	**2**	**(4)**
Total prior year (favorable) unfavorable development	**$ (74)**	**$ (76)**	**$ 2**

Three Months Ended March 31, 2018 *(in millions)*	Total	2017	2016 & Prior
General Insurance North America:			
U.S. Workers' Compensation	$ (20)	$ -	$ (20)
U.S. Excess casualty	(15)	-	(15)
U.S. Other casualty	(17)	(1)	(16)
U.S. Financial lines	(12)	(2)	(10)
U.S. Property and special risks	(69)	(63)	(6)
U.S. Personal insurance	57	56	1
Other product lines	(2)	1	(3)
Total General Insurance North America	$ (78)	$ (9)	$ (69)
General Insurance International:			
UK/Europe casualty and financial lines	$ 1	$ 1	$ -
UK/Europe property and special risks	3	(3)	6
UK/Europe and Japan Personal insurance	(40)	(15)	(25)
Other product lines	6	12	(6)
Total General Insurance International	$ (30)	$ (5)	$ (25)
Legacy Portfolio - Run-off Lines	(2)	(3)	1
Total prior year (favorable) unfavorable development	$ (110)	$ (17)	$ (93)

We note that for certain categories of claims (e.g., construction defect claims and environmental claims) and for reinsurance recoverable, losses may sometimes be reclassified to an earlier or later accident year as more information about the date of occurrence becomes available to us.

Significant Reinsurance Agreements

In the first quarter of 2017, we entered into an adverse development reinsurance agreement with NICO, under which we transferred to NICO 80 percent of the reserve risk on substantially all of our U.S. Commercial long-tail exposures for accident years 2015 and prior. Under this agreement, we ceded to NICO 80 percent of the losses on subject business paid on or after January 1, 2016 in excess of $25 billion of net paid losses, up to an aggregate limit of $25 billion. We account for this transaction as retroactive reinsurance. This transaction resulted in a gain, which under U.S. GAAP retroactive reinsurance accounting is deferred and amortized into income over the settlement period. NICO created a collateral trust account as security for their claim payment obligations to us, into which they deposited the consideration paid under the agreement, and Berkshire Hathaway Inc. has provided a parental guarantee to secure NICO's obligations under the agreement.

For a description of AIG's catastrophe reinsurance protection for 2019, see Part II, Item 7. MD&A – Enterprise Risk Management – Insurance Risks – General Insurance Companies' Key Risks – Natural Catastrophe Risk in our 2018 Annual Report.

The table below shows the calculation of the deferred gain on the adverse development reinsurance agreement as of March 31, 2019 and as of December 31, 2018, showing the effect of discounting of loss reserves and amortization of the deferred gain.

(in millions)	March 31, 2019	December 31, 2018
Gross Covered Losses		
Covered reserves before discount	$ 22,071	$ 23,033
Inception to date losses paid	20,295	19,331
Attachment point	(25,000)	(25,000)
Covered losses above attachment point	$ 17,366	$ 17,364
Deferred Gain Development		
Covered losses above attachment ceded to NICO (80%)	$ 13,893	$ 13,891
Consideration paid including interest	(10,188)	(10,188)
Pre-tax deferred gain before discount and amortization	3,705	3,703
Discount on ceded losses[a]	(1,412)	(1,719)
Pre-tax deferred gain before amortization	2,293	1,984
Inception to date amortization of deferred gain at inception	(519)	(461)
Inception to date amortization attributed to changes in deferred gain[b]	(161)	(141)
Deferred gain liability reflected in AIG's balance sheet	$ 1,613	$ 1,382

(a) For the period from inception to March 31, 2019, the accretion of discount and a reduction in effective interest rates was offset by changes in estimates of the amount and timing of future recoveries under the adverse development reinsurance agreement.

(b) Excluded from our definition of APTI.

The following table presents the rollforward of activity in the deferred gain from the adverse development reinsurance agreement:

Three Months Ended March 31, *(in millions)*	2019	2018
Balance at beginning of year, net of discount	$ 1,382	$ 1,167
Unfavorable prior year reserve development ceded to NICO[a]	2	8
Amortization attributed to deferred gain at inception[b]	(58)	(62)
Amortization attributed to changes in deferred gain[c]	(20)	28
Changes in discount on ceded loss reserves	307	(128)
Balance at end of period, net of discount	$ 1,613	$ 1,013

(a) Prior year reserve development ceded to NICO under the retroactive reinsurance agreement is deferred under U.S. GAAP.

(b) Represents amortization of the deferred gain recognized in APTI.

(c) Excluded from APTI and included in U.S. GAAP.

The lines of business subject to this agreement have been the source of the majority of the prior year adverse development charges over the past several years. The agreement is expected to result in lower capital charges for reserve risks at our U.S. insurance subsidiaries. In addition, we would expect future net investment income to decline as a result of lower invested assets.

For a summary of significant reinsurers see Item 7. MD&A – Enterprise Risk Management – Insurance Operations Risks – General Insurance Companies Key Insurance Risks – Reinsurance Recoverable in our 2018 Annual Report.

LIFE AND ANNUITY RESERVES AND DAC

The following section provides discussion of life and annuity reserves and deferred policy acquisition costs.

Variable Annuity Guaranteed Benefits and Hedging Results

Our Individual Retirement and Group Retirement businesses offer variable annuity products with GMWB riders that provide guaranteed living benefit features. The liabilities for GMWB 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, market volatility, policyholder behavior and other factors.

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, including exposures to changes in interest rates, equity prices, credit spreads and volatility. 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.

For additional discussion of market risk management related to these product features see Enterprise Risk Management – Insurance Risks – Life and Retirement Companies Key Risks – Variable Annuity Risk Management and Hedging Programs in our 2018 Annual Report.

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 risks in our GMWB riders. The economic hedge target differs from the U.S. GAAP valuation of the GMWB embedded derivatives primarily due to the following:

- The economic hedge target includes 100 percent of rider fees in present value calculations; the U.S. GAAP valuation reflects only those fees attributed to the embedded derivative such that the initial value at contract issue equals zero;
- The economic hedge target uses best estimate actuarial assumptions and excludes explicit risk margins used for U.S. GAAP valuation, such as margins for policyholder behavior, mortality, and volatility; and
- The economic hedge target excludes the non-performance or “own credit” risk adjustment used in the U.S. GAAP valuation, which reflects a market participant’s view of our claims-paying ability by incorporating an additional spread (the NPA spread) to the swap curve used to discount projected benefit cash flows. Because the discount rate includes the NPA spread and other explicit risk margins, the U.S. GAAP valuation is generally less sensitive to movements in interest rates and other market factors, and to changes from actuarial assumption updates, than the economic hedge target. *For more information on our valuation methodology for embedded derivatives within policyholder contract deposits see Note 5 to the Condensed Consolidated Financial Statements*.

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 and Retirement 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 driven by assumptions not subject to hedging, particularly policyholder behavior; and
- Risk exposures that we have elected not to explicitly or fully hedge.

The following table presents a reconciliation between the fair value of the U.S. GAAP embedded derivatives and the value of our economic hedge target:

(in millions)	March 31, 2019	December 31, 2018
Reconciliation of embedded derivatives and economic hedge target:		
Embedded derivative liability	$ 2,023	$ 1,943
Exclude non-performance risk adjustment	(2,439)	(2,615)
Embedded derivative liability, excluding NPA	4,462	4,558
Adjustments for risk margins and differences in valuation	(2,485)	(2,377)
Economic hedge target liability	$ 1,977	$ 2,181

Impact on Pre-tax Income (Loss)

The impact on our pre-tax income (loss) of the variable annuity guaranteed living benefits and related hedging results includes changes in the fair value of the GMWB embedded derivatives, and changes in the fair value of related derivative hedging instruments, both of which 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 fixed maturity securities used in the hedging program, are excluded from adjusted pre-tax income of Individual Retirement and Group Retirement.

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 the differences in valuation between the economic hedge target, the U.S. GAAP embedded derivatives and the fair value of the hedging portfolio, as discussed above. When corporate credit spreads widen, the change in the NPA spread 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 spread generally increases the fair value of the embedded derivative liabilities, resulting in a loss. In addition to changes driven by credit market-related movements in the NPA spread, the NPA balance also reflects changes in business activity and in the net amount at risk from the underlying guaranteed living benefits.

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

Three Months Ended March 31, *(in millions)*	2019	2018
Change in fair value of embedded derivatives, excluding NPA	$ 215	$ 551
Change in fair value of variable annuity hedging portfolio:		
Fixed maturity securities	96	(77)
Interest rate derivative contracts	293	(406)
Equity derivative contracts	(593)	74
Change in fair value of variable annuity hedging portfolio	(204)	(409)
Change in fair value of embedded derivatives excluding NPA, net of hedging portfolio	11	142
Change in fair value of embedded derivatives due to NPA spread	(163)	72
Change in fair value of embedded derivatives due to change in NPA volume	(13)	(144)
Total change due to NPA	(176)	(72)
Net impact on pre-tax income (loss)	$ (165)	$ 70
By Consolidated Income Statement line		
Net investment income	$ 96	$ (77)
Net realized capital gains (losses)	(261)	147
Net impact on pre-tax income (loss)	$ (165)	$ 70

The net impact on pre-tax income from the GMWB embedded derivatives and related hedges in the first quarter of 2019 (excluding related DAC amortization) was primarily driven by losses from credit spread tightening and lower equity volatility on the economic hedge target and the impact of tighter credit spreads on the NPA spread. The net impact on pre-tax income from the GMWB and related hedges in the first quarter of 2018 (excluding related DAC amortization) was primarily driven by gains from the impact of widening credit spreads on the NPA spread, higher interest rates and equity market volatility, partially offset by the impact on NPA volume of lower expected GMWB payments, which was driven by higher interest rates.

The change in the fair value of the GMWB embedded derivatives, excluding NPA and update of actuarial assumptions, in the first quarter of 2019 reflected gains from higher equity markets, offset by losses from decreases in interest rates, tightening of credit spreads, and lower equity volatility. The change in the fair value of embedded derivatives, excluding NPA, in the first quarter of 2018 reflected gains from equity market volatility and reductions in risk margins due to higher interest rates, partially offset by losses from the related hedging portfolio.

Fair value gains or losses in the hedging portfolio are typically not fully offset by increases or decreases in liabilities on a U.S. GAAP basis, due to the NPA and other risk margins used for U.S. GAAP valuation that cause the embedded derivatives to be less sensitive to changes in market rates than the hedge portfolio. On an economic basis, the changes in the fair value of the hedge portfolio were partially offset by the decrease in the economic hedge target, as discussed below.

Change in Economic Hedge Target

The decrease in the economic hedge target liability in the first quarter of 2019 was primarily due to higher equity markets, offset by lower interest rates and tightening of credit spreads.

Change in Fair Value of the Hedging Portfolio

The changes in the fair value of the economic hedge target and, to a lesser extent, the embedded derivative valuation under U.S. GAAP, were offset in part by the following changes in the fair value of the variable annuity hedging portfolio:

- Changes in the fair value of fixed maturity securities, primarily corporate bonds for which the fair value option has been elected, are used as a capital-efficient way to economically hedge interest rate and credit spread-related risk. The change in the fair value of the corporate bond hedging program in the first quarter of 2019 reflected gains due to decreases in interest rates, and tightening of credit spreads. The change in the fair value of the corporate bond hedging program in the first quarter of 2018 reflected losses due to increases in interest rates and widening of credit spreads, The change in the fair value of the hedging bonds, which is excluded from the adjusted pre-tax income of the Individual Retirement and Group Retirement segments, 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 and futures, resulted in gains driven by lower interest rates in the first quarter of 2019 compared to losses in the first quarter of 2018 which was driven by higher interest rates.
- The change in the fair value of equity derivative contracts, which included futures and options, reflected losses in the first quarter of 2019 compared to gains in the same period in the prior year, which varied based on the relative change in equity market returns in the respective periods.

DAC

The following table summarizes the major components of the changes in DAC, including VOBA, within the Life and Retirement companies, excluding DAC of the Legacy Portfolio:

Three Months Ended March 31, *(in millions)*	2019	2018
Balance, beginning of year	**$ 9,133**	$ 7,637
Acquisition costs deferred	**336**	249
Amortization expense:		
Related to realized capital gains and losses	**93**	(27)
All other operating amortization	**(200)**	(246)
Increase (decrease) in DAC due to foreign exchange	**7**	12
Change related to unrealized depreciation (appreciation) of investments	**(781)**	564
Balance, end of period*	**$ 8,588**	$ 8,189

* DAC balance excluding the amount related to unrealized depreciation (appreciation) of investments was $9.6 billion and $8.9 billion at March 31, 2019 and 2018, respectively.

DAC and Reserves Related to Unrealized Appreciation of Investments

DAC and Reserves for universal life and investment-type products (collectively, investment-oriented products) are adjusted at each balance sheet date to reflect the change in DAC, unearned revenue, and benefit reserves with an offset to Other comprehensive income (OCI) as if securities available for sale had been sold at their stated aggregate fair value and the proceeds reinvested at current yields (shadow Investment-Oriented Adjustments). Similarly, for long-duration traditional products, significant unrealized appreciation of investments in a sustained low interest rate environment may cause additional future policy benefit liabilities (shadow Loss Adjustments) with an offset to OCI to be recorded.

Shadow adjustments to DAC and unearned revenue generally move in the opposite direction of the change in unrealized appreciation of the available for sale securities portfolio, reducing the reported DAC and unearned revenue balance when market interest rates decline. Conversely, shadow adjustments to benefit reserves generally move in the same direction as the change in unrealized appreciation of the available for sale securities portfolio, increasing reported future policy benefit liabilities balance when market interest rates decline.

Market interest rates decreased in the first quarter of 2019, which resulted in a $5.2 billion increase in the unrealized appreciation of fixed maturity securities held to support businesses in the Life and Retirement companies at March 31, 2019 compared to December 31, 2018. At March 31, 2019, the shadow Investment-Oriented Adjustments reflected decreases in DAC and unearned revenues and an increase in future policy benefit liabilities compared to December 31, 2018, while the shadow Loss Adjustments reflected an increase in future policy benefit liabilities.

Reserves

The following table presents a rollforward of insurance reserves by operating segments for Life and Retirement, including future policy benefits, policyholder contract deposits, other policy funds, and separate account liabilities, as well as Retail Mutual Funds and Group Retirement mutual fund assets under administration:

Three Months Ended March 31, *(in millions)*	**2019**	2018
Individual Retirement		
Balance at beginning of period, gross	**$ 132,729**	$ 138,571
Premiums and deposits	**4,186**	4,358
Surrenders and withdrawals	**(3,222)**	(3,130)
Death and other contract benefits	**(831)**	(900)
Subtotal	**133**	328
Change in fair value of underlying assets and reserve accretion, net of policy fees	**5,763**	(1,938)
Cost of funds*	**403**	378
Other reserve changes	**55**	(95)
Balance at end of period	**139,083**	137,244
Reinsurance ceded	**(316)**	(324)
Total Individual Retirement insurance reserves and mutual fund assets	**$ 138,767**	$ 136,920
Group Retirement		
Balance at beginning of period, gross	**$ 91,685**	$ 97,306
Premiums and deposits	**2,063**	2,072
Surrenders and withdrawals	**(2,781)**	(2,467)
Death and other contract benefits	**(157)**	(151)
Subtotal	**(875)**	(546)
Change in fair value of underlying assets and reserve accretion, net of policy fees	**5,807**	(270)
Cost of funds*	**278**	270
Other reserve changes	**11**	(6)
Balance at end of period	**96,906**	96,754
Total Group Retirement insurance reserves and mutual fund assets	**$ 96,906**	$ 96,754

Life Insurance		
Balance at beginning of period, gross	**$ 19,719**	$ 19,424
Premiums and deposits	**908**	884
Surrenders and withdrawals	**(173)**	(174)
Death and other contract benefits	**(143)**	(96)
Subtotal	**592**	614
Change in fair value of underlying assets and reserve accretion, net of policy fees	**(262)**	(247)
Cost of funds*	**93**	95
Other reserve changes	**69**	(180)
Balance at end of period	**20,211**	19,706
Reinsurance ceded	**(1,238)**	(1,061)
Total Life Insurance reserves	**$ 18,973**	$ 18,645
Institutional Markets		
Balance at beginning of period, gross	**$ 19,839**	$ 18,580
Premiums and deposits	**1,112**	1,463
Surrenders and withdrawals	**(246)**	(522)
Death and other contract benefits	**(158)**	(107)
Subtotal	**708**	834
Change in fair value of underlying assets and reserve accretion, net of policy fees	**205**	61
Cost of funds*	**89**	72
Other reserve changes	**(8)**	32
Balance at end of period	**20,833**	19,579
Reinsurance ceded	**(43)**	(3)
Total Institutional Markets reserves	**$ 20,790**	$ 19,576
Total insurance reserves and mutual fund assets		
Balance at beginning of period, gross	**$ 263,972**	$ 273,881
Premiums and deposits	**8,269**	8,777
Surrenders and withdrawals	**(6,422)**	(6,293)
Death and other contract benefits	**(1,289)**	(1,254)
Subtotal	**558**	1,230
Change in fair value of underlying assets and reserve accretion, net of policy fees	**11,513**	(2,394)
Cost of funds*	**863**	815
Other reserve changes	**127**	(249)
Balance at end of period	**277,033**	273,283
Reinsurance ceded	**(1,597)**	(1,388)
Total insurance reserves and mutual fund assets	**$ 275,436**	$ 271,895

* Excludes amortization of deferred sales inducements.

Insurance reserves of Life and Retirement, as well as Retail Mutual Funds and Group Retirement mutual fund assets under administration, were comprised of the following balances:

(in millions)	**March 31, 2019**	December 31, 2018
Future policy benefits	**$ 15,620**	$ 14,739
Policyholder contract deposits	**140,919**	137,718
Other policy funds	**261**	295
Separate account liabilities	**86,851**	79,960
Total insurance reserves*	**243,651**	232,712
Mutual fund assets	**33,382**	31,260
Total insurance reserves and mutual fund assets	**$ 277,033**	$ 263,972

* Excludes reserves related to the Legacy Portfolio.

Liquidity and Capital Resources

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 endeavor to manage our liquidity prudently through various risk committees, policies and procedures, and a stress testing and liquidity risk framework established by our Treasury group with oversight by Enterprise Risk Management (ERM). Our liquidity risk framework is designed to manage liquidity at both AIG Parent and its subsidiaries to meet our financial obligations for a minimum of six months under a liquidity stress scenario.

See Part II, Item 7. MD&A — Enterprise Risk Management — Risk Appetite, Limits, Identification, and Measurement and Enterprise Risk Management — Liquidity Risk Management in the 2018 Annual Report 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 derived from 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 at 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. 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, issuing preferred stock, paying dividends to our shareholders and AIG Common Stock and/or warrant repurchases.

LIQUIDITY AND CAPITAL RESOURCES ACTIVITY FOR THE FIRST QUARTER OF 2019

SOURCES

AIG Parent Funding from Subsidiaries*

During the first quarter of 2019, AIG Parent received $1.0 billion in dividends from subsidiaries. Of this amount, $522 million consisted of dividends in the form of cash and fixed maturity securities from our General Insurance companies and $504 million consisted of dividends and loan repayments in the form of cash from our Life and Retirement companies.

AIG Parent also received a net amount of $201 million in tax sharing payments in the form of cash and fixed maturity securities from our insurance businesses in the first quarter of 2019. The tax sharing payments may be subject to further adjustment in future periods.

Preferred Stock Issuance

In March 2019, we issued 20,000 shares of Series A 5.85% Non-Cumulative Preferred Stock, with a par value of $5.00 per share and a liquidation preference of $25,000 per share, for net proceeds of approximately $485 million.

Debt Issuance

In March 2019, we issued $600 million aggregate principal amount of 4.250% Notes Due 2029.

USES

Debt Reduction

We made repurchases of and repayments on debt instruments of approximately $597 million during the first quarter of 2019. AIG Parent made interest payments on our debt instruments totaling $225 million during the first quarter of 2019.

Dividend

We paid a cash dividend of $0.32 per share on AIG Common Stock during the first quarter of 2019 totaling $278 million.

AIG Parent Funding to Subsidiaries

In February 2019, AIG Parent made a capital contribution of $300 million to our General Insurance companies.

* In April 2019, we received $75 million in additional dividends in the form of cash from our General Insurance companies. These dividends had been declared during the first quarter of 2019.

ANALYSIS OF SOURCES AND USES OF CASH

The following table presents selected data from AIG's Consolidated Statements of Cash Flows:

Three Months Ended March 31, *(in millions)*	**2019**	2018
Sources:		
Changes in policyholder contract balances	**$ 1,434**	$ 2,909
Issuance of long-term debt	**1,449**	3,039
Issuance of Preferred Stock	**485**	-
Net cash provided by other financing activities	**263**	-
Total sources	**3,631**	5,948
Uses:		
Net cash used in operating activities	**(976)**	(938)
Net cash used in other investing activities	**(1,979)**	(1,972)
Repayments of long-term debt	**(589)**	(1,327)
Purchases of AIG Common Stock	**-**	(298)
Dividends paid	**(278)**	(289)
Net cash used in other financing activities	**-**	(1,548)
Total uses	**(3,822)**	(6,372)
Effect of exchange rate changes on cash and restricted cash	**12**	58
Increase (decrease) in cash and restricted cash	**$ (179)**	$ (366)

The following table presents a summary of AIG’s Consolidated Statement of Cash Flows:

Three Months Ended March 31, *(in millions)*	**2019**	2018
Summary:		
Net cash provided by (used in) operating activities	**$ (976)**	$ (938)
Net cash provided by (used in) investing activities	**(1,979)**	(1,972)
Net cash provided by (used in) financing activities	**2,764**	2,486
Effect of exchange rate changes on cash and restricted cash	**12**	58
Increase (decrease) in cash and restricted cash	**(179)**	(366)
Cash and restricted cash at beginning of year	**3,358**	2,737
Change in cash of businesses held for sale	**-**	-
Cash and restricted cash at end of period	**$ 3,179**	$ 2,371

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 $315 million in the first quarter of 2019 compared to $357 million in the first quarter of 2018. Excluding interest payments, AIG had operating cash outflows of $661 million in the first quarter of 2019 compared to operating cash outflows of $581 million in the first quarter of 2018.

Investing Cash Flow Activities

Net cash used in investing activities in the first quarter of 2019 was $2.0 billion compared to investing cash outflows of $2.0 billion in the first quarter of 2018.

Financing Cash Flow Activities

Net cash provided by financing activities in the first quarter of 2019 reflected:

- approximately $278 million in the aggregate to pay a dividend of $0.32 per share on AIG Common Stock;
- approximately $860 million in net inflows from the issuance and repayment of long-term debt; and
- approximately $485 million inflow from the issuance of preferred stock.

Net cash provided by financing activities in the first quarter of 2018 reflected:

- approximately $289 million in the aggregate to pay a dividend of $0.32 per share on AIG Common Stock;
- approximately $298 million to repurchase approximately 5 million shares of AIG Common Stock; and
- approximately $1.7 billion in net inflows from the issuance and repayment of long-term debt.

LIQUIDITY AND CAPITAL RESOURCES OF AIG PARENT AND SUBSIDIARIES

AIG Parent

As of March 31, 2019, AIG Parent had approximately $9.7 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 or 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, and operating expenses.

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 and preferred equity 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 AIG Common Stock 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, by our other operations or through the utilization of AIG's deferred tax assets may be available to support our business strategies, for distribution to shareholders or for liability management.

In developing plans to distribute capital, AIG considers a number of factors, including, but not limited to: AIG's business and strategic plans, expectations for capital generation and utilization, AIG's funding capacity and capital resources in comparison to internal benchmarks, as well as rating agency expectations, regulatory standards and internal stress tests for capital.

The following table presents AIG Parent's liquidity sources:

(In millions)	As of March 31, 2019	As of December 31, 2018
Cash and short-term investments[(a)]	$ 1,619	$ 626
Unencumbered fixed maturity securities[(b)]	3,547	3,168
Total AIG Parent liquidity	5,166	3,794
Available capacity under committed, syndicated credit facility[(c)]	4,500	4,500
Total AIG Parent liquidity sources	$ 9,666	$ 8,294

(a) Cash and short-term investments include reverse repurchase agreements totaling $884 million and $22 million as of March 31, 2019 and December 31, 2018, 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 committed, syndicated credit facility see Credit Facilities below.

Insurance Companies

We expect that our 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 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 material insurance companies' liquidity is monitored through various internal liquidity risk measures. The primary sources of liquidity are premiums, fees, reinsurance recoverables and investment income and maturities. The primary uses of liquidity are paid losses, reinsurance payments, benefit claims, surrenders, withdrawals, interest payments, dividends, expenses, investment purchases and collateral requirements.

Our General 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 a subsidiary's ability to meet its own obligations. Increases in market 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.

Management believes that because of the size and liquidity of our Life and Retirement companies' investment portfolios, normal deviations from projected claim or surrender experience would not create significant liquidity risk. Furthermore, our Life and Retirement companies' products contain certain features that mitigate surrender risk, including surrender charges. However, in times of extreme capital markets disruption, liquidity needs could outpace resources. As part of their risk management framework, our Life and Retirement 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. insurance companies are members of the Federal Home Loan Banks (FHLBs) in their respective districts. Borrowings from FHLBs are used to supplement liquidity or for other uses deemed appropriate by management. Our U.S. General Insurance companies had no outstanding borrowings from FHLBs at March 31, 2019 and aggregate outstanding borrowings of approximately $115 million at December 31, 2018. Our U.S. Life and Retirement companies had no outstanding borrowings in the form of cash advances from FHLBs at both March 31, 2019 and December 31, 2018, respectively. In addition, $3.4 billion was due to FHLBs in the respective districts of our U.S. Life and Retirement companies at both March 31, 2019 and December 31, 2018, respectively, under funding agreements issued through our Individual Retirement, Group Retirement and Institutional Markets operating segments, which were reported in Policyholder contract deposits.

Certain of our U.S. Life and Retirement 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 and Retirement 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 or partially used for short-term liquidity purposes. Additionally, the aggregate amount of securities that a Life and Retirement company is able to lend under its program at any time is limited to five percent of its general account statutory-basis admitted assets. Our U.S. Life and Retirement companies had $1.4 billion and $884 million of securities subject to these agreements at March 31, 2019 and December 31, 2018, respectively, and $1.4 billion and $904 million of liabilities to borrowers for collateral received at March 31, 2019 and December 31, 2018, respectively.

AIG generally manages capital between AIG Parent and our insurance companies through internal, Board-approved policies and limits, as well as management 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.

In February 2018, AIG Parent entered into a CMA with Fortitude Re. Among other things, the CMA provides that AIG Parent will maintain available statutory capital and surplus in each of Fortitude Re's long term business fund and general business account at or above a stress threshold percentage of its projected enhanced capital requirement in respect of the applicable fund, as defined under Bermuda law. As of March 31, 2019, the stress threshold percentage under this CMA was 125 percent.

AIG Parent and/or certain subsidiaries are parties to several letter of credit agreements with various financial institutions, which issue letters of credit from time to time in support of our insurance companies. Letters of credit issued in support of the General Insurance companies totaled approximately $3.5 billion at March 31, 2019. Letters of credit issued in support of the Life and Retirement companies totaled approximately $859 million at March 31, 2019. Letters of credit issued in support of Fortitude Re totaled $550 million at March 31, 2019.

In the first quarter of 2019, our General Insurance companies collectively paid a total of approximately $522 million in dividends in the form of cash and fixed maturity securities to AIG Parent. The fixed maturity securities primarily included U.S. agency mortgage-backed securities, municipal bonds and certain other highly rated securities.

In the first quarter of 2019, our Life and Retirement companies collectively paid a total of approximately $504 million in dividends and loan repayments in the form of cash to AIG Parent.

TAX MATTERS

If the settlement agreements in principle are concluded in our ongoing dispute related to the disallowance of foreign tax credits associated with cross border financing transactions, we will be required to make a payment to the U.S. Treasury. Although we can provide no assurance regarding whether the non-binding settlements will be finalized, the amount we currently expect to pay based on current proposed settlement terms is approximately $1.7 billion, including obligations of AIG Parent and subsidiaries. This amount is net of payments previously made with respect to cross border financing transactions involving matters dating back to 1997 and other matters largely related to the same tax years. There remains uncertainty with regard to whether the settlements in principle will ultimately be approved by the relevant authorities as well as the amount and timing of any potential payments, which are not likely to be made before sometime in early 2020.

For additional information regarding this matter see Note 15 to the Condensed Consolidated Financial Statements.

CREDIT FACILITIES

We maintain a committed, revolving syndicated credit facility (the Facility) as a potential source of liquidity for general corporate purposes. The 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 June 2022.

As of March 31, 2019, a total of $4.5 billion remains available under the Facility. Our ability to utilize the Facility is not contingent on our credit ratings. However, our ability to utilize the Facility is conditioned on the satisfaction of certain legal, operating, administrative and financial covenants and other requirements contained in the 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 Facility would restrict our access to the Facility and could have a material adverse effect on our financial condition, results of operations and liquidity. We expect to utilize the Facility from time to time, and may use the proceeds for general corporate purposes.

CONTRACTUAL OBLIGATIONS

The following table summarizes contractual obligations in total, and by remaining maturity:

March 31, 2019		Payments due by Period				
(in millions)	Total Payments	Remainder of 2019	2020 - 2021	2022 - 2023	2024	Thereafter
Insurance operations						
Loss reserves[(a)]	**$ 85,777**	$ 16,539	$ 24,013	$ 12,553	$ 4,000	$ 28,672
Insurance and investment contract liabilities	**254,813**	12,430	32,400	28,779	13,793	167,411
Borrowings	**1,338**	-	338	-	-	1,000
Interest payments on borrowings	**828**	26	99	99	50	554
Other long-term obligations	**-**	-	-	-	-	-
Total	**$ 342,756**	$ 28,995	$ 56,850	$ 41,431	$ 17,843	$ 197,637
Other						
Borrowings	**$ 25,256**	$ 1,252	$ 3,040	$ 3,268	$ 1,130	$ 16,566
Interest payments on borrowings	**15,228**	804	1,999	1,732	779	9,914
Other long-term obligations	**387**	112	173	79	-	23
Total	**$ 40,871**	$ 2,168	$ 5,212	$ 5,079	$ 1,909	$ 26,503
Consolidated						
Loss reserves[(a)]	**$ 85,777**	$ 16,539	$ 24,013	$ 12,553	$ 4,000	$ 28,672
Insurance and investment contract liabilities	**254,813**	12,430	32,400	28,779	13,793	167,411
Borrowings	**26,594**	1,252	3,378	3,268	1,130	17,566
Interest payments on borrowings	**16,056**	830	2,098	1,831	829	10,468
Other long-term obligations[(b)]	**387**	112	173	79	-	23
Total[(c)]	**$ 383,627**	$ 31,163	$ 62,062	$ 46,510	$ 19,752	$ 224,140

(a) Represents undiscounted loss reserves.

(b) Primarily includes contracts to purchase future services and other capital expenditures.

(c) Does not reflect unrecognized tax benefits of $4.7 billion. *See Note 15 to the Condensed Consolidated Financial Statements for additional information.*

Loss Reserves

Loss reserves relate to our General Insurance companies and represent estimates of future loss and loss adjustment expense payments 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 General 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 and Retirement 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 presented in this table are undiscounted and exceed the future policy benefits and policyholder contract deposits included in the Consolidated Balance Sheets.

We believe that our Life and Retirement 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 and Retirement 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 or preferred stock 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, 2019		Amount of Commitment Expiring				
(in millions)	Total Amounts Committed	Remainder of 2019	2020 - 2021	2022 - 2023	2024	Thereafter
Insurance operations						
Guarantees:						
Standby letters of credit	**$ 194**	$ 183	$ -	$ -	$ -	$ 11
Guarantees of indebtedness	**88**	88	-	-	-	-
All other guarantees[(a)]	**65**	-	30	28	7	-
Commitments:						
Investment commitments[(b)]	**7,146**	2,772	2,616	1,467	248	43
Commitments to extend credit	**2,921**	1,194	673	998	-	56
Letters of credit	**5**	5	-	-	-	-
Total[(c)]	**$ 10,419**	$ 4,242	$ 3,319	$ 2,493	$ 255	$ 110
Other						
Guarantees:						
Liquidity facilities[(d)]	**$ 74**	$ -	$ -	$ -	$ -	$ 74
Standby letters of credit	**82**	82	-	-	-	-
All other guarantees	**-**	-	-	-	-	-
Commitments:						
Investment commitments[(b)]	**140**	38	39	31	1	31
Commitments to extend credit	**-**	-	-	-	-	-
Letters of credit	**14**	14	-	-	-	-
Total[(c)(e)]	**$ 310**	$ 134	$ 39	$ 31	$ 1	$ 105
Consolidated						
Guarantees:						
Liquidity facilities[(d)]	**$ 74**	$ -	$ -	$ -	$ -	$ 74
Standby letters of credit	**276**	265	-	-	-	11
Guarantees of indebtedness	**88**	88	-	-	-	-
All other guarantees[(a)]	**65**	-	30	28	7	-
Commitments:						
Investment commitments[(b)]	**7,286**	2,810	2,655	1,498	249	74
Commitments to extend credit	**2,921**	1,194	673	998	-	56
Letters of credit	**19**	19	-	-	-	-
Total[(c)(e)]	**$ 10,729**	$ 4,376	$ 3,358	$ 2,524	$ 256	$ 215

(a) Excludes potential amounts for indemnification obligations included in asset sales agreements. *For further information on indemnification obligations see Note 11 to the Condensed Consolidated Financial Statements.*

(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) Excludes commitments with respect to pension plans. The remaining annual pension contribution for 2019 is expected to be approximately $47 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 8 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 11 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.

DEBT

The following table provides the rollforward of AIG's total debt outstanding:

Three Months Ended March 31, 2019 *(in millions)*	Balance at December 31, 2018	Issuances	Maturities and Repayments	Effect of Foreign Exchange	Other Changes	**Balance at March 31, 2019**
Debt issued or guaranteed by AIG:						
AIG general borrowings:						
Notes and bonds payable	$ 20,853	$ 596	$ -	$ (30)	$ 8	**$ 21,427**
Junior subordinated debt	1,548	-	-	(3)	-	**1,545**
AIG Japan Holdings Kabushiki Kaisha	331	-	-	7	-	**338**
Validus notes and bonds payable	359	-	-	-	(2)	**357**
AIGLH notes and bonds payable	282	-	-	-	-	**282**
AIGLH junior subordinated debt	361	-	-	-	-	**361**
Total AIG general borrowings	23,734	596	-	(26)	6	**24,310**
AIG borrowings supported by assets:[(a)]						
Series AIGFP matched notes and bonds payable	21	-	-	-	-	**21**
GIAs, at fair value	2,164	37	(61)	-	72 [(b)]	**2,212**
Notes and bonds payable, at fair value	49	-	(2)	-	4 [(b)]	**51**
Total AIG borrowings supported by assets	2,234	37	(63)	-	76	**2,284**
Total debt issued or guaranteed by AIG	25,968	633	(63)	(26)	82	**26,594**
Debt not guaranteed by AIG:						
Other subsidiaries' notes, bonds, loans and mortgages payable[(c)]	168	-	(116)	-	-	**52**
Debt of consolidated investments[(d)]	8,404	816	(418)	6	322 [(e)]	**9,130**
Total debt not guaranteed by AIG	8,572	816	(534)	6	322	**9,182**
Total debt	$ 34,540	$ 1,449	$ (597)	$ (20)	$ 404	**$ 35,776**

(a) AIG Parent guarantees all such debt, except for Series AIGFP matched notes and bonds payable, which are direct obligations of AIG Parent. Collateral posted to third parties was $1.5 billion at both March 31, 2019 and December 31, 2018. 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.

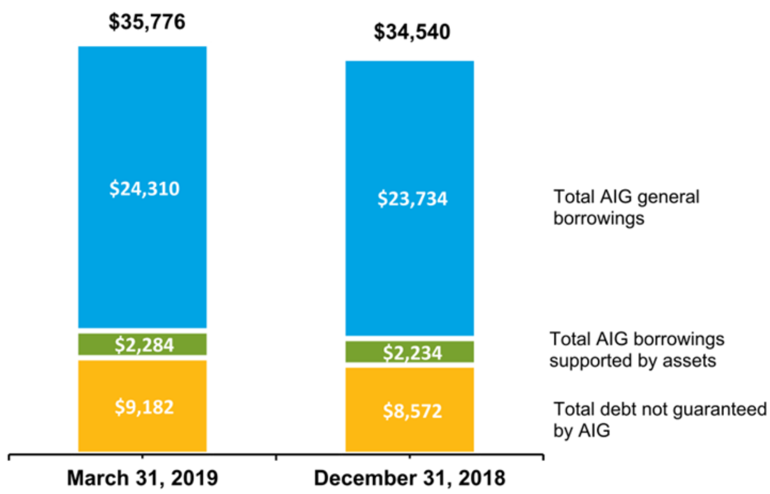
(b) Primarily represents adjustments to the fair value of debt.

(c) Includes primarily borrowings with Federal Home Loan Banks by our U.S. insurance companies. These borrowings are short term in nature and related activity is presented net of issuances and maturities and repayments.

(d) At March 31, 2019, includes debt of consolidated investment vehicles related to real estate investments of $3.1 billion, affordable housing partnership investments of $2.2 billion and other securitization vehicles of $3.8 billion. At December 31, 2018, includes debt of consolidated investment vehicles related to real estate investments of $3.7 billion, affordable housing partnership investments of $1.8 billion and other securitization vehicles of $2.9 billion.

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

TOTAL DEBT OUTSTANDING
(in millions)



Debt Maturities

The following table summarizes maturing debt at March 31, 2019 of AIG (excluding $9.1 billion of borrowings of consolidated investments) for the next four quarters:

(in millions)	Second Quarter 2019	Third Quarter 2019	Fourth Quarter 2019	First Quarter 2020	Total
AIG general borrowings	$ -	$ 1,000	$ -	$ -	**$ 1,000**
AIG borrowings supported by assets	19	138	95	2	**254**
Other subsidiaries' notes, bonds, loans and mortgages payable	-	-	1	-	**1**
Total	$ 19	$ 1,138	$ 96	$ 2	**$ 1,255**

The following table presents maturities of long-term debt (including unamortized original issue discount, hedge accounting valuation adjustments and fair value adjustments, when applicable), excluding $9.1 billion in borrowings of debt of consolidated investments:

March 31, 2019		Remainder	Year Ending					
(in millions)	Total	of 2019	2020	2021	2022	2023	2024	Thereafter
Debt issued or guaranteed by AIG:								
AIG general borrowings:								
Notes and bonds payable	$ 21,427	$ 1,000	$ 1,345	$ 1,497	$ 1,509	$ 1,594	$ 997	$ 13,485
Junior subordinated debt	1,545	-	-	-	-	-	-	1,545
AIG Japan Holdings Kabushiki Kaisha	338	-	117	221	-	-	-	-
Validus notes and bonds payable	357	-	-	-	-	-	-	357
AIGLH notes and bonds payable	282	-	-	-	-	-	-	282
AIGLH junior subordinated debt	361	-	-	-	-	-	-	361
Total AIG general borrowings	**24,310**	**1,000**	**1,462**	**1,718**	**1,509**	**1,594**	**997**	**16,030**
AIG borrowings supported by assets:								
Series AIGFP matched notes and bonds payable	21	-	-	-	-	-	-	21
GIAs, at fair value	2,212	252	39	159	48	117	133	1,464
Notes and bonds payable, at fair value	51	-	-	-	-	-	-	51
Total AIG borrowings supported by assets	**2,284**	**252**	**39**	**159**	**48**	**117**	**133**	**1,536**
Total debt issued or guaranteed by AIG	**26,594**	**1,252**	**1,501**	**1,877**	**1,557**	**1,711**	**1,130**	**17,566**
Debt not guaranteed by AIG:								
Other subsidiaries notes, bonds, loans and mortgages payable	52	1	1	42	1	1	6	-
Total debt not guaranteed by AIG	52	1	1	42	1	1	6	-
Total	**$ 26,646**	**$ 1,253**	**$ 1,502**	**$ 1,919**	**$ 1,558**	**$ 1,712**	**$ 1,136**	**$ 17,566**

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 May 1, 2019. 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)
American International Group, Inc.	**P-2 (2nd of 3)** ***Stable Outlook***	**A-2 (2nd of 8)**	**Baa 1 (4th of 9)** ***Stable Outlook***	**BBB+ (4th of 9)** ***Negative Outlook***	**BBB+ (4th of 9)** ***Negative Outlook***
AIG Financial Products Corp.(d)	**P-2** ***Stable Outlook***	**A-2**	**Baa 1** ***Stable Outlook***	**BBB+** ***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.

In the event of a downgrade of AIG's long-term senior debt ratings, AIGFP and certain other AIG entities would be required to post additional collateral under some derivative and other transactions, or certain of the counterparties of AIGFP or of such other AIG entities would be permitted to terminate such transactions 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 our credit ratings see Note 9 to the Condensed Consolidated Financial Statements herein and *Part I, Item 1A. Risk Factors – Liquidity, Capital and Credit in our 2018 Annual Report*.

FINANCIAL STRENGTH RATINGS

Financial Strength ratings estimate an insurance company's ability to pay its obligations under an insurance policy. The following table presents the ratings of our significant insurance subsidiaries as of May 1, 2019.

	A.M. Best	S&P	Fitch	Moody's
National Union Fire Insurance Company of Pittsburgh, Pa.	A	A+	A	A2
Lexington Insurance Company	A	A+	A	A2
American Home Assurance Company (U.S.)	A	A+	A	A2
American General Life Insurance Company	A	A+	A+	A2
The Variable Annuity Life Insurance Company	A	A+	A+	A2
United States Life Insurance Company in the City of New York	A	A+	A+	A2
AIG Europe S.A.	NR	A+	NR	A2
American International Group UK Ltd.	A	A+	NR	A2
AIG General Insurance Co. Ltd.	NR	A+	NR	NR
Validus Reinsurance, Ltd.	A	A	A	A2

These financial strength 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.

For a discussion of the effects of downgrades in our financial strength ratings see Note 9 to the Condensed Consolidated Financial Statements herein and *Part I, Item 1A. Risk Factors – Liquidity, Capital and Credit in our 2018 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 Part I, Item 1. Business — Regulation and Part I, Item 1A. Risk Factors — Regulation in our 2018 Annual Report, and Regulatory Environment below in this Quarterly Report on Form 10-Q.

DIVIDENDS AND REPURCHASES OF AIG COMMON STOCK

On February 13, 2019, our Board of Directors declared a cash dividend on AIG Common Stock of $0.32 per share, payable on March 29, 2019 to shareholders of record on March 15, 2019. On May 6, 2019, our Board of Directors declared a cash dividend on AIG Common Stock of $0.32 per share, payable on June 28, 2019 to shareholders of record on June 14, 2019. The payment of any future dividends will be at the discretion of our Board of Directors and will depend on various factors, as discussed further in Note 12 to the Condensed Consolidated Financial Statements.

Our Board of Directors has authorized the repurchase of shares of AIG Common Stock and warrants to purchase shares of AIG Common Stock through a series of actions. On February 13, 2019, our Board of Directors authorized an additional increase to its previous repurchase authorization of AIG Common Stock of approximately $1.5 billion. As of May 6, 2019, $2.0 billion remained under the 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 business and strategic plans, financial condition, results of operations, liquidity and other factors, as discussed further in Note 12 to the Condensed Consolidated Financial Statements.

We did not repurchase any shares of AIG Common Stock during the three months ended March 31, 2019.

RESTRICTIONS ON DIVIDENDS FROM SUBSIDIARIES

Payments of dividends to AIG by its insurance subsidiaries are subject to certain restrictions imposed by regulatory authorities.

For a discussion of restrictions on payments of dividends by our subsidiaries see Note 19 to the Consolidated Financial Statements in the 2018 Annual Report.

Enterprise Risk Management

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 AIG'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 by embedding risk management in our key day-to-day business processes and in identifying, assessing, quantifying, managing, monitoring, reporting, and mitigating the risks taken by our businesses and AIG overall. 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 2018 Annual Report.

As of March 31, 2019, there have been no material changes in our economic exposure to market risk from December 31, 2018, a description of which may be found in our Annual Report on Form 10-K, for the year ended December 31, 2018, Item 7A. "Quantitative and Qualitative Disclosures about Market Risk," filed with the Securities and Exchange Commission. See Item 1A, "Risk Factors" included in the Annual Report on Form 10-K on how difficult conditions in the financial markets and the economy generally may materially adversely affect our business and results of our operations.

Regulatory Environment

OVERVIEW

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. The insurance and financial services industries generally have been subject to heightened regulatory scrutiny and supervision in recent years.

Our insurance subsidiaries are subject to regulation and supervision by the states and jurisdictions in which they do business. We expect that the domestic and international regulations applicable to us and our regulated entities will continue to evolve for the foreseeable future.

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 19 to the Consolidated Financial Statements in the 2018 Annual Report.

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 and certain costs of personnel engaged in sales support activities such as underwriting.

Additional premium represents a premium on an insurance policy over and above the initial premium imposed at the beginning of the policy. An additional premium may be assessed if the insured's risk is found to have increased significantly.

Adjusted revenues exclude Net realized capital gains (losses), income from non-operating litigation settlements (included in Other income for GAAP purposes) and changes in fair value of securities used to hedge guaranteed living benefits (included in Net investment income for GAAP purposes).

Assets under administration include assets under management and Retail Mutual Funds and Group Retirement mutual fund assets that we sell or administer.

Assets under management include assets in the general and separate accounts of our subsidiaries that support liabilities and surplus related to our life and annuity insurance products and the notional value of stable value wrap contracts.

Base Spread Net investment income excluding income from alternative investments and other enhancements, less interest credited excluding amortization of sales inducement assets.

Base Yield Net investment income excluding income from alternative investments and other 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 accumulated other comprehensive income (AOCI) and Book value per common share, excluding AOCI and deferred tax assets (DTA) (Adjusted book value per common share) 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. Adjusted book value per common share is derived by dividing total AIG shareholders' equity, excluding AOCI and DTA (Adjusted Shareholders' Equity), 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 and Reserves for investment-oriented products, equal to the change in DAC and Unearned Revenue amortization that would have been recorded if fixed maturity securities available for sale and also, prior to 2018, equity securities at fair value had been sold at their stated aggregate fair value and the proceeds reinvested at current yields. An adjustment to benefit reserves for investment-oriented products is also recognized to reflect the application of the benefit ratio to the accumulated assessments that would have been recorded if fixed maturity securities available for sale and also, prior to 2018, equity securities at fair value had been sold at their stated aggregate fair value and the proceeds reinvested at current yields (collectively referred to as “shadow Investment-Oriented Adjustments”).

For long-duration traditional products, significant unrealized appreciation of investments in a sustained low interest rate environment may cause additional future policy benefit liabilities to be recorded (shadow loss reserves).

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.

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.

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 directly attributed to settling and paying claims of insureds and include, but are not limited to, legal fees, adjuster’s 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 reserve development The increase or decrease in incurred losses and loss adjustment expenses related to prior years as a result of the re-estimation of loss reserves 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.

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 and man-made losses are generally weather or seismic events having a net impact on AIG in excess of $10 million each and also include certain man-made events, such as terrorism and civil disorders that exceed 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.

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.

Premiums and deposits – Life and Retirement 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, FHLB funding agreements and mutual funds.

Prior year development *See Loss reserve development*.

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 premiums Additional premiums payable to reinsurers or receivable from insurers to restore coverage limits that have been reduced or 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.

Retroactive Reinsurance *See Deferred Gain on Retroactive Reinsurance*.

Return on equity – Adjusted after-tax income excluding AOCI and DTA (Adjusted Return on equity) is a non-GAAP measure and is used to show the rate of return on shareholders' equity. Adjusted Return on equity is derived by dividing actual or annualized adjusted after-tax income attributable to AIG by average Adjusted Shareholders' Equity.

Return premium represents amounts given back to the insured in the case of a cancellation, an adjustment to the rate or an overpayment of an advance premium.

Salvage The amount that can be recovered by an insurer for the sale of damaged goods for which a policyholder has been indemnified (and to which title was transferred).

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 reserves and Group Retirement mutual fund assets under administration.

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.

Acronyms

A&H Accident and Health Insurance

ABS Asset-Backed Securities

CDO Collateralized Debt Obligations

CDS Credit Default Swap

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

GMDB Guaranteed Minimum Death 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

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

EVALUATION OF DISCLOSURE 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, as amended (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, which excluded the impact of the acquisitions of Validus Holdings and Glatfelter Insurance Group (collectively, the Acquired Businesses), was carried out by AIG management, with the participation of AIG's Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of March 31, 2019. Based on this evaluation, AIG's Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2019.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

We continue to integrate the internal controls of the Acquired Businesses. There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f)) that have occurred during the quarter ended March 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II – Other Information

ITEM 1 | Legal Proceedings

For a discussion of legal proceedings see Note 11 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 risk factors discussed in Part I, Item 1A. Risk Factors in our 2018 Annual Report.

ITEM 2 | Unregistered Sales of Equity Securities and Use of Proceeds

On February 13, 2019, our Board of Directors authorized an additional increase to its previous repurchase authorization of AIG Common Stock of $1.5 billion.

During the three-month period ended March 31, 2019, we did not repurchase any shares of AIG Common Stock or any warrants to purchase shares of AIG Common Stock under this authorization.

As of March 31, 2019, approximately $2.0 billion remained under the authorization. We did not repurchase any shares of AIG Common Stock from April 1, 2019 to May 6, 2019. 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 business and strategic plans, financial condition, results of operations, liquidity and other factors. The repurchase of AIG Common Stock is also subject to the terms of AIG's outstanding Series A Preferred Stock, pursuant to which AIG may not (other than in limited circumstances) purchase, redeem or otherwise acquire AIG Common Stock unless the full dividends for the latest completed dividend period on all outstanding shares of Series A Preferred Stock have been declared and paid or provided for.

ITEM 4 | Mine Safety Disclosures

Not applicable.

Exhibit Index

Exhibit Number	Description	Location
3	(1) Certificate of Designations of AIG with respect to Series A Preferred Stock, dated March 8, 2019, as filed with the Secretary of the State of Delaware and effective March 8, 2019	Incorporated by reference to Exhibit 3.2 to AIG's Registration Statement on Form 8-A filed with the SEC on March 13, 2019 (File No. 1-8787).
4	(1) Filed as Exhibit 3.1	
	(2) Deposit Agreement, dated March 14, 2019, among AIG, Equiniti Trust Company, as depositary, and the holders from time to time of the depositary receipts described therein	Incorporated by reference to Exhibit 4.2 to AIG's Current Report on Form 8-K filed with the SEC on March 14, 2019 (File No. 1-8787).
	(3) Form of depositary receipt representing the Depository Shares (included as Exhibit A to Exhibit 4.2)	
	(4) Thirty-Eighth supplemental Indenture, dated March 15, 2019, between AIG and The Bank of New York Mellon, as Trustee, relating to the 2029 Notes	Incorporated by reference to Exhibit 4.1 to AIG's Current Report on Form 8-K filed with the SEC on March 15, 2019 (File No. 1-8787).
	(5) Form of the 2029 Notes (included in Exhibit 4.4)	
10	(1) Form of AIG Long Term Incentive Award Agreement*	Filed herewith.
	(2) AIG Long-Term Incentive Plan (as amended and restated)*	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, 2019 and December 31, 2018, (ii) the Condensed Consolidated Statements of Income for the three months ended March 31, 2019 and 2018, (iii) the Condensed Consolidated Statements of Equity for the three months ended March 31, 2019 and 2018, (iv) the Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2019 and 2018, (v) the Condensed Consolidated Statements of Comprehensive Income for the three months ended March 31, 2019 and 2018 and (vi) the Notes to the Condensed Consolidated Financial Statements	Filed herewith.

* 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.

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/ MARK D. LYONS

Mark D. Lyons

Executive Vice President and

Chief Financial Officer

(Principal Financial Officer)

/S/ JONATHAN WISMER

Jonathan Wismer

Senior Vice President

Deputy Chief Financial Officer and

Chief Accounting Officer

(Principal Accounting Officer)

Dated: May 7, 2019

CERTIFICATIONS

I, Brian Duperreault, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of American International Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2019

/S/ BRIAN DUPERREAULT

Brian Duperreault

President and Chief Executive Officer

CERTIFICATIONS

I, Mark D. Lyons, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of American International Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 7, 2019

/S/ MARK D. LYONS

Mark D. Lyons

Executive Vice President and

Chief Financial Officer

CERTIFICATION

In connection with this Quarterly Report on Form 10-Q of American International Group, Inc. (the “Company”) for the quarter ended March 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Brian Duperreault, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 7, 2019

/S/ BRIAN DUPERREAULT

Brian Duperreault

President and Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

CERTIFICATION

In connection with this Quarterly Report on Form 10-Q of American International Group, Inc. (the “Company”) for the quarter ended March 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Mark D. Lyons, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 7, 2019

/S/ MARK D. LYONS

Mark D. Lyons

Executive Vice President and

Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.