AMERICAN INTERNATIONAL GROUP INC
Form 10-Q
October 31, 2013

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2013 **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.)
180 Maiden Lane, 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 þ No o

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

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

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

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

As of October 25, 2013, there were 1,472,346,407 shares outstanding of the registrant's common stock.

AMERICAN INTERNATIONAL GROUP, INC.
QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2013

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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)	September 30, 2013	December 31, 2012
Assets:		
Investments:		
Fixed maturity securities:		
Bonds available for sale, at fair value (amortized cost: 2013 $249,062; 2012 $246,149)	$ 259,901	$ 269,959
Bond trading securities, at fair value	22,884	24,584
Equity securities:		
Common and preferred stock available for sale, at fair value (cost: 2013 $1,626; 2012 $1,640)	3,378	3,212
Common and preferred stock trading, at fair value	807	662
Mortgage and other loans receivable, net of allowance (portion measured at fair value: 2013 $0; 2012 $134)	19,707	19,482
Other invested assets (portion measured at fair value: 2013 $8,071; 2012 $7,056)	29,168	29,117
Short-term investments (portion measured at fair value: 2013 $5,373; 2012 $8,056)	22,457	28,808
Total investments	358,302	375,824
Cash	2,058	1,151
Accrued investment income	3,008	3,054
Premiums and other receivables, net of allowance	13,715	13,989
Reinsurance assets, net of allowance	26,264	25,595
Deferred income taxes	21,671	17,466
Deferred policy acquisition costs	9,188	8,182
Derivative assets, at fair value	1,723	3,671
Other assets, including restricted cash of $902 in 2013 and $1,878 in 2012 (portion measured at fair value: 2013 $486; 2012 $696)	8,736	10,399
Separate account assets, at fair value	65,959	57,337
Assets held for sale	30,120	31,965
Total assets	$ 540,744	$ 548,633
Liabilities:		
Liability for unpaid claims and claims adjustment expense	$ 83,228	$ 87,991
Unearned premiums	23,606	22,537
Future policy benefits for life and accident and health insurance contracts	40,111	40,523
Policyholder contract deposits (portion measured at fair value: 2013 $387; 2012 $1,257)	121,441	122,980
Other policyholder funds	5,115	6,267
Derivative liabilities, at fair value	2,722	4,061
Other liabilities (portion measured at fair value: 2013 $766; 2012 $1,080)	31,368	32,068
Long-term debt (portion measured at fair value: 2013 $6,981; 2012 $8,055)	42,231	48,500

Separate account liabilities		**65,959**		57,337
Liabilities held for sale		**25,448**		27,366
Total liabilities		**441,229**		449,630
Contingencies, commitments and guarantees (see Note 10)				
Redeemable noncontrolling interests (see Note 12)		**66**		334
AIG shareholders' equity:				
Common stock, $2.50 par value; 5,000,000,000 shares authorized; shares issued: 2013 1,906,633,429 and 2012 1,906,611,680		**4,766**		4,766
Treasury stock, at cost; 2013 434,289,707; 2012 430,289,745 shares of common stock		**(14,115)**		(13,924)
Additional paid-in capital		**80,497**		80,410
Retained earnings		**21,136**		14,176
Accumulated other comprehensive income		**6,509**		12,574
Total AIG shareholders' equity		**98,793**		98,002
Non-redeemable noncontrolling interests (including $100 associated with businesses held for sale)		**656**		667
Total equity		**99,449**		98,669
Total liabilities and equity	**$**	**540,744**	$	548,633

See accompanying Notes to Condensed Consolidated Financial Statements.

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ITEM 1. / FINANCIAL STATEMENTS

AMERICAN INTERNATIONAL GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME *(unaudited)*

	Three Months Ended September 30,		Nine Months Ended September 30,	
dollars in millions, except per share data)	**2013**	**2012**	**2013**	**2012**
evenues:				
remiums	$ **9,352**	$ 9,512	$ **27,924**	$ 28,611
olicy fees	**645**	580	**1,883**	1,731
et investment income	**3,573**	4,650	**11,581**	16,236
et realized capital gains:				
otal other-than-temporary impairments on available for sale ecurities	**(33)**	(34)	**(90)**	(301
ortion of other-than-temporary impairments on available for ale fixed maturity securities recognized in Other omprehensive income (loss)	**(6)**	(36)	**(17)**	(372
et other-than-temporary impairments on available for sale ecurities recognized in net income	**(39)**	(70)	**(107)**	(673
ther realized capital gains	**291**	716	**2,250**	1,467
otal net realized capital gains	**252**	646	**2,143**	794
ther income	**1,004**	1,334	**4,498**	3,068
otal revenues	**14,826**	16,722	**48,029**	50,440
enefits, claims and expenses:				
olicyholder benefits and claims incurred	**7,416**	8,002	**22,234**	22,910
nterest credited to policyholder account balances	**924**	1,189	**2,913**	3,305
mortization of deferred acquisition costs	**1,220**	1,522	**3,859**	4,341
ther acquisition and insurance expenses	**2,251**	2,214	**6,734**	6,736
nterest expense	**516**	602	**1,628**	1,734
oss on extinguishment of debt	**81**		**459**	9
ther expenses	**1,239**	635	**3,044**	2,712
otal benefits, claims and expenses	**13,647**	14,164	**40,871**	41,747
ncome from continuing operations before income tax xpense	**1,179**	2,558	**7,158**	8,693
ncome tax expense (benefit)	**(993)**	734	**123**	1,324
ncome from continuing operations	**2,172**	1,824	**7,035**	7,369
ncome (loss) from discontinued operations, net of income ax expense	**(42)**	37	**84**	280

et income		**2,130**		1,861		**7,119**		7,649
ess:								
et income (loss) from continuing operations attributable to oncontrolling interests:								
onvoting, callable, junior and senior preferred interests								208
ther		**(40)**		5		**12**		45
otal net income (loss) from continuing operations ttributable to noncontrolling interests		**(40)**		5		**12**		253
et income attributable to AIG	**$**	**2,170**	$	1,856	**$**	**7,107**	$	7,396
ncome (loss) per common share attributable to AIG:								
asic:								
ncome from continuing operations	**$**	**1.50**	$	1.11	**$**	**4.76**	$	4.05
ncome (loss) from discontinued operations	**$**	**(0.03)**	$	0.02	**$**	**0.06**	$	0.16
et Income attributable to AIG	**$**	**1.47**	$	1.13	**$**	**4.82**	$	4.21
iluted:								
ncome from continuing operations	**$**	**1.49**	$	1.11	**$**	**4.74**	$	4.05
ncome (loss) from discontinued operations	**$**	**(0.03)**	$	0.02	**$**	**0.06**	$	0.16
et Income attributable to AIG	**$**	**1.46**	$	1.13	**$**	**4.80**	$	4.21
Veighted average shares outstanding:								
asic		**1,475,053,126**		1,642,472,814		**1,476,007,034**		1,757,955,937
iluted		**1,485,322,858**		1,642,502,251		**1,481,410,873**		1,757,984,154
ividends declared per common share	**$**	**0.10**	$		**$**	**0.10**	$	

See accompanying Notes to Condensed Consolidated Financial Statements.

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ITEM 1. / FINANCIAL STATEMENTS

AMERICAN INTERNATIONAL GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME *(unaudited)*

(in millions)	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Net income	**$ 2,130**	$ 1,861	**$ 7,119**	$ 7,649
Other comprehensive income (loss), net of tax				
Change in unrealized appreciation (depreciation) of fixed maturity investments on which other-than-temporary credit impairments were taken	**(23)**	497	**172**	1,127
Change in unrealized appreciation (depreciation) of all other investments	**(434)**	2,331	**(5,668)**	4,617
Change in foreign currency translation adjustments	**(49)**	240	**(627)**	(96)
Change in net derivative gains arising from cash flow hedging activities		2		25
Change in retirement plan liabilities adjustment	**(26)**	29	**35**	61
Other comprehensive income (loss)	**(532)**	3,099	**(6,088)**	5,734
Comprehensive income	**1,598**	4,960	**1,031**	13,383
Comprehensive income attributable to noncontrolling nonvoting, callable, junior and senior preferred interests				208
Comprehensive income (loss) attributable to other noncontrolling interests	**(42)**	8	**(11)**	45
Total comprehensive income (loss) attributable to noncontrolling interests	**(42)**	8	**(11)**	253
Comprehensive income attributable to AIG	**$ 1,640**	$ 4,952	**$ 1,042**	$ 13,130

See accompanying Notes to Condensed Consolidated Financial Statements.

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ITEM 1. / FINANCIAL STATEMENTS

AMERICAN INTERNATIONAL GROUP, INC.
CONDENSED CONSOLIDATED STATEMENT OF EQUITY *(unaudited)*

Nine Months Ended September 30, 2013 *(in millions)*	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total AIG Share-holders' Equity	Non-redeemable Non-controlling Interests	Total Equity
Balance, beginning of year	$ 4,766	$ (13,924)	$ 80,410	$ 14,176	$ 12,574	$ 98,002	$ 667	$ 98,669
Purchase of common stock		(192)				(192)		(192)
Net income attributable to AIG or other noncontrolling interests				7,107		7,107	12	7,119
Dividends				(147)		(147)		(147)
Other comprehensive loss					(6,065)	(6,065)	(6)	(6,071)
Deferred income taxes			(9)			(9)		(9)
Net increase due to consolidation							1	1
Contributions from noncontrolling interests							25	25
Distributions to noncontrolling interests							(37)	(37)
Other		1	96			97	(6)	91
Balance, end of period	$ 4,766	$ (14,115)	$ 80,497	$ 21,136	$ 6,509	$ 98,793	$ 656	$ 99,449

See accompanying Notes to Condensed Consolidated Financial Statements.

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ITEM 1. / FINANCIAL STATEMENTS

AMERICAN INTERNATIONAL GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS *(unaudited)*

Nine Months Ended September 30, *(in millions)*	2013	2012
Cash flows from operating activities:		
Net income	$ **7,119**	$ 7,649
Income from discontinued operations	**(84)**	(280)
Adjustments to reconcile net income to net cash provided by operating activities:		
Noncash revenues, expenses, gains and losses included in income:		
Net gains on sales of securities available for sale and other assets	**(2,164)**	(2,813)
Net losses on extinguishment of debt	**459**	9
Unrealized gains in earnings net	**(1,771)**	(4,590)
Equity in income from equity method investments, net of dividends or distributions	**(945)**	(527)
Depreciation and other amortization	**3,510**	4,019
Impairments of assets	**408**	1,150
Changes in operating assets and liabilities:		
Property casualty and life insurance reserves	**768**	(1,119)
Premiums and other receivables and payables net	**(137)**	1,022
Reinsurance assets and funds held under reinsurance treaties	**(336)**	272
Capitalization of deferred policy acquisition costs	**(4,412)**	(4,260)
Current and deferred income taxes net	**(255)**	948
Other, net	**(236)**	(890)
Total adjustments	**(5,111)**	(6,779)
Net cash provided by operating activities continuing operations	**1,924**	590
Net cash provided by operating activities discontinued operations	**2,024**	2,249
Net cash provided by operating activities	**3,948**	2,839
Cash flows from investing activities:		
Proceeds from (payments for)		
Sales or distribution of:		
Available for sale investments	**27,961**	30,070
Trading securities	**4,174**	15,704
Other invested assets	**3,942**	10,770
Maturities of fixed maturity securities available for sale	**19,907**	16,179
Principal payments received on and sales of mortgage and other loans receivable	**2,688**	2,214
Purchases of:		
Available for sale investments	**(50,639)**	(38,869)
Trading securities	**(1,880)**	(11,844)
Other invested assets	**(3,585)**	(3,225)

Mortgage and other loans receivable	**(3,109)**	(2,110)
Net change in restricted cash	**977**	651
Net change in short-term investments	**6,801**	1,800
Other, net	**(869)**	(177)
Net cash provided by investing activities continuing operations	**6,368**	21,163
Net cash provided by (used in) investing activities discontinued operations	**150**	(2,005)
Net cash provided by investing activities	**6,518**	19,158
Cash flows from financing activities:		
Proceeds from (payments for)		
Policyholder contract deposits	**11,348**	10,092
Policyholder contract withdrawals	**(12,481)**	(10,426)
Issuance of long-term debt	**1,742**	4,504
Repayments of long-term debt	**(7,381)**	(6,171)
Repayment of Department of the Treasury SPV Preferred Interests		(8,636)
Purchase of Common Stock	**(192)**	(13,000)
Dividends paid	**(147)**	
Other, net	**(195)**	2,055
Net cash used in financing activities continuing operations	**(7,306)**	(21,582)
Net cash used in financing activities discontinued operations	**(2,166)**	(272)
Net cash used in financing activities	**(9,472)**	(21,854)
Effect of exchange rate changes on cash	**(79)**	(9)
Net increase in cash	**915**	134
Cash at beginning of year	**1,151**	1,474
Change in cash of businesses held for sale	**(8)**	
Cash at end of period	**$ 2,058**	$ 1,608

Supplementary Disclosure of Condensed Consolidated Cash Flow Information

Cash paid during the period for:		
Interest	**$ 2,951**	$ 3,056
Taxes	**$ 378**	$ 403
Non-cash investing/financing activities:		
Interest credited to policyholder contract deposits included in financing activities	**$ 2,977**	$ 3,375

See accompanying Notes to Condensed Consolidated Financial Statements.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

1. BASIS OF PRESENTATION

American International Group, Inc. (AIG) is a leading international insurance organization serving customers in more than 130 countries. AIG companies serve commercial, institutional and individual customers through one of the most extensive worldwide property-casualty networks of any insurer. In addition, AIG companies are leading providers of life insurance and retirement services in the United States. AIG Common Stock, par value $2.50 per share (AIG Common Stock), is listed on the New York Stock Exchange (NYSE: AIG) and the Tokyo Stock Exchange. Unless the context indicates otherwise, the terms "AIG," "we," "us" or "our" mean American International Group, Inc. and its consolidated subsidiaries and the term "AIG Parent" means American International Group, Inc. and not any of its consolidated subsidiaries.

These unaudited condensed consolidated financial statements do not include all disclosures that are normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States (GAAP) and should be read in conjunction with the audited consolidated financial statements and the related notes included in our Annual Report on Form 10-K for the year ended December 31, 2012 (2012 Annual Report). The condensed consolidated financial information as of December 31, 2012 included herein has been derived from audited consolidated financial statements in the 2012 Annual Report.

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

Interim period operating results may not be indicative of the operating results for a full year. We evaluated the need to recognize or disclose events that occurred subsequent to September 30, 2013 and prior to the issuance of these condensed consolidated financial statements.

Presentation Changes

Advisory fee income, and the related commissions and advisory fee expenses of AIG Life and Retirement's broker dealer business, are now being presented on a gross basis within Other income and Other expenses, respectively. Previously, these amounts were included on a net basis within Policy fees in AIG's Condensed Consolidated Statements of Income and in AIG Life and Retirement's segment results.

In addition, policyholder benefits related to certain payout annuities, primarily with life contingent features, are now being presented in the Condensed Consolidated Balance Sheets as Future policy benefits for life and accident and health insurance contracts instead of as Policyholder contract deposits.

Prior period amounts were conformed to the current period presentation. These changes did not affect Income from continuing operations before income tax expense, Net income attributable to AIG or Total liabilities.

Use of Estimates

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

classification of International Lease Finance Corporation (ILFC) as held for sale and related fair value measurement;

insurance liabilities, including property casualty and mortgage guaranty unpaid claims and claims adjustment expense and future policy benefits for life and accident and health contracts;

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;

recoverability of assets, including reinsurance assets;

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ITEM 1 / NOTE 1. BASIS OF PRESENTATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

- estimated gross profits for investment-oriented products;
- other-than-temporary impairments of financial instruments;
- liabilities for legal contingencies; and
- fair value measurements of certain financial assets and liabilities.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Standards Adopted During 2013

Testing Indefinite-Lived Intangible Assets for Impairment

In July 2012, the Financial Accounting Standards Board (FASB) issued an accounting standard that allows a company, as a first step in an impairment review, to assess qualitatively whether it is more likely than not that an indefinite-lived intangible asset is impaired. We are not required to calculate the fair value of an indefinite-lived intangible asset and perform a quantitative impairment test unless we determine, based on the results of the qualitative assessment, that it is more likely than not the asset is impaired.

The standard became effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. We adopted the standard on its required effective date of January 1, 2013. The adoption of this standard had no material effect on our consolidated financial condition, results of operations or cash flows.

Disclosures about Offsetting Assets and Liabilities

In January 2013, the FASB issued an accounting standard that clarifies the scope of transactions subject to disclosures about offsetting assets and liabilities. The standard applies to derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are offset either in accordance with specific criteria contained in the FASB Accounting Standards Codification or subject to a master netting arrangement or similar agreement.

The standard became effective for fiscal years and interim periods beginning on or after January 1, 2013. We adopted the standard on its required effective date of January 1, 2013 and applied it retrospectively to all comparative periods presented. The adoption of this standard had no material effect on our consolidated financial condition, results of operations or cash flows.

Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income

In February 2013, the FASB issued an accounting standard requiring us to disclose the effect of reclassifying significant items out of accumulated other comprehensive income on the respective line items of net income or to provide a cross-reference to other disclosures required under GAAP.

The standard became effective for annual and interim reporting periods beginning after December 15, 2012. We adopted the standard on its required effective date of January 1, 2013. The adoption of this standard had no effect on our consolidated financial condition, results of operations or cash flows.

Inclusion of the Federal Funds Effective Swap Rate as a Benchmark Interest Rate for Hedge Accounting Purposes

In July 2013, the FASB issued an accounting standard that permits the Federal Funds Effective Swap Rate (or Overnight Index Swap Rate) to be used as a U.S. benchmark interest rate for hedge accounting purposes in addition to U.S. Treasury rates and LIBOR. The standard also removes the prohibition on the use of differing benchmark rates when entering into similar hedging relationships.

The standard became effective on a prospective basis for qualifying new or redesignated hedging relationships entered into on or after July 17, 2013 to the extent the Federal Funds Effective Swap Rate is used as a U.S. benchmark interest rate for hedge accounting purposes. We adopted the standard on its effective date of July 17, 2013. The adoption of this standard had no material effect on our consolidated financial condition, results of operations or cash flows.

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ITEM 1 / NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Future Application of Accounting Standards

Certain Obligations Resulting from Joint and Several Liability Arrangements

In February 2013, the FASB issued an accounting standard that requires us to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date as the sum of (i) the amount we agreed to pay on the basis of our arrangement among our co-obligors and (ii) any additional amount we expect to pay on behalf of our co-obligors.

The standard is effective for fiscal years and interim periods beginning after December 15, 2013, but earlier adoption is permitted. Upon adoption, the standard should be applied retrospectively to all prior periods presented. We plan to adopt the standard on its required effective date of January 1, 2014 and do not expect the adoption of the standard to have a material effect on our consolidated financial condition, results of operations or cash flows.

Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of an Investment within a Foreign Entity or of an Investment in a Foreign Entity

In March 2013, the FASB issued an accounting standard addressing whether consolidation guidance or foreign currency guidance applies to the release of the cumulative translation adjustment into net income when a parent sells all or a part of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or net assets that are a business (other than a sale of in-substance real estate) within a foreign entity. The guidance also resolves the diversity in practice for the cumulative translation adjustment treatment in business combinations achieved in stages involving foreign entities.

Under this standard, the entire amount of the cumulative translation adjustment associated with the foreign entity should be released into earnings when there has been: (i) a sale of a subsidiary or group of net assets within a foreign entity and the sale represents a complete or substantially complete liquidation of the foreign entity in which the subsidiary or the net assets had resided; (ii) a loss of a controlling financial interest in an investment in a foreign entity; or (iii) a change in accounting method from applying the equity method to an investment in a foreign entity to consolidating the foreign entity.

The standard is effective for fiscal years and interim periods beginning after December 15, 2013, and will be applied prospectively. We plan to adopt the standard on its required effective date of January 1, 2014 and do not expect the adoption of the standard to have a material effect on our consolidated financial condition, results of operations or cash flows.

Investment Company Guidance

In June 2013, the FASB issued an accounting standard that amends the criteria a company must meet to qualify as an investment company, clarifies the measurement guidance, and requires new disclosures for investment companies. An entity that is regulated by the Securities and Exchange Commission under the Investment Company Act of 1940 (the 1940 Act) qualifies as an investment company. Entities that are not regulated under the 1940 Act must have certain fundamental characteristics and must consider other characteristics to determine whether they qualify as investment companies. An entity's purpose and design should be considered when making the assessment.

The standard is effective for fiscal years and interim periods beginning after December 15, 2013. Earlier adoption is prohibited. An entity that no longer meets the requirements to be an investment company as a result of this standard should present the change in its status as a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. An entity that is an investment company should apply the guidance prospectively as an adjustment to opening net assets as of the effective date. The adjustment to net assets represents both the difference between the fair value and the carrying amount of the entity's investments and any amount previously recognized in accumulated other comprehensive income. We plan to adopt the standard on its required effective date of January 1, 2014 and do not expect the adoption of the standard to have a material effect on our consolidated financial condition, results of operations or cash flows.

ITEM 1 / NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Presentation of Unrecognized Tax Benefits

In July 2013, the FASB issued an accounting standard that requires a liability related to unrecognized tax benefits to be presented as a reduction to the related deferred tax asset for a net operating loss carryforward or a tax credit carryforward (the Carryforwards). When the Carryforwards are not available at the reporting date under the tax law of the applicable jurisdiction or the tax law of the applicable jurisdiction does not require, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit will be presented in the financial statements as a liability and will not be combined with the related deferred tax asset.

The standard is effective for fiscal years and interim periods beginning after December 15, 2013, but earlier adoption is permitted. Upon adoption, the standard should be applied prospectively to unrecognized tax benefits that existed at the effective date. Retrospective application is permitted. We plan to adopt the standard prospectively on its required effective date of January 1, 2014 and do not expect the adoption of the standard to have a material effect on our consolidated financial condition, results of operations or cash flows.

3. SEGMENT INFORMATION

We report the results of our operations through two reportable segments: AIG Property Casualty and AIG Life and Retirement. We evaluate performance based on revenues and pre-tax income (loss), excluding results from discontinued operations, because we believe this provides more meaningful information on how our operations are performing.

AIG Property Casualty Investment Income Allocation

Investment income is allocated to the Commercial Insurance and Consumer Insurance operating segments based on an internal investment income allocation model. The model estimates investable funds based primarily on loss reserves and allocated capital. Commencing in the first quarter of 2013, AIG Property Casualty began applying similar duration and risk-free yields (plus an illiquidity premium) to the allocated capital of Commercial Insurance and Consumer Insurance as is applied to reserves.

AIG Life and Retirement Operating Segment Change

In 2012, AIG Life and Retirement announced several key organizational structure and management changes intended to better serve the organization's distribution partners and customers. Key aspects of the new structure include distinct product manufacturing divisions, shared annuity and life operations platforms and a unified all-channel distribution organization with access to all AIG Life and Retirement products.

AIG Life and Retirement fully implemented these changes during the first quarter of 2013 and now presents its operating results in the following two operating segments:

Retail - product lines include life insurance and accident and health (A&H), fixed annuities, retirement income solutions (including variable and indexed annuities), brokerage services and retail mutual funds.

Institutional - product lines include group retirement, group benefits and institutional markets. The institutional markets product line consists of stable value wrap products, structured settlement and terminal funding annuities, high net worth products, guaranteed investment contracts (GICs), and corporate- and bank-owned life insurance.

These changes align financial reporting with the manner in which AIG's chief operating decision makers review the business to assess performance and to allocate resources. Prior period amounts have been revised to reflect the new structure, which did not affect previously reported pre-tax income from continuing operations for AIG Life and Retirement. Prior to the first quarter of 2013, AIG Life and Retirement was presented as two operating segments: Life Insurance and Retirement Services.

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ITEM 1 / NOTE 3. SEGMENT INFORMATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The following table presents AIG's operations by reportable segment:

	2013		2012	
Three Months Ended September 30, *(in millions)*	Total Revenues	Pre-tax Income (Loss) from continuing operations	**Total Revenues**	**Pre-tax Income (Loss) from continuing operations**
AIG Property Casualty				
Commercial Insurance	$ **5,760**	$ **610**	$ 5,927	$ 371
Consumer Insurance	**3,359**	**93**	3,582	152
Other	**489**	**326**	640	426
Total AIG Property Casualty	**9,608**	**1,029**	10,149	949
AIG Life and Retirement				
Retail	**2,884**	**941**	2,747	531
Institutional	**1,760**	**300**	2,000	358
Total AIG Life and Retirement	**4,644**	**1,241**	4,747	889
Other Operations				
Mortgage Guaranty	**236**	**43**	218	6
Global Capital Markets	**87**	**29**	235	190
Direct Investment book	**147**	**52**	506	406
Retained Interests			857	857
Corporate & Other	**217**	**(1,250)**	412	(566)
Consolidation and elimination	**(9)**	**1**	(15)	(2)
Total Other Operations	**678**	**(1,125)**	2,213	891
AIG Consolidation and elimination	**(104)**	**34**	(387)	(171)
Total AIG Consolidated	$ **14,826**	$ **1,179**	$ 16,722	$ 2,558

	2013		2012	
Nine Months Ended September 30, *(in millions)*	Total Revenues	Pre-tax Income (Loss) from continuing operations	**Total Revenues**	**Pre-tax Income (Loss) from continuing operations**

AIG Property Casualty				
Commercial Insurance	$ **17,229**	$ **2,186**	$ 17,871	$ 1,761
Consumer Insurance	**10,212**	**337**	10,758	578
Other	**1,892**	**1,278**	1,338	481
Total AIG Property Casualty	**29,333**	**3,801**	29,967	2,820
AIG Life and Retirement				
Retail	**9,326**	**3,114**	7,647	1,356
Institutional	**6,106**	**1,416**	5,430	1,172
Total AIG Life and Retirement	**15,432**	**4,530**	13,077	2,528
Other Operations				
Mortgage Guaranty	**710**	**162**	642	62
Global Capital Markets	**592**	**431**	405	253
Direct Investment book	**1,373**	**1,084**	1,434	1,139
Retained Interests			4,717	4,717
Corporate & Other	**1,030**	**(2,949)**	925	(2,659)
Consolidation and elimination	**(28)**	**3**	(38)	(1)
Total Other Operations	**3,677**	**(1,269)**	8,085	3,511
AIG Consolidation and elimination	**(413)**	**96**	(689)	(166)
Total AIG Consolidated	$ **48,029**	$ **7,158**	$ 50,440	$ 8,693

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ITEM 1 / NOTE 4. HELD-FOR-SALE CLASSIFICATION AND DISCONTINUED OPERATIONS

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

4. HELD-FOR-SALE CLASSIFICATION AND DISCONTINUED OPERATIONS

International Lease Finance Corporation Sale

On December 9, 2012, AIG Parent, AIG Capital Corporation (Seller), a wholly-owned direct subsidiary of AIG Parent and the sole shareholder of ILFC, and Jumbo Acquisition Limited (Purchaser) entered into a definitive agreement (the Share Purchase Agreement) for the sale of 80.1 percent of the common stock of ILFC for approximately $4.2 billion in cash (the ILFC Transaction). The Share Purchase Agreement permits the Purchaser to elect to purchase an additional 9.9 percent of the common stock of ILFC for $522.5 million (the Option). On June 15, 2013, AIG Parent, Seller and Purchaser entered into an amendment (the Amendment) to the Share Purchase Agreement, as amended by Amendment No. 1, dated May 10, 2013. The Amendment extended to July 31, 2013, the date on which any of AIG Parent, Seller or Purchaser may terminate the Share Purchase Agreement, as amended, if the closing of the ILFC Transaction had not yet occurred. Under the Amendment, AIG Parent and Seller may pursue (but not enter into definitive documentation for, or consummate) other offers for ILFC and may continue to pursue (but not engage in widespread solicitation of orders for, or request effectiveness of) the alternative of a public offering.

On July 15, 2013, the P