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 June 30, 2020
OR
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

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

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
Depositary 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

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 ☑
Non-accelerated filer ☐
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 ☑

As of July 29, 2020, there were 861,433,900 shares outstanding of the registrant's common stock.

AMERICAN INTERNATIONAL GROUP, INC.
QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2020
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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)	June 30, 2020	December 31, 2019
Assets:		
Investments:		
Fixed maturity securities:		
Bonds available for sale, at fair value, net of allowance for credit losses of $198 in 2020 (amortized cost: 2020 - $237,345; 2019 - $233,230)	$ 258,505	$ 251,086
Other bond securities, at fair value (*See Note 5*)	5,437	6,682
Equity securities, at fair value *(See Note 5)*	679	841
Mortgage and other loans receivable, net of allowance for credit losses of $794 in 2020 and $438 in 2019	46,522	46,984
Other invested assets (portion measured at fair value: 2020 - $6,561; 2019 - $6,827)	17,692	18,792
Short-term investments, including restricted cash of $197 in 2020 and $188 in 2019 (portion measured at fair value: 2020 - $6,388; 2019 - $5,343)	21,316	13,230
Total investments	350,151	337,615
Cash	3,408	2,856
Accrued investment income	2,294	2,334
Premiums and other receivables, net of allowance for credit losses and disputes of $212 in 2020 and $178 in 2019	12,829	10,274
Reinsurance assets - Fortitude Re, net of allowance for credit losses and disputes of $0 in 2020	34,556	-
Reinsurance assets - other, net of allowance for credit losses and disputes of $312 in 2020 and $151 in 2019	40,656	37,977
Deferred income taxes	13,294	13,146
Deferred policy acquisition costs	10,003	11,207
Other assets, net of allowance for credit losses of $52 in 2020, including restricted cash of $247 in 2020 and $243 in 2019 (portion measured at fair value: 2020 - $899; 2019 - $3,151)	13,455	16,383
Separate account assets, at fair value	88,742	93,272
Total assets	$ 569,388	$ 525,064
Liabilities:		
Liability for unpaid losses and loss adjustment expenses, net of allowance for credit losses of $14 in 2020	$ 77,853	$ 78,328
Unearned premiums	20,103	18,269
Future policy benefits for life and accident and health insurance contracts	50,636	50,512
Policyholder contract deposits (portion measured at fair value: 2020 - $9,233; 2019 - $6,910)	155,852	151,869
Other policyholder funds	3,447	3,428
Fortitude Re funds withheld payable (portion measured at fair value: 2020 - $4,510)	42,033	-
Other liabilities (portion measured at fair value: 2020 - $581; 2019 - $1,100)	28,624	26,609
Long-term debt (portion measured at fair value: 2020 - $2,181; 2019 - $2,062)	29,248	25,479
Debt of consolidated investment entities	10,032	9,871
Separate account liabilities	88,742	93,272
Total liabilities	506,570	457,637
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: 2020 - 20,000 and 2019 - 20,000; liquidation preference $500	485	485
Common stock, $2.50 par value; 5,000,000,000 shares authorized; shares issued: 2020 - 1,906,671,492 and 2019 - 1,906,671,492	4,766	4,766
Treasury stock, at cost; 2020 - 1,045,237,650 shares; 2019 - 1,036,672,461 shares of common stock	(49,327)	(48,987)
Additional paid-in capital	81,294	81,345
Retained earnings	15,847	23,084
Accumulated other comprehensive income	9,169	4,982
Total AIG shareholders' equity	62,234	65,675
Non-redeemable noncontrolling interests	584	1,752
Total equity	62,818	67,427
Total liabilities and equity	$ 569,388	$ 525,064

See accompanying Notes to Condensed Consolidated Financial Statements.

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

(dollars in millions, except per common share data)	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Revenues:				
Premiums	$ 7,407	$ 7,430	$ 14,850	$ 15,500
Policy fees	749	769	1,504	1,504
Net investment income:				
Net investment income - excluding Fortitude Re funds withheld assets	3,250	3,745	5,758	7,624
Net investment income - Fortitude Re funds withheld assets*	116	-	116	-
Total net investment income	3,366	3,745	5,874	7,624
Net realized capital gains (losses):				
Net realized capital gains (losses) - excluding Fortitude Re funds withheld assets	(1,591)	404	1,928	(42)
Net realized capital gains (losses) on Fortitude Re funds withheld assets*	96	-	96	-
Net realized capital gains (losses) on Fortitude Re funds withheld embedded derivative*	(837)	-	(837)	-
Total net realized capital gains (losses)	(2,332)	404	1,187	(42)
Other income	206	213	424	431
Total revenues	9,396	12,561	23,839	25,017
Benefits, losses and expenses:				
Policyholder benefits and losses incurred	6,521	5,802	12,846	12,481
Interest credited to policyholder account balances	918	967	1,875	1,907
Amortization of deferred policy acquisition costs	754	1,439	2,616	2,728
General operating and other expenses	2,087	2,140	4,240	4,193
Interest expense	365	360	720	709
(Gain) loss on extinguishment of debt	-	15	17	13
Net (gain) loss on sale or disposal of divested businesses	8,412	1	8,628	(5)
Total benefits, losses and expenses	19,057	10,724	30,942	22,026
Income (loss) from continuing operations before income tax expense (benefit)	(9,661)	1,837	(7,103)	2,991
Income tax expense (benefit)	(1,896)	446	(992)	663
Income (loss) from continuing operations	(7,765)	1,391	(6,111)	2,328
Loss from discontinued operations, net of income taxes	(1)	(1)	(1)	(1)
Net income (loss)	(7,766)	1,390	(6,112)	2,327
Less:				
Net income from continuing operations attributable to noncontrolling interests	162	281	67	564
Net income (loss) attributable to AIG	(7,928)	1,109	(6,179)	1,763
Less: Dividends on preferred stock	8	7	15	7
Net income (loss) attributable to AIG common shareholders	$ (7,936)	$ 1,102	$ (6,194)	$ 1,756
Income (loss) per common share attributable to AIG common shareholders:				
Basic:				
Income (loss) from continuing operations	$ (9.15)	$ 1.26	$ (7.11)	$ 2.00
Income (loss) from discontinued operations	$ -	$ -	$ -	$ -
Net income (loss) attributable to AIG common shareholders	$ (9.15)	$ 1.26	$ (7.11)	$ 2.00
Diluted:				
Income (loss) from continuing operations	$ (9.15)	$ 1.24	$ (7.11)	$ 1.99
Income (loss) from discontinued operations	$ -	$ -	$ -	$ -
Net income (loss) attributable to AIG common shareholders	$ (9.15)	$ 1.24	$ (7.11)	$ 1.99
Weighted average shares outstanding:				
Basic	866,968,305	876,382,884	870,590,968	875,885,588
Diluted	866,968,305	888,325,042	870,590,968	882,921,247

* Represents activity subsequent to the deconsolidation of Fortitude Re on June 2, 2020.

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 June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Net income (loss)	$ (7,766)	$ 1,390	$ (6,112)	$ 2,327
Other comprehensive income, net of tax				
Change in unrealized appreciation (depreciation) of fixed maturity securities on which allowance for credit losses was taken	126	-	(233)	-
Change in unrealized appreciation of fixed maturity securities on which other-than-temporary credit impairments were taken	-	82	-	758
Change in unrealized appreciation of all other investments	10,082	2,914	4,540	5,622
Change in foreign currency translation adjustments	(61)	(129)	(146)	35
Change in retirement plan liabilities adjustment	9	8	2	7
Change in fair value of liabilities under fair value option attributable to changes in own credit risk	(2)	(2)	1	(2)
Other comprehensive income	10,154	2,873	4,164	6,420
Comprehensive income (loss)	2,388	4,263	(1,948)	8,747
Comprehensive income attributable to noncontrolling interests	153	291	44	580
Comprehensive income (loss) attributable to AIG	$ 2,235	$ 3,972	$ (1,992)	$ 8,167

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 June 30, 2020									
Balance, beginning of period	$ 485	$ 4,766	$ (49,334)	$ 81,188	$ 24,062	$ (994)	$ 60,173	$ 1,670	$ 61,843
Cumulative effect of change in accounting principle, net of tax	-	-	-	-	-	-	-	-	-
Preferred stock issued	-	-	-	-	-	-	-	-	-
Common stock issued under stock plans	-	-	7	(9)	-	-	(2)	-	(2)
Purchase of common stock	-	-	-	-	-	-	-	-	-
Net income (loss) attributable to AIG or noncontrolling interests	-	-	-	-	(7,928)	-	(7,928)	162	(7,766)
Dividends on preferred stock	-	-	-	-	(8)	-	(8)	-	(8)
Dividends on common stock	-	-	-	-	(275)	-	(275)	-	(275)
Other comprehensive income (loss)	-	-	-	-	-	10,163	10,163	(9)	10,154
Net decrease due to deconsolidation	-	-	-	-	-	-	-	(1,219)	(1,219)
Contributions from noncontrolling interests	-	-	-	-	-	-	-	3	3
Distributions to noncontrolling interests	-	-	-	-	-	-	-	(20)	(20)
Other	-	-	-	115	(4)	-	111	(3)	108
Balance, end of period	$ 485	$ 4,766	$ (49,327)	$ 81,294	$ 15,847	$ 9,169	$ 62,234	$ 584	$ 62,818
Six Months Ended June 30, 2020									
Balance, beginning of year	$ 485	$ 4,766	$ (48,987)	$ 81,345	$ 23,084	$ 4,982	$ 65,675	$ 1,752	$ 67,427
Cumulative effect of change in accounting principle, net of tax	-	-	-	-	(487)	-	(487)	-	(487)
Preferred stock issued	-	-	-	-	-	-	-	-	-
Common stock issued under stock plans	-	-	167	(264)	-	-	(97)	-	(97)
Purchase of common stock	-	-	(500)	-	-	-	(500)	-	(500)
Net income (loss) attributable to AIG or noncontrolling interests	-	-	-	-	(6,179)	-	(6,179)	67	(6,112)
Dividends on preferred stock	-	-	-	-	(15)	-	(15)	-	(15)
Dividends on common stock	-	-	-	-	(551)	-	(551)	-	(551)
Other comprehensive income (loss)	-	-	-	-	-	4,187	4,187	(23)	4,164
Net decrease due to deconsolidation	-	-	-	-	-	-	-	(1,171)	(1,171)
Contributions from noncontrolling interests	-	-	-	-	-	-	-	4	4
Distributions to noncontrolling interests	-	-	-	-	-	-	-	(42)	(42)
Other	-	-	(7)	213	(5)	-	201	(3)	198
Balance, end of period	$ 485	$ 4,766	$ (49,327)	$ 81,294	$ 15,847	$ 9,169	$ 62,234	$ 584	$ 62,818

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

(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 June 30, 2019									
Balance, beginning of period	$ 485	$ 4,766	$ (48,999)	$ 81,148	$ 21,259	$ 2,128	$ 60,787	$ 1,306	$ 62,093
Preferred stock issued	-	-	-	-	-	-	-	-	-
Common stock issued under stock plans	-	-	8	(9)	-	-	(1)	-	(1)
Purchase of common stock	-	-	-	-	-	-	-	-	-
Net income attributable to AIG or noncontrolling interests	-	-	-	-	1,109	-	1,109	281	1,390
Dividends on preferred stock	-	-	-	-	(7)	-	(7)	-	(7)
Dividends on common stock	-	-	-	-	(279)	-	(279)	-	(279)
Other comprehensive income	-	-	-	-	-	2,863	2,863	10	2,873
Current and deferred income taxes	-	-	-	1	-	-	1	-	1
Net decrease due to acquisitions and consolidations	-	-	-	-	-	-	-	(12)	(12)
Contributions from noncontrolling interests	-	-	-	-	-	-	-	(10)	(10)
Distributions to noncontrolling interests	-	-	-	-	-	-	-	(10)	(10)
Other	-	-	-	71	(5)	-	66	1	67
Balance, end of period	$ 485	$ 4,766	$ (48,991)	$ 81,211	$ 22,077	$ 4,991	$ 64,539	$ 1,566	$ 66,105
Six Months Ended June 30, 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	-	-	153	(231)	-	-	(78)	-	(78)
Purchase of common stock	-	-	-	-	-	-	-	-	-
Net income attributable to AIG or noncontrolling interests	-	-	-	-	1,763	-	1,763	564	2,327
Dividends on preferred stock	-	-	-	-	(7)	-	(7)	-	(7)
Dividends on common stock	-	-	-	-	(557)	-	(557)	-	(557)
Other comprehensive income	-	-	-	-	-	6,404	6,404	16	6,420
Current and deferred income taxes	-	-	-	-	-	-	-	-	-
Net increase due to acquisitions and consolidations	-	-	-	-	-	-	-	96	96
Contributions from noncontrolling interests	-	-	-	-	-	-	-	2	2
Distributions to noncontrolling interests	-	-	-	-	-	-	-	(69)	(69)
Other	-	-	-	174	(6)	-	168	9	177
Balance, end of period	$ 485	$ 4,766	$ (48,991)	$ 81,211	$ 22,077	$ 4,991	$ 64,539	$ 1,566	$ 66,105

See accompanying Notes to Condensed Consolidated Financial Statements.

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

(in millions)	Six Months Ended June 30, 2020	2019
Cash flows from operating activities:		
Net income (loss)	$ (6,112)	$ 2,327
Loss from discontinued operations	1	1
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Noncash revenues, expenses, gains and losses included in income (loss):		
Net gain on sales of securities available for sale and other assets	(418)	(141)
Net (gain) loss on sale or disposal of divested businesses	8,628	(5)
Losses on extinguishment of debt	17	13
Unrealized losses in earnings - net	36	369
Equity in (income) loss from equity method investments, net of dividends or distributions	232	(62)
Depreciation and other amortization	2,560	2,657
Impairments of assets	66	167
Changes in operating assets and liabilities:		
Insurance reserves	1,857	(1,057)
Premiums and other receivables and payables - net	1,778	22
Reinsurance assets and funds held under reinsurance contracts	(2,295)	(2,334)
Capitalization of deferred policy acquisition costs	(2,224)	(2,843)
Current and deferred income taxes - net	(1,732)	523
Other, net	(1,069)	(909)
Total adjustments	7,436	(3,600)
Net cash provided by (used in) operating activities	1,325	(1,272)
Cash flows from investing activities:		
Proceeds from (payments for)		
Sales or distributions of:		
Available for sale securities	13,858	12,765
Other securities	2,037	2,609
Other invested assets	2,134	1,931
Divested businesses, net	2,119	-
Maturities of fixed maturity securities available for sale	12,761	11,888
Principal payments received on and sales of mortgage and other loans receivable	2,359	2,474
Purchases of:		
Available for sale securities	(29,804)	(27,219)
Other securities	(519)	(405)
Other invested assets	(1,385)	(1,423)
Mortgage and other loans receivable	(2,653)	(2,919)
Net change in short-term investments	(7,857)	(4,837)
Other, net	4,047	989
Net cash used in investing activities	(2,903)	(4,147)
Cash flows from financing activities:		
Proceeds from (payments for)		
Policyholder contract deposits	8,410	11,474
Policyholder contract withdrawals	(8,567)	(8,362)
Issuance of long-term debt and debt of consolidated investment entities	5,509	2,199
Repayments of long-term debt and debt of consolidated investment entities	(1,877)	(910)
Issuance of preferred stock, net of issuance costs	-	485
Purchase of common stock	(500)	-
Dividends paid on preferred stock	(15)	(7)
Dividends paid on common stock	(551)	(557)
Other, net	(269)	896
Net cash provided by financing activities	2,140	5,218
Effect of exchange rate changes on cash and restricted cash	3	28
Net increase (decrease) in cash and restricted cash	565	(173)
Cash and restricted cash at beginning of year	3,287	3,358
Cash and restricted cash at end of period	$ 3,852	$ 3,185

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

Supplementary Disclosure of Condensed Consolidated Cash Flow Information

(in millions)	Six Months Ended June 30, 2020	2019
Cash	$ 3,408	$ 2,935
Restricted cash included in Short-term investments*	197	18
Restricted cash included in Other assets*	247	232
Total cash and restricted cash shown in the Condensed Consolidated Statements of Cash Flows	$ 3,852	$ 3,185
Cash paid during the period for:		
Interest	$ 581	$ 684
Taxes	$ 741	$ 140
Non-cash investing activities:		
Fixed maturity securities available for sale received in connection with pension risk transfer transactions	$ 1,008	$ -
Fixed maturity securities received in connection with reinsurance transactions	$ 325	$ -
Non-cash financing activities:		
Interest credited to policyholder contract deposits included in financing activities	$ 1,646	$ 1,791

* 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, 2019 (the 2019 Annual Report). The condensed consolidated financial information as of December 31, 2019 included herein has been derived from the audited Consolidated Financial Statements in the 2019 Annual Report.

Certain of our foreign subsidiaries included in the Condensed Consolidated Financial Statements report on the basis of a 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. Operating results for the six months ended June 30, 2020, are not necessarily indicative of the results that may be expected for the year ended December 31, 2020, especially when considering the risks and uncertainties associated with COVID-19 and the impact it may have on our business, results of operations and financial condition.

We evaluated the need to recognize or disclose events that occurred subsequent to June 30, 2020 and prior to the issuance of these Condensed Consolidated Financial Statements.

SALES/DISPOSALS OF BUSINESSES

Fortitude Holdings

On June 2, 2020, we completed the sale of a majority of the interests in Fortitude Group Holdings, LLC (Fortitude Holdings) to Carlyle FRL, L.P. (Carlyle FRL), an investment fund advised by an affiliate of The Carlyle Group Inc. (Carlyle), and T&D United Capital Co., Ltd. (T&D), a subsidiary of T&D Holdings, Inc., under the terms of a membership interest purchase agreement entered into on November 25, 2019 by and among AIG, Fortitude Holdings, Carlyle FRL, Carlyle, T&D and T&D Holdings, Inc. (the Majority Interest Fortitude Sale). AIG established Fortitude Reinsurance Company Ltd. (Fortitude Re), a wholly owned subsidiary of Fortitude Holdings, in 2018 in a series of reinsurance transactions related to AIG’s Legacy Portfolio. As of June 30, 2020, approximately $30.5 billion of reserves from AIG’s Legacy Life and Retirement Run-Off Lines and approximately $4.1 billion of reserves from AIG’s Legacy General Insurance Run-Off Lines, related to business written by multiple wholly-owned AIG subsidiaries, had been ceded to Fortitude Re under these reinsurance transactions. As of closing of the Majority Interest Fortitude Sale, these reinsurance transactions are no longer considered affiliated transactions and Fortitude Re is the reinsurer of the majority of AIG’s Legacy Portfolio. As these reinsurance transactions are structured as modified coinsurance and loss portfolio transfers with funds withheld, following the closing of the Majority Interest Fortitude Sale, AIG continues to reflect the invested assets, which consist mostly of available for sale securities, supporting Fortitude Re’s obligations, in AIG’s financial statements.

AIG sold a 19.9 percent ownership interest in Fortitude Holdings to TC Group Cayman Investments Holdings, L.P. (TCG), an affiliate of Carlyle, in November 2018 (the 2018 Fortitude Sale). As a result of completion of the Majority Interest Fortitude Sale, Carlyle FRL purchased from AIG a 51.6 percent ownership interest in Fortitude Holdings and T&D purchased from AIG a 25 percent ownership interest in Fortitude Holdings; AIG retained a 3.5 percent ownership interest in Fortitude Holdings and one seat on its Board of Managers. The $2.2 billion of proceeds received by AIG at closing include (i) the $1.8 billion under the Majority Interest Fortitude Sale, which is subject to a post-closing purchase price adjustment pursuant to which AIG will pay Fortitude Re for certain adverse development in property casualty related reserves, based on an agreed methodology, that may occur on or prior to December 31, 2023, up to a maximum payment of $500 million; and (ii) a $383 million purchase price adjustment from Carlyle FRL and T&D, corresponding to their respective portions of a proposed $500 million non-pro rata distribution from Fortitude Holdings that was not received by AIG prior to the closing.

AIG recorded a total after-tax reduction to total AIG shareholders' equity of $4.3 billion related to the sale of the majority interest in and deconsolidation of Fortitude Holdings. The impact to equity is primarily due to a $6.7 billion after-tax loss partially offset by a $2.4 billion increase in accumulated other comprehensive income (AOCI) due to the release of shadow adjustments primarily related to future policy benefits. The $6.7 billion after-tax loss is comprised of (i) a $2.7 billion loss related to the write-off of prepaid insurance assets and deferred policy acquisition costs (DAC) upon deconsolidation of Fortitude Holdings and (ii) $4.0 billion related to the loss on the sale primarily as a result of increases in Fortitude Holdings' equity principally related to mark to market movements since the December 31, 2018 date as of which Fortitude Holdings' equity was calculated for purposes of the purchase price determination.

In connection with the Majority Interest Fortitude Sale, AIG, Fortitude Holdings, and TCG have agreed that, effective as of the closing, (i) AIG's investment commitment targets under the 2018 Fortitude Sale (whereby AIG had agreed to invest certain amounts into various Carlyle strategies and to make certain minimum investment management fee payments by November 2021) have been assumed by Fortitude Holdings and AIG has been released therefrom, (ii) the purchase price adjustment that AIG had agreed to provide TCG in the 2018 Fortitude Sale (whereby AIG had agreed to reimburse TCG for adverse development in property casualty related reserves, based on an agreed methodology, that may occur on or prior to December 31, 2023, up to the value of TCG's investment in Fortitude Holdings) has been terminated, and (iii) TCG remains obligated to pay AIG $115 million of deferred consideration upon settlement of the post-closing purchase price adjustment referred to above. This latter amount is composed of $95 million of deferred consideration contemplated as part of the 2018 Fortitude Sale, together with $19.9 million in respect of TCG's 19.9 percent share of the unpaid portion of the $500 million non-pro rata dividend to be paid to AIG under the 2018 Fortitude Sale (TCG paid $79.6 million to AIG on May 26, 2020). In addition, the 2018 Capital Maintenance Agreement between AIG and Fortitude Re and the letters of credit issued in support of Fortitude Re and subject to reimbursement by AIG in the event of a drawdown were terminated as of the closing of the Majority Interest Fortitude Sale. Upon closing of the Majority Interest Fortitude Sale, AIG entered into a transition services agreement with Fortitude Holdings for the provision of transition services for a period after closing, and letter of credit agreements with certain financial institutions, which issued letters of credit in support of certain General Insurance subsidiaries that have reinsurance agreements in place with Fortitude Re in the amount of $600 million. These letters of credit are subject to reimbursement by AIG in the event of a drawdown by these insurance subsidiaries.

Following closing, AIG contributed $700 million of the proceeds of the Majority Interest Fortitude Sale to certain of its General Insurance subsidiaries and $135 million of the proceeds of the Majority Interest Fortitude Sale to certain of its Life and Retirement subsidiaries.

For further discussion on the sale of Fortitude Holdings see Note 7 to the Condensed Consolidated Financial Statements.

Blackboard

At the end of March 2020, Blackboard U.S. Holdings, Inc. (Blackboard), AIG's technology-driven subsidiary, was placed into run-off. As a result of this decision, during the three months ended March 31, 2020, AIG recognized a pre-tax loss of $210 million, primarily consisting of asset impairment charges.

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);
- 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;
- reinsurance assets;
- impairment charges, including impairments on other invested assets and goodwill impairment;
- allowances for credit losses primarily on loans, available for sale fixed maturity securities, reinsurance assets and premiums and other receivables;
- 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 Cuts and Jobs Act (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 2020

Financial Instruments - Credit Losses

In June 2016, the FASB issued an accounting standard that changed how entities account for current expected credit losses (CECL) for most financial assets, premiums receivable, trade receivables, off-balance sheet exposures and reinsurance receivables (the Financial Instruments Credit Losses Standard). The standard requires an allowance for credit losses based on the expectation of lifetime credit losses related to such 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 (PCD) securities, is subject to the new guidance and is measured in a similar manner, except that losses are recognized as allowances rather than reductions in the amortized cost of the securities. The standard allows for reversals of credit impairments in the event that the credit of an issuer improves. The standard also requires additional disclosures.

We adopted the standard on its effective date of January 1, 2020 using a modified retrospective method, which requires a cumulative effect adjustment to retained earnings. As of January 1, 2020, the impact of the adoption of the standard was a reduction in opening retained earnings of $487 million (after-tax) primarily driven by commercial mortgage loans, and, to a lesser extent, reinsurance receivables and recoverables.

The following table provides a rollforward of our allowance, including credit losses, in connection with the adoption of the Financial Instruments Credit Losses Standard as well as cross references to the applicable notes herein for additional information:

Three Months Ended June 30, 2020 (in millions)	Balance, Beginning of Period	Cumulative Effect Adjustment as of January 1, 2020	Purchased Credit Deteriorated Initial Allowance	Incremental Increase (Decrease) Recognized in Income	Write-offs and Other Changes in the Allowance[h]	Balance, End of Period
Securities available for sale[a]	$ 211	$ -	$ 20	$ 29	$ (62)	$ 198
Mortgage and other loan receivables[b]	787	-	-	19	(12)	794
Reinsurance recoverables (inclusive of deposit accounted assets)[c]	362	-	-	7	(5)	364
Premiums and other receivables[d]	210	-	-	2	-	212
Contractual deductible recoverables[e]	14	-	-	-	-	14
Commercial mortgage loan commitments[f]	58	-	-	-	-	58
Total	$ 1,642	$ -	$ 20	$ 57	$ (79)	$ 1,640
Six Months Ended June 30, 2020						
Securities available for sale[a]	$ -	$ -	$ 33	$ 227	$ (62)	$ 198
Mortgage and other loan receivables[b]	438	318	-	50	(12)	794
Reinsurance recoverables (inclusive of deposit accounted assets)[c]	151	224	-	5	(16)	364
Premiums and other receivables[d]	178	34	-	2	(2)	212
Contractual deductible recoverables[e]	-	14	-	-	-	14
Commercial mortgage loan commitments[f]	-	51	-	7	-	58
Total	$ 767	$ 641	$ 33	$ 291	$ (92)	$ 1,640
Secondary impacts to certain long-duration insurance contracts[g]		(27)				
Tax impact		(127)				
Total cumulative effect adjustment		$ 487				

(a) The allowance for credit losses is reported in Bonds available for sale in the Condensed Consolidated Balance Sheets. Changes in the allowance for credit losses are reported in Net realized capital gains (losses) in the Condensed Consolidated Statements of Income. *Refer to Note 5 for additional information.*

(b) The allowance for credit losses is reported in Mortgage and other loans receivable in the Condensed Consolidated Balance Sheets. Changes in the allowance for credit losses are reported in Net realized capital gains (losses) in the Condensed Consolidated Statements of Income. *Refer to Note 6 for additional information.*

(c) The allowance for credit losses is reported in Reinsurance assets – other and Reinsurance assets – Fortitude Re for reinsurance contracts that contain sufficient insurance risk, and reported in Other assets for insurance and reinsurance contracts that do not contain sufficient insurance risk in the Condensed Consolidated Balance Sheets. Changes in the allowance for credit losses are reported in Policyholder benefits and losses incurred for reinsurance contracts that do contain sufficient insurance risk and premiums for contracts that do not contain sufficient insurance risk in the Condensed Consolidated Statements of Income. *Refer to Note 7 for additional information.*

(d) The allowance for credit losses is reported in Premiums and other receivables in the Condensed Consolidated Balance Sheets. Changes in the allowance for credit losses are reported in General operating and other expenses in the Condensed Consolidated Statements of Income. *Refer to Note 2 for additional information.*

(e) The allowance for credit losses is reported in Liability for unpaid losses and loss adjustment expenses in the Condensed Consolidated Balance Sheets. Changes in the allowance for credit losses are reported in Policyholder benefits and losses incurred in the Condensed Consolidated Statements of Income. *Refer to Note 10 for additional information.*

(f) The allowance for credit losses is reported in Other liabilities in the Condensed Consolidated Balance Sheets. Changes in the allowance for credit losses are reported in Net realized capital gains (losses) in the Condensed Consolidated Statements of Income. *Refer to Note 6 for additional information.*

(g) This reflects adjustments to the amortization of DAC, unearned revenue reserve and sales inducement assets as well as impacts on the future policy benefits for certain universal life and variable annuity contracts.

(h) A write-off does not generally result in an incremental loss to AIG. Prior to a write-off occurring, the allowance for the credit loss is increased or decreased to reflect AIG's expectation of the credit loss to be incurred. Accordingly, when a write-off occurs, the allowance is reversed for the same amount, resulting in no incremental loss to AIG.

The following presents the impact of the adoption of the standard on premiums and other receivables.

Premiums and other receivables — Credit Losses

Premiums and other receivables, net of allowance for credit losses include premium balances receivable, amounts due from agents and brokers and policyholders, trade receivables for the Direct Investment book and Global Capital Markets (GCM) and other receivables. Trade receivables for GCM include cash collateral posted to derivative counterparties that is not eligible to be netted against derivative liabilities. The allowance for credit losses and disputes for premiums and other receivables was $212 million at June 30, 2020. Our allowance for credit losses for premium receivables considers a combination of internal and external information relating to past events, current conditions and reasonable and supportable forecasts. Our allowance contemplates our contractual provisions. Upon default or delinquency of the policyholder we may be able to cease coverage for the remaining period. In certain jurisdictions we are unable to cancel coverage even in the event of delinquency or default by the policyholder. We consider premium and other receivable balances to be past due if the payment is not received after 90 days from the contractual obligation due date and record an allowance for disputes when there is reasonable uncertainty of the collectability of a disputed amount during the reporting period.

For further information regarding the impacts of the adoption of this standard see Notes 4, 5, 6, 10 and 12 to the Condensed Consolidated Financial Statements.

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.

We adopted the standard on its effective date of January 1, 2020. The adoption of the standard did not have a material impact on our financial position, results of operations or cash flows.

Cloud Computing Arrangements

In August 2018, the FASB issued an accounting standard that aligns the requirements for capitalizing implementation costs incurred in a cloud computing (or hosting) arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). Capitalized implementation costs must be amortized over the term of the hosting arrangement. The accounting for the service element is not affected by the amendments in this update.

We adopted the standard prospectively on its effective date of January 1, 2020. The adoption of the standard did not have a material impact on our consolidated financial position, results of operations or cash flows.

Financial Disclosures About Guarantors and Issuers of Guaranteed Securities and Affiliates

In March 2020, the Securities and Exchange Commission (SEC) adopted amendments to simplify and streamline the disclosure requirements for guarantors and issuers of guaranteed securities registered or being registered, and issuers' affiliates whose securities collateralize securities registered or being registered. Currently, the SEC permits the omission of separate financial statements of subsidiary issuers and guarantors when certain conditions are met and the parent company provides summarized financial information of the subsidiary issuers and guarantors. The amendments, among other things, allow companies to cease providing summarized financial information if the subsidiary issuer's or guarantor's reporting obligation has been suspended.

The amendments are effective January 4, 2021, with early adoption permitted. Effective March 31, 2020, AIG early adopted the amendment and ceased providing the summarized information for the subsidiary issuers and guarantors because the subsidiaries issuer's reporting obligations have been suspended.

FUTURE APPLICATION OF ACCOUNTING STANDARDS

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 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.

In July 2020, the FASB released an exposure draft which would defer the effective date of the standard to January 1, 2023. We are currently evaluating the FASB's exposure draft. We have started our implementation efforts and 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.

Income Tax

On December 18, 2019, the FASB issued an accounting standard that simplifies the accounting for income taxes by eliminating certain exceptions to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The amendments also simplified other areas including the accounting for franchise taxes and enacted tax laws or rates, and clarified the accounting for transactions that result in the step-up in the tax basis of goodwill. The standard is effective on January 1, 2021, with early adoption permitted. We are assessing the impact of the standard on our consolidated financial condition, results of operations and cash flows.

Reference Rate Reform

On March 12, 2020, the FASB issued an accounting standard that provides temporary optional guidance to ease the potential burden in accounting for reference rate reform. The standard allows us to account for certain contract modifications that result from the discontinuation of the London Inter-Bank Offered Rate (LIBOR) or another reference rate as a continuation of the existing contract without additional analysis.

This standard may be elected and applied prospectively over time from March 12, 2020 through December 31, 2022 as reference rate reform activities occur. We have started our implementation efforts and 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.

Clarification of Accounting for Certain Equity Method Investments

On January 16, 2020, the FASB issued an accounting standard to clarify how a previously issued standard regarding a company's ability to measure the fair value of certain equity securities without a readily determinable fair value should interact with equity method investments standards. The previously issued standard provides that such equity securities could be measured at cost, minus impairment, if any, unless an observable transaction for an identical or similar security occurs (measurement alternative). The new standard clarifies that a company should consider observable transactions that require the company to either apply or discontinue the equity method of accounting for the purposes of applying the measurement alternative in accordance with the equity method immediately before applying or upon discontinuing the equity method.

The standard further clarifies that, when determining the accounting for certain forward contracts and purchased options a company should not consider, whether upon settlement or exercise, if the underlying securities would be accounted for under the equity method or fair value option.

The standard is effective for interim and annual reporting periods beginning after December 15, 2020. We are evaluating the impact adoption of this standard will have on our consolidated financial condition, results of operations, cash flows and required disclosures.

3. Segment Information

We report our results of operations consistent with the manner in which our chief operating decision makers review the business to assess performance and allocate resources, 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. (Validus), Western World Insurance Group, Inc. and Glatfelter Insurance Group (Glatfelter).
- **International** — consists of regional insurance businesses in Japan, the UK, Europe, Asia Pacific, Latin America and Caribbean, Middle East and Africa, and China. This also includes the results of Talbot Holdings, Ltd.

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 consists primarily of:

- Income from assets held by AIG Parent and other corporate subsidiaries.
- General operating expenses not attributable to AIG reporting segments.
- Certain compensation expenses attributable to Other Operations and reporting segments.
- Amortization of value of distribution network acquired related to the Validus and Glatfelter acquisitions.
- Interest expense attributable to AIG long-term debt as well as debt associated with consolidated investment entities.
- Results also include Blackboard and its subsidiaries which are focused on delivering commercial insurance solutions using digital technology, data analytics and automation. At the end of March 2020, Blackboard was placed into run-off.

LEGACY PORTFOLIO

Legacy Portfolio represents exited or discontinued product lines, policy forms or distribution channels. Effective February 2018, the Bermuda domiciled composite reinsurer, Fortitude Re, is included in our Legacy Portfolio. The sale of Fortitude Re was completed on June 2, 2020, and Fortitude Re is only included in the Legacy Portfolio through such date. As of closing of the Majority Interest Fortitude Sale, these reinsurance transactions between AIG and Fortitude Re are no longer considered affiliated transactions and Fortitude Re is the reinsurer of the majority of AIG's 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.
- **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. 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. *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 June 30,	2020		2019	
(in millions)	Total Revenues	Adjusted Pre-tax Income (Loss)	Total Revenues	Adjusted Pre-tax Income (Loss)
General Insurance				
North America	$ 3,077	$ 5	$ 4,025	$ 718
International	3,178	170	3,502	262
Total General Insurance	6,255	175	7,527	980
Life and Retirement				
Individual Retirement	1,333	550	1,466	588
Group Retirement	712	214	790	293
Life Insurance	1,113	(9)	1,154	86
Institutional Markets	1,391	126	418	82
Total Life and Retirement	4,549	881	3,828	1,049
Other Operations	15	(559)	144	(415)
Legacy Portfolio	719	257	740	119
AIG Consolidation and elimination	31	49	(79)	(56)
Total AIG Consolidated adjusted revenues and adjusted pre-tax income	11,569	803	12,160	1,677
Reconciling items from adjusted pre-tax income to pre-tax income (loss):				
Changes in fair value of securities used to hedge guaranteed living benefits	14	16	84	75
Changes in benefit reserves and DAC, VOBA and SIA related to net realized capital gains (losses)	-	255	-	(73)
Changes in the fair value of equity securities	56	56	(22)	(22)
Other income (expense) - net	14	-	4	-
Loss on extinguishment of debt	-	-	-	(15)
Net investment income on Fortitude Re funds withheld assets[(a)]	116	116	-	-
Net realized capital gains (losses) on Fortitude Re funds withheld assets[(a)]	96	96	-	-
Net realized capital gains (losses) on Fortitude Re funds withheld embedded derivative[(a)]	(837)	(837)	-	-
Net realized capital gains (losses)[(b)]	(1,632)	(1,619)	335	351
Loss from divested businesses	-	(8,412)	-	(1)
Non-operating litigation reserves and settlements	-	-	-	-
Favorable prior year development and related amortization changes ceded under retroactive reinsurance agreements	-	33	-	125
Net loss reserve discount charge	-	(16)	-	(212)
Integration and transaction costs associated with acquired businesses	-	(4)	-	(6)
Restructuring and other costs	-	(134)	-	(60)
Non-recurring costs related to regulatory or accounting changes	-	(14)	-	(2)
Revenues and Pre-tax income (loss)	$ 9,396	$ (9,661)	$ 12,561	$ 1,837

Six Months Ended June 30,	2020		2019	
(in millions)	Total Revenues	Adjusted Pre-Tax Income (Loss)	Total Revenues	Adjusted Pre-Tax Income (Loss)
General Insurance				
North America	$ 6,491	$ 414	$ 8,123	$ 1,652
International	6,431	262	7,206	596
Total General Insurance	12,922	676	15,329	2,248
Life and Retirement				
Individual Retirement	2,703	856	2,817	1,096
Group Retirement	1,406	357	1,499	525
Life Insurance	2,204	46	2,227	202
Institutional Markets	2,408	196	1,489	150
Total Life and Retirement	8,721	1,455	8,032	1,973
Other Operations	177	(1,010)	283	(802)
Legacy Portfolio	983	(111)	1,446	231
AIG Consolidation and elimination	(114)	(35)	(176)	(126)
Total AIG Consolidated adjusted revenues and adjusted pre-tax income	22,689	975	24,914	3,524
Reconciling items from adjusted pre-tax income to pre-tax income (loss):				
Changes in fair value of securities used to hedge guaranteed living benefits	28	9	189	171
Changes in benefit reserves and DAC, VOBA and SIA related to net realized capital gains (losses)	-	(283)	-	26
Changes in the fair value of equity securities	(135)	(135)	57	57
Other income (expense) - net	23	-	11	-
Loss on extinguishment of debt	-	(17)	-	(13)
Net investment income on Fortitude Re funds withheld assets[(a)]	116	116	-	-
Net realized capital gains (losses) on Fortitude Re funds withheld assets[(a)]	96	96	-	-
Net realized capital gains (losses) on Fortitude Re funds withheld embedded derivative[(a)]	(837)	(837)	-	-
Net realized capital gains (losses)[(b)]	1,853	1,883	(154)	(123)
Income (loss) from divested businesses	-	(8,628)	-	5
Non-operating litigation reserves and settlements	6	6	-	(1)
Favorable prior year development and related amortization changes ceded under retroactive reinsurance agreements	-	41	-	152
Net loss reserve discount charge	-	(72)	-	(685)
Integration and transaction costs associated with acquired businesses	-	(6)	-	(13)
Restructuring and other costs	-	(224)	-	(107)
Non-recurring costs related to regulatory or accounting changes	-	(27)	-	(2)
Revenues and Pre-tax income (loss)	$ 23,839	$ (7,103)	$ 25,017	$ 2,991

(a) Represents activity subsequent to the deconsolidation of Fortitude Re on June 2, 2020.

(b) 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 and net realized gains and losses on Fortitude Re funds withheld assets held by AIG in support of Fortitude Re's reinsurance obligations to AIG (Fortitude Re funds withheld assets).

4. Fair Value Measurements

FAIR VALUE MEASUREMENTS ON A RECURRING BASIS

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

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

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

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:

June 30, 2020 *(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	$ 5	$ 4,797	$ -	$ -	$ -	$ 4,802
Obligations of states, municipalities and political subdivisions	-	13,717	2,279	-	-	15,996
Non-U.S. governments	39	14,564	5	-	-	14,608
Corporate debt	-	154,865	1,900	-	-	156,765
RMBS	-	20,434	12,678	-	-	33,112
CMBS	-	13,850	1,149	-	-	14,999
CDO/ABS	-	8,762	9,461	-	-	18,223
Total bonds available for sale	44	230,989	27,472	-	-	258,505
Other bond securities:						
U.S. government and government sponsored entities	-	1,912	-	-	-	1,912
Non-U.S. governments	-	-	-	-	-	-
Corporate debt	-	11	-	-	-	11
RMBS	-	342	168	-	-	510
CMBS	-	256	47	-	-	303
CDO/ABS	-	170	2,531	-	-	2,701
Total other bond securities	-	2,691	2,746	-	-	5,437
Equity securities	624	12	43	-	-	679
Other invested assets[b]	-	86	1,486	-	-	1,572
Derivative assets:						
Interest rate contracts	2	5,678	-	-	-	5,680
Foreign exchange contracts	-	1,968	1	-	-	1,969
Equity contracts	8	939	86	-	-	1,033
Credit contracts	-	-	3	-	-	3
Other contracts	-	-	13	-	-	13
Counterparty netting and cash collateral	-	-	-	(3,977)	(3,933)	(7,910)
Total derivative assets	10	8,585	103	(3,977)	(3,933)	788
Short-term investments	2,458	3,930	-	-	-	6,388
Other assets	-	-	111	-	-	111
Separate account assets	84,629	4,113	-	-	-	88,742
Total	$ 87,765	$ 250,406	$ 31,961	$ (3,977)	$ (3,933)	$ 362,222
Liabilities:						
Policyholder contract deposits	$ -	$ -	$ 9,233	$ -	$ -	$ 9,233
Derivative liabilities:						
Interest rate contracts	3	4,612	-	-	-	4,615
Foreign exchange contracts	-	663	-	-	-	663
Equity contracts	30	149	33	-	-	212
Credit contracts	-	26	48	-	-	74
Other contracts	-	-	10	-	-	10
Counterparty netting and cash collateral	-	-	-	(3,977)	(1,016)	(4,993)
Total derivative liabilities	33	5,450	91	(3,977)	(1,016)	581
Fortitude Re funds withheld payable	-	-	4,510	-	-	4,510
Other liabilities	-	-	-	-	-	-
Long-term debt	-	2,181	-	-	-	2,181
Total	$ 33	$ 7,631	$ 13,834	$ (3,977)	$ (1,016)	$ 16,505

December 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	$ 135	$ 5,245	$ -	$ -	$ -	$ 5,380
Obligations of states, municipalities and political subdivisions	-	13,197	2,121	-	-	15,318
Non-U.S. governments	60	14,809	-	-	-	14,869
Corporate debt	-	147,973	1,663	-	-	149,636
RMBS	-	19,397	13,408	-	-	32,805
CMBS	-	13,377	1,053	-	-	14,430
CDO/ABS	-	10,962	7,686	-	-	18,648
Total bonds available for sale	195	224,960	25,931	-	-	251,086
Other bond securities:						
U.S. government and government sponsored entities	-	2,121	-	-	-	2,121
Non-U.S. governments	-	-	-	-	-	-
Corporate debt	-	18	-	-	-	18
RMBS	-	346	143	-	-	489
CMBS	-	272	50	-	-	322
CDO/ABS	-	187	3,545	-	-	3,732
Total other bond securities	-	2,944	3,738	-	-	6,682
Equity securities	756	77	8	-	-	841
Other invested assets[b]	-	86	1,192	-	-	1,278
Derivative assets:						
Interest rate contracts	1	3,199	-	-	-	3,200
Foreign exchange contracts	-	1,034	6	-	-	1,040
Equity contracts	5	593	171	-	-	769
Credit contracts	-	-	3	-	-	3
Other contracts	-	-	14	-	-	14
Counterparty netting and cash collateral	-	-	-	(2,427)	(1,806)	(4,233)
Total derivative assets	6	4,826	194	(2,427)	(1,806)	793
Short-term investments	2,299	3,044	-	-	-	5,343
Other assets	57	2,212	89	-	-	2,358
Separate account assets	89,069	4,203	-	-	-	93,272
Total	$ 92,382	$ 242,352	$ 31,152	$ (2,427)	$ (1,806)	$ 361,653
Liabilities:						
Policyholder contract deposits	$ -	$ -	$ 6,910	$ -	$ -	$ 6,910
Derivative liabilities:						
Interest rate contracts	4	2,745	-	-	-	2,749
Foreign exchange contracts	-	1,025	-	-	-	1,025
Equity contracts	8	111	20	-	-	139
Credit contracts	-	24	65	-	-	89
Other contracts	-	-	7	-	-	7
Counterparty netting and cash collateral	-	-	-	(2,427)	(527)	(2,954)
Total derivative liabilities	12	3,905	92	(2,427)	(527)	1,055
Other liabilities	-	45	-	-	-	45
Long-term debt	-	2,062	-	-	-	2,062
Total	$ 12	$ 6,012	$ 7,002	$ (2,427)	$ (527)	$ 10,072

(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 $5.0 billion and $5.5 billion as of June 30, 2020 and December 31, 2019, respectively.

CHANGES IN LEVEL 3 RECURRING FAIR VALUE MEASUREMENTS

The following tables present changes during the three- and six-month periods ended June 30, 2020 and 2019 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 June 30, 2020 and 2019:

(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	Divested Businesses	Fair Value End of Period	Changes in Unrealized Gains (Losses) Included in Income on Instruments Held at End of Period	Changes in Unrealized Gains (Losses) Included in Other Comprehensive Income (Loss) for Recurring Level 3 Instruments Held at End of Period
Three Months Ended June 30, 2020										
Assets:										
Bonds available for sale:										
Obligations of states, municipalities and political subdivisions	$ 2,102	$ -	$ 254	$ 20	$ -	$ (97)	$ -	$ 2,279	$ -	$ 244
Non-U.S. governments	6	-	-	5	-	(6)	-	5	-	-
Corporate debt	1,215	(1)	72	113	519	(18)	-	1,900	-	50
RMBS	11,687	208	947	(171)	7	-	-	12,678	-	957
CMBS	1,146	4	15	(16)	-	-	-	1,149	-	18
CDO/ABS	8,768	3	432	108	334	(184)	-	9,461	-	403
Total bonds available for sale[a]	24,924	214	1,720	59	860	(305)	-	27,472	-	1,672
Other bond securities:										
RMBS	149	14	-	5	-	-	-	168	13	-
CMBS	42	6	-	(1)	-	-	-	47	6	-
CDO/ABS	2,378	274	-	(121)	-	-	-	2,531	253	-
Total other bond securities	2,569	294	-	(117)	-	-	-	2,746	272	-
Equity securities	19	-	-	-	25	(1)	-	43	-	-
Other invested assets	1,467	(59)	-	78	-	-	-	1,486	-	-
Other assets	91	-	-	54	-	-	(34)	111	-	-
Total	$ 29,070	$ 449	$ 1,720	$ 74	$ 885	$ (306)	$ (34)	$ 31,858	$ 272	$ 1,672

(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	Divested Businesses	Fair Value End of Period	Changes in Unrealized Gains (Losses) Included in Income on Instruments Held at End of Period	Changes in Unrealized Gains (Losses) Included in Other Comprehensive Income (Loss) for Recurring Level 3 Instruments Held at End of Period
Liabilities:										
Policyholder contract deposits	$ 8,153	$ 1,060	$ -	$ 20	$ -	$ -	$ -	$ 9,233	$ (825)	$ -
Derivative liabilities, net:										
Interest rate contracts	-	(1)	-	1	-	-	-	-	-	-
Foreign exchange contracts	3	1	-	(5)	-	-	-	(1)	-	-
Equity contracts	(143)	36	-	54	-	-	-	(53)	(15)	-
Credit contracts	(76)	64	-	57	-	-	-	45	9	-
Other contracts	(2)	(17)	-	16	-	-	-	(3)	17	-
Total derivative liabilities, net[b]	(218)	83	-	123	-	-	-	(12)	11	-
Fortitude Re funds withheld payable	-	837	-	-	-	-	3,673	4,510	663	-
Total	$ 7,935	$ 1,980	$ -	$ 143	$ -	$ -	$ 3,673	$ 13,731	$ (151)	$ -

(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	Divested Businesses	Fair Value End of Period	Changes in Unrealized Gains (Losses) Included in Income on Instruments Held at End of Period	Changes in Unrealized Gains (Losses) Included in Other Comprehensive Income (Loss) for Recurring Level 3 Instruments Held at End of Period
Six Months Ended June 30, 2020										
Assets:										
Bonds available for sale:										
Obligations of states, municipalities and political subdivisions	$ 2,121	$ 5	$ 199	$ 157	$ 27	$ (230)	$ -	$ 2,279	$ -	$ 193
Non-U.S. governments	-	-	-	5	6	(6)	-	5	-	-
Corporate debt	1,663	(68)	(9)	120	622	(428)	-	1,900	-	21
RMBS	13,408	340	(676)	(394)	26	(26)	-	12,678	-	(548)
CMBS	1,053	11	34	28	23	-	-	1,149	-	39
CDO/ABS	7,686	20	(125)	155	1,937	(212)	-	9,461	-	(134)
Total bonds available for sale[a]	25,931	308	(577)	71	2,641	(902)	-	27,472	-	(429)
Other bond securities:										
RMBS	143	-	-	25	-	-	-	168	(1)	-
CMBS	50	(1)	-	(2)	-	-	-	47	(2)	-
CDO/ABS	3,545	101	-	(1,115)	-	-	-	2,531	(9)	-
Total other bond securities	3,738	100	-	(1,092)	-	-	-	2,746	(12)	-
Equity securities	8	(1)	1	10	26	(1)	-	43	-	-
Other invested assets	1,192	(63)	-	207	150	-	-	1,486	(48)	-
Other assets	89	-	-	59	-	-	(37)	111	-	-
Total	$ 30,958	$ 344	$ (576)	$ (745)	$ 2,817	$ (903)	$ (37)	$ 31,858	$ (60)	$ (429)

(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	Divested Businesses	Fair Value End of Period	Changes in Unrealized Gains (Losses) Included in Income on Instruments Held at End of Period	Changes in Unrealized Gains (Losses) Included in Other Comprehensive Income (Loss) for Recurring Level 3 Instruments Held at End of Period
Liabilities:										
Policyholder contract deposits	$ 6,910	$ 2,231	$ -	$ 92	$ -	$ -	$ -	$ 9,233	$ (1,709)	$ -
Derivative liabilities, net:										
Interest rate contracts	-	(1)	-	1	-	-	-	-	1	-
Foreign exchange contracts	(6)	4	-	1	-	-	-	(1)	1	-
Equity contracts	(151)	10	-	88	-	-	-	(53)	(64)	-
Credit contracts	62	(60)	-	43	-	-	-	45	6	-
Other contracts	(7)	(27)	-	31	-	-	-	(3)	27	-
Total derivative liabilities, net[b]	(102)	(74)	-	164	-	-	-	(12)	(29)	-
Fortitude Re funds withheld payable	-	837	-	-	-	-	3,673	4,510	663	-
Total	$ 6,808	$ 2,994	$ -	$ 256	$ -	$ -	$ 3,673	$ 13,731	$ (1,075)	$ -

(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	Divested Businesses	Fair Value End of Period	Changes in Unrealized Gains (Losses) Included in Income on Instruments Held at End of Period
Three Months Ended June 30, 2019									
Assets:									
Bonds available for sale:									
Obligations of states, municipalities and political subdivisions	$ 2,136	$ -	$ 105	$ 62	$ 6	$ (147)	$ -	$ 2,162	$ -
Non-U.S. governments	3	(1)	-	-	-	-	-	2	-
Corporate debt	1,532	29	43	(99)	389	(73)	-	1,821	-
RMBS	14,045	182	137	(404)	44	(141)	-	13,863	-
CMBS	892	5	13	150	58	(15)	-	1,103	-
CDO/ABS	8,840	8	113	104	4	(7)	-	9,062	-
Total bonds available for sale	27,448	223	411	(187)	501	(383)	-	28,013	-
Other bond securities:									
RMBS	1,266	43	-	(479)	-	-	-	830	(19)
CMBS	84	-	-	14	-	(10)	-	88	1
CDO/ABS	4,249	116	-	(214)	-	(1)	-	4,150	76
Total other bond securities	5,599	159	-	(679)	-	(11)	-	5,068	58
Equity securities	26	-	-	9	-	-	-	35	3
Other invested assets	591	18	1	(5)	-	-	-	605	18
Other assets	59	-	-	2	-	-	-	61	-
Total	$ 33,723	$ 400	$ 412	$ (860)	$ 501	$ (394)	$ -	$ 33,782	$ 79

(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	Divested Businesses	Fair Value End of Period	Changes in Unrealized Gains (Losses) Included in Income on Instruments Held at End of Period
Liabilities:									
Policyholder contract deposits	$ 4,878	$ 970	$ -	$ 217	$ -	$ -	$ -	$ 6,065	$ (832)
Derivative liabilities, net:									
Interest rate contracts	15	2	-	(1)	-	-	-	16	(2)
Foreign exchange contracts	(1)	(5)	-	2	-	-	-	(4)	4
Equity contracts	(96)	(4)	-	(13)	-	-	-	(113)	4
Credit contracts	222	(24)	-	(25)	-	-	-	173	23
Other contracts	(8)	(16)	-	17	-	-	-	(7)	18
Total derivative liabilities, net[(b)]	132	(47)	-	(20)	-	-	-	65	47
Total	$ 5,010	$ 923	$ -	$ 197	$ -	$ -	$ -	$ 6,130	$ (785)

(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	Divested Businesses	Fair Value End of Period	Changes in Unrealized Gains (Losses) Included in Income on Instruments Held at End of Period
Six Months Ended June 30, 2019									
Assets:									
Bonds available for sale:									
Obligations of states, municipalities and political subdivisions	$ 2,000	$ (1)	$ 202	$ 86	$ 35	$ (160)	$ -	$ 2,162	$ -
Non-U.S. governments	11	(1)	-	(4)	-	(4)	-	2	-
Corporate debt	864	26	81	(65)	1,043	(128)	-	1,821	-
RMBS	14,199	409	161	(816)	67	(157)	-	13,863	-
CMBS	917	6	30	296	58	(204)	-	1,103	-
CDO/ABS	9,102	12	167	59	96	(374)	-	9,062	-
Total bonds available for sale	27,093	451	641	(444)	1,299	(1,027)	-	28,013	-
Other bond securities:									
RMBS	1,290	60	-	(520)	-	-	-	830	(19)
CMBS	77	4	-	17	-	(10)	-	88	4
CDO/ABS	4,478	184	-	(415)	-	(97)	-	4,150	100
Total other bond securities	5,845	248	-	(918)	-	(107)	-	5,068	85
Equity securities	27	-	-	9	-	(1)	-	35	3
Other invested assets	587	18	1	(1)	-	-	-	605	19
Other assets	58	-	-	3	-	-	-	61	-
Total	$ 33,610	$ 717	$ 642	$ (1,351)	$ 1,299	$ (1,135)	$ -	$ 33,782	$ 107

(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	Divested Businesses	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	$ 1,539	$ -	$ 410	$ -	$ -	$ -	$ 6,065	$ (1,352)
Derivative liabilities, net:									
Interest rate contracts	15	3	-	(2)	-	-	-	16	(3)
Foreign exchange contracts	(5)	(10)	-	11	-	-	-	(4)	4
Equity contracts	(75)	(20)	-	(18)	-	-	-	(113)	32
Credit contracts	227	(27)	-	(27)	-	-	-	173	27
Other contracts	(9)	(33)	-	35	-	-	-	(7)	35
Total derivative liabilities, net[(b)]	153	(87)	-	(1)	-	-	-	65	95
Total	$ 4,269	$ 1,452	$ -	$ 409	$ -	$ -	$ -	$ 6,130	$ (1,257)

(a) As a result of the adoption of the Financial Instruments Credit Losses Standard on January 1, 2020, credit losses are included in net realized and unrealized (gains) losses included in income.

(b) 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 June 30, 2020				
Assets:				
Bonds available for sale*	**$ 182**	**$ 32**	**$ -**	**$ 214**
Other bond securities	**294**	**-**	**-**	**294**
Equity securities	**-**	**-**	**-**	**-**
Other invested assets	**(59)**	**-**	**-**	**(59)**
Six Months Ended June 30, 2020				
Assets:				
Bonds available for sale*	**$ 380**	**$ (72)**	**$ -**	**$ 308**
Other bond securities	**(168)**	**268**	**-**	**100**
Equity securities	**-**	**(1)**	**-**	**(1)**
Other invested assets	**(63)**	**-**	**-**	**(63)**
Three Months Ended June 30, 2019				
Assets:				
Bonds available for sale	$ 245	$ (22)	$ -	$ 223
Other bond securities	109	50	-	159
Other invested assets	18	-	-	18
Six Months Ended June 30, 2019				
Assets:				
Bonds available for sale	$ 487	$ (36)	$ -	$ 451
Other bond securities	196	52	-	248
Other invested assets	18	-	-	18

(in millions)	Net Investment Income	Net Realized Capital (Gains) Losses	Other Income	Total
Three Months Ended June 30, 2020				
Liabilities:				
Policyholder contract deposits	**$ -**	**$ 1,060**	**$ -**	**$ 1,060**
Derivative liabilities, net	**-**	**97**	**(14)**	**83**
Fortitude Re funds withheld payable	**-**	**837**	**-**	**837**
Six Months Ended June 30, 2020				
Liabilities:				
Policyholder contract deposits	**$ -**	**$ 2,231**	**$ -**	**$ 2,231**
Derivative liabilities, net	**-**	**(46)**	**(28)**	**(74)**
Fortitude Re funds withheld payable	**-**	**837**	**-**	**837**
Three Months Ended June 30, 2019				
Liabilities:				
Policyholder contract deposits	$ -	$ 970	$ -	$ 970
Derivative liabilities, net	-	(29)	(18)	(47)
Six Months Ended June 30, 2019				
Liabilities:				
Policyholder contract deposits	$ -	$ 1,539	$ -	$ 1,539
Derivative liabilities, net	-	(53)	(34)	(87)

* As a result of the adoption of the Financial Instruments Credit Losses Standard on January 1, 2020, credit losses are included in net realized capital gains (losses).

The following table presents the gross components of purchases, sales, issuances and settlements, net, shown above, for the three- and six-month periods ended June 30, 2020 and 2019 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 June 30, 2020				
Assets:				
Bonds available for sale:				
Obligations of states, municipalities and political subdivisions	$ 22	$ -	$ (2)	$ 20
Non-U.S. governments	5	-	-	5
Corporate debt	121	-	(8)	113
RMBS	365	-	(536)	(171)
CMBS	1	(5)	(12)	(16)
CDO/ABS	256	(3)	(145)	108
Total bonds available for sale	770	(8)	(703)	59
Other bond securities:				
RMBS	12	-	(7)	5
CMBS	-	-	(1)	(1)
CDO/ABS	-	-	(121)	(121)
Total other bond securities	12	-	(129)	(117)
Equity securities	-	-	-	-
Other invested assets	78	-	-	78
Other assets	55	-	(1)	54
Total assets	$ 915	$ (8)	$ (833)	$ 74
Liabilities:				
Policyholder contract deposits	$ -	$ 122	$ (102)	$ 20
Derivative liabilities, net	(9)	-	132	123
Other liabilities	-	-	-	-
Total liabilities	$ (9)	$ 122	$ 30	$ 143
Three Months Ended June 30, 2019				
Assets:				
Bonds available for sale:				
Obligations of states, municipalities and political subdivisions	$ 87	$ (1)	$ (24)	$ 62
Non-U.S. governments	-	-	-	-
Corporate debt	8	(1)	(106)	(99)
RMBS	300	-	(704)	(404)
CMBS	179	-	(29)	150
CDO/ABS	972	(154)	(714)	104
Total bonds available for sale	1,546	(156)	(1,577)	(187)
Other bond securities:				
RMBS	-	(437)	(42)	(479)
CMBS	14	-	-	14
CDO/ABS	-	-	(214)	(214)
Total other bond securities	14	(437)	(256)	(679)
Equity securities	9	-	-	9
Other invested assets	39	-	(44)	(5)
Other assets	-	-	2	2
Total assets	$ 1,608	$ (593)	$ (1,875)	$ (860)
Liabilities:				
Policyholder contract deposits	$ -	$ 203	$ 14	$ 217
Derivative liabilities, net	(9)	-	(11)	(20)
Total liabilities	$ (9)	$ 203	$ 3	$ 197

(in millions)	Purchases	Sales	Issuances and Settlements[a]	Purchases, Sales, Issuances and Settlements, Net[a]
Six Months Ended June 30, 2020				
Assets:				
Bonds available for sale:				
Obligations of states, municipalities and political subdivisions	$ 167	$ (2)	$ (8)	$ 157
Non-U.S. governments	5	-	-	5
Corporate debt	233	(5)	(108)	120
RMBS	701	-	(1,095)	(394)
CMBS	54	(7)	(19)	28
CDO/ABS	481	(25)	(301)	155
Total bonds available for sale	1,641	(39)	(1,531)	71
Other bond securities:				
RMBS	37	-	(12)	25
CMBS	-	-	(2)	(2)
CDO/ABS	35	(579)	(571)	(1,115)
Total other bond securities	72	(579)	(585)	(1,092)
Equity securities	10	-	-	10
Other invested assets	252	-	(45)	207
Other assets	55	-	4	59
Total assets	$ 2,030	$ (618)	$ (2,157)	$ (745)
Liabilities:				
Policyholder contract deposits	$ -	$ 344	$ (252)	$ 92
Derivative liabilities, net	(24)	8	180	164
Other liabilities	-	-	-	-
Total liabilities	$ (24)	$ 352	$ (72)	$ 256
Six Months Ended June 30, 2019				
Assets:				
Bonds available for sale:				
Obligations of states, municipalities and political subdivisions	$ 134	$ (16)	$ (32)	$ 86
Non-U.S. governments	-	-	(4)	(4)
Corporate debt	57	(1)	(121)	(65)
RMBS	607	(26)	(1,397)	(816)
CMBS	363	-	(67)	296
CDO/ABS	1,170	(310)	(801)	59
Total bonds available for sale	2,331	(353)	(2,422)	(444)
Other bond securities:				
RMBS	-	(437)	(83)	(520)
CMBS	18	-	(1)	17
CDO/ABS	-	-	(415)	(415)
Total other bond securities	18	(437)	(499)	(918)
Equity securities	9	-	-	9
Other invested assets	43	-	(44)	(1)
Other assets	-	-	3	3
Total assets	$ 2,401	$ (790)	$ (2,962)	$ (1,351)
Liabilities:				
Policyholder contract deposits	$ -	$ 376	$ 34	$ 410
Derivative liabilities, net	(22)	-	21	(1)
Total liabilities	$ (22)	$ 376	$ 55	$ 409

(a) There were no issuances during the three- and six-month periods ended June 30, 2020 and 2019.

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 June 30, 2020 and 2019 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

The Net realized and unrealized gains (losses) included in income (loss) or Other comprehensive income (loss) as shown in the table above excludes $28 million and $(128) million of net gains (losses) related to assets and liabilities transferred into Level 3 during the three- and six-month periods ended June 30, 2020, respectively, and includes $24 million and $(31) million of net gains (losses) related to assets and liabilities transferred out of Level 3 during the three- and six-month periods ended June 30, 2020, respectively.

The Net realized and unrealized gains (losses) included in income (loss) or Other comprehensive income (loss) as shown in the table above excludes $15 million and $(40) million of net gains (losses) related to assets and liabilities transferred into Level 3 during the three- and six-month periods ended June 30, 2019, respectively, and includes $5 million and $4 million of net gains related to assets and liabilities transferred out of Level 3 during the three- and six-month periods ended June 30, 2019, respectively.

Transfers of Level 3 Assets

During the three- and six-month periods ended June 30, 2020 and 2019, 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 diminished market transparency and liquidity for individual security types.

During the three- and six-month periods ended June 30, 2020 and 2019, 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- and six-month periods ended June 30, 2020 and 2019.

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 June 30, 2020	Valuation Technique	Unobservable Input[b]	Range (Weighted Average)[c]
Assets:				
Obligations of states, municipalities and political subdivisions	$ 1,781	Discounted cash flow	Yield	2.80% - 3.43% (3.11%)
Corporate debt	1,374	Discounted cash flow	Yield	2.53% - 6.74% (4.64%)
RMBS[a]	11,777	Discounted cash flow	Constant prepayment rate	3.75% - 11.92% (7.84%)
			Loss severity	29.12% - 76.16% (52.64%)
			Constant default rate	1.27% - 6.11% (3.69%)
			Yield	2.17% - 5.13% (3.65%)
CDO/ABS[a]	8,926	Discounted cash flow	Yield	2.30% - 6.49% (4.40%)
CMBS	576	Discounted cash flow	Yield	1.34% - 4.92% (3.13%)
Liabilities:				
Embedded derivatives within Policyholder contract deposits:				
Guaranteed minimum withdrawal benefits (GMWB)	4,257	Discounted cash flow	Equity volatility	6.35% - 50.45%
			Base lapse rate	0.16% - 12.60%
			Dynamic lapse multiplier	50.00% - 143.00%
			Mortality multiplier[d]	38.00% - 147.00%
			Utilization	90.00% - 100.00%
			Equity / interest rate correlation	20.00% - 40.00%
			NPA[e]	0.19% - 2.34%
Index annuities	4,396	Discounted cash flow	Lapse rate	0.31% - 50.00%
			Mortality multiplier[d]	24.00% - 180.00%
			Option budget	0.00% - 4.00%
			NPA[e]	0.19% - 2.34%
Indexed life	552	Discounted cash flow	Base lapse rate	0.00% - 37.97%
			Mortality rate	0.00% - 100.00%
			NPA[e]	0.19% - 2.34%

(in millions)	Fair Value at December 31, 2019	Valuation Technique	Unobservable Input[b]	Range (Weighted Average)[c]
Assets:				
Obligations of states, municipalities and political subdivisions	$ 1,633	Discounted cash flow	Yield	3.35% - 3.95% (3.65%)
Corporate debt	1,087	Discounted cash flow	Yield	3.48% - 6.22% (4.85%)
RMBS[a]	11,746	Discounted cash flow	Constant prepayment rate	4.00% - 12.89% (8.44%)
			Loss severity	33.68% - 76.91% (55.29%)
			Constant default rate	1.68% - 6.17% (3.93%)
			Yield	2.52% - 4.53% (3.52%)
CDO/ABS[a]	6,025	Discounted cash flow	Yield	2.92% - 4.91% (3.91%)
CMBS	476	Discounted cash flow	Yield	2.77% - 5.18% (3.97%)
Liabilities:				
Embedded derivatives within Policyholder contract deposits:				
GMWB	2,474	Discounted cash flow	Equity volatility	6.15% - 48.85%
			Base lapse rate	0.16% - 12.60%
			Dynamic lapse multiplier	50.00% - 143.00%
			Mortality multiplier[d]	38.00% - 147.00%
			Utilization	90.00% - 100.00%
			Equity / interest rate correlation	20.00% - 40.00%
			NPA[e]	0.12% - 1.53%
Index annuities	3,895	Discounted cash flow	Lapse rate	0.31% - 50.00%
			Mortality multiplier[d]	24.00% - 180.00%
			Option budget	1.00% - 4.00%
			NPA[e]	0.12% - 1.53%
Indexed life	510	Discounted cash flow	Base lapse rate	0.00% - 37.97%
			Mortality rate	0.00% - 100.00%
			NPA[e]	0.12% - 1.53%

(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) The weighted averaging for fixed maturity securities is based on the estimated fair value of the securities. Because the valuation methodology for embedded derivatives within Policyholder contract deposits uses a range of inputs that vary at the contract level over the cash flow projection period, management believes that presenting a range, rather than weighted average, is a more meaningful representation of the unobservable inputs used in the valuation.

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

(e) The non-performance risk adjustment (NPA) applied as a spread over risk-free curve for discounting.

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.

Interrelationships between 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 significant unobservable inputs along with interrelationships between and among the significant unobservable inputs and their impact on the fair value measurements. 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.

Fixed Maturity Securities

The significant unobservable input used in the fair value measurement of fixed maturity securities is yield. The yield is affected by the market movements in credit spreads and U.S. Treasury yields. The yield may be affected by other factors including constant prepayment rates, loss severity, and constant default rates. In general, increases in the yield would decrease the fair value of investments, and conversely, decreases in the yield would increase the fair value of investments.

Embedded derivatives within Policyholder contract deposits

Embedded derivatives reported within Policyholder contract deposits include interest crediting rates based on market indices within index annuities, indexed life, and GICs as well as GMWB within variable annuity and certain index annuity products. 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.

Embedded derivatives within reinsurance contracts

The fair value of embedded derivatives associated with funds withheld reinsurance contracts is determined based upon a total return swap technique with reference to the fair value of the investments held by AIG related to AIG's funds withheld payable. The fair value of the underlying assets is generally based on market observable inputs using industry standard valuation techniques. The valuation also requires certain significant inputs, which are generally not observable and accordingly, the valuation is considered Level 3 in the fair value hierarchy.

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.

		June 30, 2020		December 31, 2019	
(in millions)	Investment Category Includes	Fair Value Using NAV Per Share (or its equivalent)	Unfunded Commitments	Fair Value Using NAV Per Share (or its equivalent)	Unfunded Commitments
Investment Category					
Private equity funds:					
Leveraged buyout	Debt and/or equity investments made as part of a transaction in which assets of mature companies are acquired from the current shareholders, typically with the use of financial leverage	$ 1,209	$ 1,489	$ 1,189	$ 1,543
Real Estate / Infrastructure	Investments in real estate properties and infrastructure positions, including power plants and other energy generating facilities	395	445	400	290
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	129	161	111	155
Growth Equity	Funds that make investments in established companies for the purpose of growing their businesses	450	82	422	57
Mezzanine	Funds that make investments in the junior debt and equity securities of leveraged companies	412	302	325	414
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	785	174	773	206
Total private equity funds		3,380	2,653	3,220	2,665
Hedge funds:					
Event-driven	Securities of companies undergoing material structural changes, including mergers, acquisitions and other reorganizations	304	-	727	-
Long-short	Securities that the manager believes are undervalued, with corresponding short positions to hedge market risk	414	-	539	-
Macro	Investments that take long and short positions in financial instruments based on a top-down view of certain economic and capital market conditions	737	-	894	-
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	154	1	169	1
Total hedge funds		1,609	1	2,329	1
Total		$ 4,989	$ 2,654	$ 5,549	$ 2,666

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.

The hedge fund investments included above, which are carried at fair value, are generally redeemable subject to the redemption notices period. The majority of our hedge fund investments are redeemable monthly or quarterly.

FAIR VALUE OPTION

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

	Gain (Loss) Three Months Ended June 30,		Gain (Loss) Six Months Ended June 30,	
(in millions)	**2020**	2019	**2020**	2019
Assets:				
Bonds	**$ 374**	$ 283	**$ 314**	$ 638
Alternative investments[a]	**(26)**	151	**(165)**	381
Liabilities:				
Long-term debt[b]	**(18)**	(93)	**(221)**	(153)
Total gain (loss)	**$ 330**	$ 341	**$ (72)**	$ 866

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

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

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 value and the aggregate contractual principal amount of long-term debt for which the fair value option was elected:

	June 30, 2020			December 31, 2019		
(in millions)	Fair Value	Outstanding Principal Amount	Difference	Fair Value	Outstanding Principal Amount	Difference
Liabilities:						
Long-term debt*	**$ 2,181**	**$ 1,445**	**$ 736**	$ 2,062	$ 1,502	$ 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				Impairment Charges			
	Non-Recurring Basis				Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	Level 1	Level 2	Level 3	Total	**2020**	2019	**2020**	2019
June 30, 2020								
Other investments	**$ -**	**$ -**	**$ 160**	**$ 160**	**$ 37**	$ 17	**$ 48**	$ 58
Other assets	**-**	**-**	**-**	**-**	**-**	9	**12**	17
Total	**$ -**	**$ -**	**$ 160**	**$ 160**	**$ 37**	$ 26	**$ 60**	$ 75
December 31, 2019								
Other investments	$ -	$ -	$ 329	$ 329				
Other assets	-	-	1	1				
Total	$ -	$ -	$ 330	$ 330				

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
June 30, 2020					
Assets:					
Mortgage and other loans receivable	$ -	$ 100	$ 48,696	$ 48,796	$ 46,522
Other invested assets	-	761	125	886	886
Short-term investments	-	14,928	-	14,928	14,928
Cash	3,408	-	-	3,408	3,408
Other assets	188	59	-	247	247
Liabilities:					
Policyholder contract deposits associated with investment-type contracts	-	234	139,805	140,039	127,344
Fortitude Re funds withheld payable	-	-	37,523	37,523	37,523
Other liabilities	-	3,086	-	3,086	3,086
Long-term debt and debt of consolidated investment entities	-	31,467	9,045	40,512	37,099
Separate account liabilities - investment contracts	-	84,443	-	84,443	84,443
December 31, 2019					
Assets:					
Mortgage and other loans receivable	$ -	$ 101	$ 48,904	$ 49,005	$ 46,984
Other invested assets	-	735	6	741	742
Short-term investments	-	7,887	-	7,887	7,887
Cash	2,856	-	-	2,856	2,856
Other assets	291	20	-	311	311
Liabilities:					
Policyholder contract deposits associated with investment-type contracts	-	255	132,991	133,246	126,137
Other liabilities	15	3,048	-	3,063	3,063
Long-term debt and debt of consolidated investment entities	-	27,024	8,883	35,907	33,288
Separate account liabilities - investment contracts	-	88,770	-	88,770	88,770

5. Investments

FIXED MATURITY SECURITIES

Subsequent to the adoption of the Financial Instruments Credit Losses Standard on January 1, 2020

Bonds held to maturity are carried at amortized cost when we have the ability and positive intent to hold these securities until maturity. When we do not have the ability or positive intent to hold bonds until maturity, these securities are classified as available for sale or are measured at fair value at our election.

Unrealized gains and losses from available for sale investments in fixed maturity securities carried at fair value were reported as a separate component of AOCI, net of policy related amounts and deferred income taxes, in shareholders' equity. Realized and unrealized gains and losses from fixed maturity securities measured at fair value at our election are reflected in Net investment income. Investments in fixed maturity securities are recorded on a trade-date basis.

Interest income is recognized using the effective yield method and reflects amortization of premium and accretion of discount. Premiums and discounts arising from the purchase of bonds classified as available for sale are treated as yield adjustments over their estimated holding periods, until maturity, or call date, if applicable. For investments in certain structured securities, recognized yields are updated based on current information regarding the timing and amount of expected undiscounted future cash flows. For high credit quality structured securities, effective yields are recalculated based on actual payments received and updated prepayment expectations, and the amortized cost is adjusted to the amount that would have existed had the new effective yield been applied since acquisition with a corresponding charge or credit to net investment income. For structured securities that are not high credit quality, the structured securities yields are based on expected cash flows which take into account both expected credit losses and prepayments.

An allowance for credit losses is not established upon initial recognition of the asset (unless the security is determined to be a PCD asset which is discussed in more detail below). Subsequently, differences between actual and expected cash flows and changes in expected cash flows are recognized as adjustments to the allowance for credit losses. Changes that cannot be reflected as adjustments to the allowance for credit losses are accounted for as prospective adjustments to yield.

Prior to the adoption of the Financial Instruments Credit Losses Standard on January 1, 2020

Premiums and discounts arising from the purchase of bonds classified as available for sale are treated as yield adjustments over their estimated holding periods, until maturity, or call date, if applicable. For investments in certain RMBS, CMBS and CDO/ABS, (collectively, structured securities), recognized yields are updated based on current information regarding the timing and amount of expected undiscounted future cash flows. For high credit quality structured securities, effective yields are recalculated based on actual payments received and updated prepayment expectations, and the amortized cost is adjusted to the amount that would have existed had the new effective yield been applied since acquisition with a corresponding charge or credit to net investment income. For structured securities that are not high credit quality, effective yields are recalculated and adjusted prospectively based on changes in expected undiscounted future cash flows. For purchased credit impaired (PCI) securities, at acquisition, the difference between the undiscounted expected future cash flows and the recorded investment in the securities represents the initial accretable yield, which is to be accreted into net investment income over the securities' remaining lives on an effective level-yield basis. Subsequently, effective yields recognized on PCI securities are recalculated and adjusted prospectively to reflect changes in the contractual benchmark interest rates on variable rate securities and any significant increases in undiscounted expected future cash flows arising due to reasons other than interest rate changes.

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	Allowance for Credit Losses[a]	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
June 30, 2020					
Bonds available for sale:					
U.S. government and government sponsored entities	$ 3,940	$ -	$ 878	$ (16)	$ 4,802
Obligations of states, municipalities and political subdivisions	13,934	-	2,082	(20)	15,996
Non-U.S. governments	13,757	(17)	971	(103)	14,608
Corporate debt	142,616	(145)	15,872	(1,578)	156,765
Mortgage-backed, asset-backed and collateralized:					
RMBS	30,453	(36)	2,846	(151)	33,112
CMBS	14,294	-	841	(136)	14,999
CDO/ABS	18,351	-	296	(424)	18,223
Total mortgage-backed, asset-backed and collateralized	63,098	(36)	3,983	(711)	66,334
Total bonds available for sale[c]	$ 237,345	$ (198)	$ 23,786	$ (2,428)	$ 258,505

(in millions)	Amortized Cost or Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Other-Than-Temporary Impairments in AOCI[b]
December 31, 2019					
Bonds available for sale:					
U.S. government and government sponsored entities	$ 5,108	$ 316	$ (44)	$ 5,380	$ -
Obligations of states, municipalities and political subdivisions	13,960	1,390	(32)	15,318	-
Non-U.S. governments	14,042	884	(57)	14,869	(18)
Corporate debt	138,046	12,090	(500)	149,636	7
Mortgage-backed, asset-backed and collateralized:					
RMBS	29,802	3,067	(64)	32,805	1,149
CMBS	13,879	576	(25)	14,430	34
CDO/ABS	18,393	348	(93)	18,648	14
Total mortgage-backed, asset-backed and collateralized	62,074	3,991	(182)	65,883	1,197
Total bonds available for sale[c]	$ 233,230	$ 18,671	$ (815)	$ 251,086	$ 1,186

(a) Represents the allowance for credit losses that has been recognized. Changes in the allowance for credit losses are recorded through the statements of income and are not recognized in other comprehensive income.

(b) Represents the amount of other-than-temporary impairments recognized in Accumulated other comprehensive income (AOCI). 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.

(c) At June 30, 2020 and December 31, 2019, bonds available for sale held by us that were below investment grade or not rated totaled $27.0 billion and $27.8 billion, respectively.

Securities Available for Sale in a Loss Position for Which No Allowance for Credit Loss Has Been Recorded

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 for which no allowance for credit loss has been recorded:

	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
June 30, 2020						
Bonds available for sale:						
U.S. government and government sponsored entities	$ 129	$ 16	$ -	$ -	$ 129	$ 16
Obligations of states, municipalities and political subdivisions	337	14	112	6	449	20
Non-U.S. governments	1,649	52	207	47	1,856	99
Corporate debt	22,363	1,109	1,083	222	23,446	1,331
RMBS	3,927	77	256	26	4,183	103
CMBS	2,588	128	98	8	2,686	136
CDO/ABS	8,171	288	3,086	136	11,257	424
Total bonds available for sale	$ 39,164	$ 1,684	$ 4,842	$ 445	$ 44,006	$ 2,129

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
December 31, 2019						
Bonds available for sale:						
U.S. government and government sponsored entities	$ 1,461	$ 44	$ 63	$ -	$ 1,524	$ 44
Obligations of states, municipalities and political subdivisions	672	21	246	11	918	32
Non-U.S. governments	1,105	12	343	45	1,448	57
Corporate debt	11,868	319	2,405	181	14,273	500
RMBS	3,428	28	1,367	36	4,795	64
CMBS	1,877	16	367	9	2,244	25
CDO/ABS	3,920	53	2,571	40	6,491	93
Total bonds available for sale	$ 24,331	$ 493	$ 7,362	$ 322	$ 31,693	$ 815

At June 30, 2020, we held 8,189 individual fixed maturity securities that were in an unrealized loss position and for which no allowance for credit losses has been recorded (including 967 individual fixed maturity securities that were in a continuous unrealized loss position for 12 months or more). At December 31, 2019, we held 5,695 individual fixed maturity securities that were in an unrealized loss position, of which 1,254 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 June 30, 2020 because it was determined that such losses were due to non-credit factors. Additionally, 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, liquidity position, expected defaults, industry and sector analysis, forecasts and 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	
(in millions)	Amortized Cost, Net of Allowance	Fair Value
June 30, 2020		
Due in one year or less	$ 10,776	$ 10,903
Due after one year through five years	41,602	42,617
Due after five years through ten years	40,483	43,482
Due after ten years	81,224	95,169
Mortgage-backed, asset-backed and collateralized	63,062	66,334
Total	$ 237,147	$ 258,505

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 June 30,				Six Months Ended June 30,			
	2020		2019		2020		2019	
(in millions)	Gross Realized Gains	Gross Realized Losses	Gross Realized Gains	Gross Realized Losses	Gross Realized Gains	Gross Realized Losses	Gross Realized Gains	Gross Realized Losses
Fixed maturity securities	$ 541	$ 392	$ 173	$ 86	$ 921	$ 558	$ 266	$ 210

For the three- and six-month periods ended June 30, 2020, the aggregate fair value of available for sale securities sold was $6.7 billion and $13.9 billion, respectively, which resulted in net realized capital gains (losses) of $149 million and $363 million, respectively. Included within the net realized capital gains (losses) are $122 million of realized capital gains for the three- and six-month periods ended June 30, 2020, which relate to the Fortitude Re funds withheld assets held by AIG in support of Fortitude Re's reinsurance obligations to AIG (Fortitude Re funds withheld assets) for the period after deconsolidation of Fortitude Re. These realized capital gains are included in Net realized capital gains (losses) on Fortitude Re funds withheld assets.

For the three- and six-month periods ended June 30, 2019, the aggregate fair value of available for sale securities sold was $6.4 billion and $12.8 billion, respectively, which resulted in net realized capital gains of $87 million and $56 million, respectively.

OTHER SECURITIES MEASURED AT FAIR VALUE

The following table presents the fair value of fixed maturity securities measured at fair value based on our election of the fair value option and equity securities measured at fair value:

	June 30, 2020		December 31, 2019	
(in millions)	Fair Value	Percent of Total	Fair Value	Percent of Total
Fixed maturity securities:				
U.S. government and government sponsored entities	$ 1,912	31 %	$ 2,121	28 %
Corporate debt	11	-	18	-
Mortgage-backed, asset-backed and collateralized:				
RMBS	510	9	489	7
CMBS	303	5	322	4
CDO/ABS and other collateralized	2,701	44	3,732	50
Total mortgage-backed, asset-backed and collateralized	3,514	58	4,543	61
Total fixed maturity securities	5,437	89	6,682	89
Equity securities	679	11	841	11
Total	$ 6,116	100 %	$ 7,523	100 %

OTHER INVESTED ASSETS

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

(in millions)	June 30, 2020	December 31, 2019
Alternative investments[(a) (b)]	$ 7,987	$ 8,845
Investment real estate[(c)]	8,164	8,491
All other investments[(d)]	1,541	1,456
Total	$ 17,692	$ 18,792

(a) At June 30, 2020, included hedge funds of $2.2 billion, private equity funds of $5.5 billion and affordable housing partnerships of $279 million. At December 31, 2019, included hedge funds of $3.3 billion, private equity funds of $5.2 billion and affordable housing partnerships of $331 million.

(b) At June 30, 2020, approximately 77 percent of our hedge fund portfolio is available for redemption in 2020. The remaining 23 percent will be available for redemption between 2021 and 2027.

(c) Net of accumulated depreciation of $749 million and $703 million at June 30, 2020 and December 31, 2019, respectively.

(d) Includes AIG's 3.5 percent ownership interest in Fortitude Holdings which is recorded using the measurement alternative for equity securities and is carried at cost, which was $100 million as of June 30, 2020.

NET INVESTMENT INCOME

The following table presents the components of Net investment income:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2020	2019	2020	2019
Available for sale fixed maturity securities, including short-term investments	$ 2,588	$ 2,701	$ 5,197	$ 5,354
Other fixed maturity securities[(a)]	374	281	314	608
Equity securities	56	(22)	(135)	57
Interest on mortgage and other loans	498	518	1,011	1,016
Alternative investments[(b)]	(73)	345	(132)	764
Real estate	61	62	120	131
Other investments[(c)]	1	(8)	(214)	(60)
Total investment income	3,505	3,877	6,161	7,870
Investment expenses	139	132	287	246
Net investment income[(d)]	$ 3,366	$ 3,745	$ 5,874	$ 7,624

(a) Included in the three- and six-month periods ended June 30, 2020 were income of $29 million and $198 million, respectively, related to fixed maturity securities measured at fair value that economically hedge liabilities described in (c) below. Included in the three- and six-month periods ended June 30, 2019 were income of $21 million and $49 million, respectively, for fixed maturity securities measured at fair value through income that economically hedge liabilities as described in (c) below.

(b) Included 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.

(c) Included in the three- and six-month periods ended June 30, 2020 were losses of $13 million and $215 million, respectively, related to liabilities measured at fair value that are economically hedged with fixed maturity securities as described in (a) above. Included in the three- and six-month periods ended June 30, 2019 were losses of $31 million and $46 million, respectively, related to liabilities measured at fair value that are economically hedged with fixed maturity securities as described in (a) above.

(d) Included in both the three- and six-month periods ended June 30, 2020 was $116 million of Net investment income from Fortitude Re funds withheld assets. *For additional information on the Fortitude Re transaction, see Note 7 to the Condensed Consolidated Financial Statements*

NET REALIZED CAPITAL GAINS AND LOSSES

Net realized capital gains and losses are determined by specific identification. The net realized capital gains and losses are generated primarily from the following sources:

- Sales or full redemptions of available for sale fixed maturity securities, real estate and other alternative investments.
- Reductions to the amortized cost basis of available for sale fixed maturity securities that have been written down due to our intent to sell them or it being more likely than not that we will be required to sell them.
- Changes in the allowance for credit losses on bonds available for sale, mortgage and other loans receivable, and loans commitments.
- Changes in fair value of derivatives except for those instruments that are designated as hedging instruments when the change in the fair value of the hedged item is not reported in Net realized capital gains (losses).
- Foreign exchange gains and losses resulting from foreign currency transactions.
- Changes in fair value of the embedded derivative related to the Fortitude Re funds withheld assets.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2020**	2019	**2020**	2019
Sales of fixed maturity securities	**$ 27**	$ 87	**$ 241**	$ 56
Other-than-temporary impairments	**-**	(30)	**-**	(113)
Change in intent[(a)]	**(3)**	-	**(3)**	-
Change in allowance for credit losses on fixed maturity securities[(b)]	**(24)**	-	**(222)**	-
Change in allowance for credit losses on loans[(b)]	**(22)**	14	**(60)**	(10)
Foreign exchange transactions	**44**	(2)	**(210)**	(39)
Variable annuity embedded derivatives, net of related hedges	**(1,010)**	(40)	**1,182**	(301)
All other derivatives and hedge accounting	**(568)**	207	**991**	135
Fortitude Re funds withheld assets[(b)]	**(741)**	-	**(741)**	-
Other	**(35)**	168	**9**	230
Net realized capital gains (losses)	**$ (2,332)**	$ 404	**$ 1,187**	$ (42)

(a) For the three- and six-month periods ended June 30, 2019, the change in intent was included in Other-than-temporary impairments.

(b) The change in allowance for credit losses on fixed maturity securities excludes increases in the allowance of $5 million for the three- and six-month periods ended June 30, 2020, and the change in allowance for credit losses on loans excludes decreases in the allowance of $3 million for the three- and six-month periods ended June 30, 2020, which are reported in the Fortitude Re funds withheld assets line as these changes in the allowance relate to Fortitude Re funds withheld assets. *For additional information on the Fortitude Re transaction, see Note 7 to the Condensed Consolidated Financial Statements.*

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 June 30,		Six Months Ended June 30,	
(in millions)	**2020**	2019	**2020**	2019
Increase (decrease) in unrealized appreciation (depreciation) of investments:				
Fixed maturity securities	**$ 13,957**	$ 5,906	**$ 3,502**	$ 11,888
Other investments	**-**	1	**-**	(68)
Total increase (decrease) in unrealized appreciation (depreciation) of investments	**$ 13,957**	$ 5,907	**$ 3,502**	$ 11,820

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:

Three Months Ended June 30,	**2020**			2019		
(in millions)	Equities	Other Invested Assets	Total	Equities	Other Invested Assets	Total
Net gains and losses recognized during the period on equity securities	**$ 56**	**$ (71)**	**$ (15)**	$ (22)	$ 271	$ 249
Less: Net gains and losses recognized during the period on equity securities sold during the period	**5**	**13**	**18**	(7)	146	139
Unrealized gains and losses recognized during the reporting period on equity securities still held at the reporting date	**$ 51**	**$ (84)**	**$ (33)**	$ (15)	$ 125	$ 110

Six Months Ended June 30,	**2020**			2019		
(in millions)	Equities	Other Invested Assets	Total	Equities	Other Invested Assets	Total
Net gains and losses recognized during the period on equity securities	**$ (135)**	**$ (200)**	**$ (335)**	$ 57	$ 510	$ 567
Less: Net gains and losses recognized during the period on equity securities sold during the period	**17**	**15**	**32**	12	156	168
Unrealized gains and losses recognized during the reporting period on equity securities still held at the reporting date	**$ (152)**	**$ (215)**	**$ (367)**	$ 45	$ 354	$ 399

EVALUATING INVESTMENTS FOR AN ALLOWANCE FOR CREDIT LOSSES/OTHER-THAN-TEMPORARY IMPAIRMENTS

Fixed Maturity Securities

Subsequent to the adoption of the Financial Instruments Credit Losses Standard on January 1, 2020

If we intend to sell a fixed maturity security or it is more likely than not that we will be required to sell a fixed maturity security before recovery of its amortized cost basis and the fair value of the security is below amortized cost, an impairment has occurred and the amortized cost is written down to current fair value, with a corresponding charge to realized capital losses. No allowance is established in these situations and any previously recorded allowance is reversed. The new cost basis is not adjusted for subsequent increases in estimated fair value. When assessing our intent to sell a fixed maturity security, or whether it is more likely than not that we will be required to sell a fixed maturity security before recovery of its amortized cost basis, management evaluates relevant facts and circumstances including, but not limited to, decisions to reposition our investment portfolio, sales of securities to meet cash flow needs and sales of securities to take advantage of favorable pricing.

For fixed maturity securities for which a decline in the fair value below the amortized cost is due to credit related factors, an allowance is established for the difference between the estimated recoverable value and amortized cost with a corresponding charge to realized capital losses. The allowance for credit losses is limited to the difference between amortized cost and fair value. The estimated recoverable value is the present value of cash flows expected to be collected, as determined by management. The difference between fair value and amortized cost that is not associated with credit related factors is presented in unrealized appreciation (depreciation) of fixed maturity securities on which an allowance for credit losses were recognized (a separate component of accumulated other comprehensive income). Accrued interest is excluded from the measurement of the allowance for credit losses.

When estimating future cash flows for structured fixed maturity securities (e.g., RMBS, CMBS, CDO, ABS) management considers the historical performance of underlying assets and available market information as well as bond-specific structural considerations, such as credit enhancement and the priority of payment structure of the security. In addition, the process of estimating future cash flows includes, but is not limited to, the following critical inputs, which vary by asset class:

- Current delinquency rates;
- Expected default rates and the timing of such defaults;
- Loss severity and the timing of any recovery; and
- Expected prepayment speeds.

When estimating future cash flows for corporate, municipal and sovereign fixed maturity securities determined to be credit impaired, management considers:

- Expected default rates and the timing of such defaults;
- Loss severity and the timing of any recovery; and
- Scenarios specific to the issuer and the security, which may also include estimates of outcomes of corporate restructurings, political and macroeconomic factors, stability and financial strength of the issuer, the value of any secondary sources of repayment and the disposition of assets.

We consider severe price declines in our assessment of potential credit impairments. We may also modify our model inputs when we determine that price movements in certain sectors are indicative of factors not captured by the cash flow models.

Credit losses are reassessed each period. The allowance for credit losses and the corresponding charge to realized capital losses can be reversed if conditions change, however, the allowance for credit losses will never be reduced below zero. When we determine that all or a portion of a fixed maturity security is uncollectable, the uncollectable amortized cost amount is written off with a corresponding reduction to the allowance for credit losses. If we collect cash flows that were previously written off the recovery is recognized by decreasing realized capital losses.

Prior to the adoption of the Financial Instruments Credit Losses Standard on January 1, 2020

If we intend to sell a fixed maturity security or it is more likely than not that we will be required to sell a fixed maturity security before recovery of its amortized cost basis and the fair value of the security is below amortized cost, an other-than-temporary impairment has occurred and the amortized cost is written down to current fair value, with a corresponding charge to realized capital losses. When assessing our intent to sell a fixed maturity security, or whether it is more likely than not that we will be required to sell a fixed maturity security before recovery of its amortized cost basis, management evaluates relevant facts and circumstances including, but not limited to, decisions to reposition our investment portfolio, sales of securities to meet cash flow needs and sales of securities to take advantage of favorable pricing.

For fixed maturity securities for which a credit impairment has occurred, the amortized cost is written down to the estimated recoverable value with a corresponding charge to realized capital losses. The estimated recoverable value is the present value of cash flows expected to be collected, as determined by management. The difference between fair value and amortized cost that is not related to a credit impairment is presented in unrealized appreciation (depreciation) of fixed maturity securities on which other-than-temporary credit impairments were recognized (a separate component of accumulated other comprehensive income).

We consider severe price declines in our assessment of potential credit impairments. We may also modify our model inputs when we determine that price movements in certain sectors are indicative of factors not captured by the cash flow models.

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 prospectively accrete into earnings the difference between the new amortized cost and the expected undiscounted recoverable value over the remaining expected holding period of the security.

Credit Impairments

The following table presents a rollforward of the changes in allowance for credit losses on available for sale fixed maturity securities by major investment category:

	Three Months Ended June 30, 2020			Six Months Ended June 30, 2020		
(in millions)	Structured	Non-Structured	Total	Structured	Non-Structured	Total
Balance, beginning of period*	$ 37	$ 174	**$ 211**	$ 7	$ -	**$ 7**
Additions:						
Securities for which allowance for credit losses were not previously recorded	11	82	**93**	35	256	**291**
Purchases of available for sale debt securities accounted for as purchased credit deteriorated assets	20	-	**20**	26	-	**26**
Accretion of available for sale debt securities accounted for as purchased credit deteriorated assets	1	-	**1**	1	-	**1**
Reductions:						
Securities sold during the period	(1)	(5)	**(6)**	(1)	(5)	**(6)**
Intent to sell security or more likely than not will be required to sell the security before recovery of its amortized cost basis	-	-	**-**	-	-	**-**
Additional net increases or decreases to the allowance for credit losses on securities that had an allowance recorded in a previous period, for which there was no intent to sell before recovery amortized cost basis	(31)	(33)	**(64)**	(31)	(33)	**(64)**
Write-offs charged against the allowance	-	(57)	**(57)**	-	(57)	**(57)**
Recoveries of amounts previously written off	-	-	**-**	-	-	**-**
Other	-	-	**-**	-	-	**-**
Balance, end of period	$ 37	$ 161	**$ 198**	$ 37	$ 161	**$ 198**

* The beginning balance incorporates the Day 1 gross up on PCD assets held as of January 1, 2020.

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:

(in millions)	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Balance, beginning of period	$ 53	$ -
Increases due to:		
Credit impairments on new securities subject to impairment losses	27	95
Additional credit impairments on previously impaired securities	-	6
Reductions due to:		
Credit impaired securities fully disposed for which there was no prior intent or requirement to sell	(38)	(59)
Accretion on securities previously impaired due to credit*	(8)	(8)
Balance, end of period	$ 34	$ 34

* 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 Deteriorated/Impaired Securities

Subsequent to the adoption of the Financial Instruments Credit Losses Standard on January 1, 2020

We purchase certain RMBS securities that have experienced more-than-insignificant deterioration in credit quality since origination. Subsequent to the adoption of the Financial Instruments Credit Losses Standard these are referred to as PCD assets. At the time of purchase an allowance is recognized for these PCD assets by adding it to the purchase price to arrive at the initial amortized cost. There is no credit loss expense recognized upon acquisition of a PCD asset. When determining the initial allowance for credit losses, management considers the historical performance of underlying assets and available market information as well as bond-specific structural considerations, such as credit enhancement and the priority of payment structure of the security. In addition, the process of estimating future cash flows includes, but is not limited to, the following critical inputs:

- Current delinquency rates;
- Expected default rates and the timing of such defaults;
- Loss severity and the timing of any recovery; and
- Expected prepayment speeds.

Subsequent to the acquisition date, the PCD assets follow the same accounting as other structured securities that are not high credit quality.

During the three- and six-month periods ended June 30, 2020, we purchased certain securities which had more than insignificant credit deterioration since their origination. These PCD securities are held in the portfolio of bonds available for sale in their natural classes at June 30, 2020.

The following table presents a reconciliation of the purchase price to the unpaid principal balance at the acquisition date of the PCD securities that were purchased with credit deterioration during the six-month period ended June 30, 2020:

(in millions)	June 30, 2020
Unpaid principal balance	$ 644
Allowance for expected credit losses at acquisition	(26)
Purchase (discount) premium	(149)
Purchase price	$ 469

Prior to the adoption of the Financial Instruments Credit Losses Standard on January 1, 2020

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 as of December 31, 2019:

(in millions)	At Date of Acquisition
Contractually required payments (principal and interest)	$ 35,139
Cash flows expected to be collected*	28,720
Recorded investment in acquired securities	19,382

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

(in millions)	December 31, 2019
Outstanding principal balance	$ 10,476
Amortized cost	6,970
Fair value	8,664

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

(in millions)	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Balance, beginning of period	$ 6,801	$ 7,210
Newly purchased PCI securities	1	13
Accretion	(151)	(323)
Effect of changes in interest rate indices	(266)	(400)
Net reclassification from (to) non-accretable difference, including effects of prepayments	17	(98)
Balance, end of period	$ 6,402	$ 6,402

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)	June 30, 2020	December 31, 2019
Fixed maturity securities available for sale	$ 3,019	$ 3,030

At June 30, 2020 and December 31, 2019, amounts borrowed under repurchase and securities lending agreements totaled $3.0 billion and $3.1 billion, respectively.

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

	Remaining Contractual Maturity of the Agreements					
(in millions)	Overnight and Continuous	up to 30 days	31 - 90 days	91 - 364 days	365 days or greater	Total
June 30, 2020						
Bonds available for sale:						
Non-U.S. governments	$ 9	$ 16	$ -	$ -	$ -	$ 25
Corporate debt	57	110	-	-	-	167
Total	$ 66	$ 126	$ -	$ -	$ -	$ 192
December 31, 2019						
Bonds available for sale:						
Non-U.S. governments	$ 2	$ 71	$ -	$ -	$ -	$ 73
Corporate debt	22	55	82	-	-	159
Total	$ 24	$ 126	$ 82	$ -	$ -	$ 232

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

	Remaining Contractual Maturity of the Agreements					
(in millions)	Overnight and Continuous	up to 30 days	31 - 90 days	91 - 364 days	365 days or greater	Total
June 30, 2020						
Bonds available for sale:						
Obligations of states, municipalities and political subdivisions	**$ -**	**$ 102**	**$ -**	**$ -**	**$ -**	**$ 102**
Corporate debt	**-**	**814**	**1,102**	**436**	**-**	**2,352**
RMBS	**-**	**277**	**-**	**96**	**-**	**373**
Total	**$ -**	**$ 1,193**	**$ 1,102**	**$ 532**	**$ -**	**$ 2,827**
December 31, 2019						
Bonds available for sale:						
Obligations of states, municipalities and political subdivisions	$ -	$ -	$ 386	$ -	$ -	$ 386
Corporate debt	-	1,071	947	-	-	2,018
RMBS	-	-	-	394	-	394
Total	$ -	$ 1,071	$ 1,333	$ 394	$ -	$ 2,798

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)	**June 30, 2020**	December 31, 2019
Securities collateral pledged to us	**$ 5,560**	$ 2,567
Amount sold or repledged by us	**-**	121

At June 30, 2020 and December 31, 2019, amounts loaned under reverse repurchase agreements totaled $5.5 billion and $2.6 billion, 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 contracts, was $10.8 billion and $8.7 billion at June 30, 2020 and December 31, 2019, 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 $198 million and $194 million of stock in FHLBs at June 30, 2020 and December 31, 2019, 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 $5.9 billion and $1.9 billion, respectively, at June 30, 2020 and $4.3 billion and $1.8 billion, respectively, at December 31, 2019.

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 $1.5 billion at both June 30, 2020 and December 31, 2019. 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 $460 million and $330 million, comprised of bonds available for sale and short term investments at June 30, 2020 and December 31, 2019, respectively.

Reinsurance transactions between AIG and Fortitude Re were structured as modified coinsurance (modco) and loss portfolio transfer arrangements with funds withheld. Following closing of the Majority Interest Fortitude Sale, a portion of the proceeds were contributed to AIG subsidiaries.

For further discussion on the sale of Fortitude Holdings see Note 1 and Note 7 to the Condensed Consolidated Financial Statements.

6. Lending Activities

Mortgage and other loans receivable include commercial mortgages, residential mortgages, life insurance policy loans, commercial loans, and other loans and notes receivable. Commercial mortgages, residential mortgages, commercial loans, and other loans and notes receivable are carried at unpaid principal balances less allowance for credit losses and plus or minus adjustments for the accretion or amortization of discount or premium. Interest income on such loans is accrued as earned.

Direct costs of originating commercial mortgages, commercial loans, and other loans and notes receivable, net of nonrefundable points and fees, are deferred and included in the carrying amount of the related receivables. The amount deferred is amortized to income as an adjustment to earnings using the interest method. Premiums and discounts on purchased residential mortgages are also amortized to income as an adjustment to earnings using the interest method.

Life insurance policy loans are carried at unpaid principal balances. There is no allowance for policy loans because these loans serve to reduce the death benefit paid when the death claim is made and the balances are effectively collateralized by the cash surrender value of the policy.

Interest income is not accrued when payment of contractual principal and interest is not expected. Any cash received on impaired loans is generally recorded as a reduction of the current carrying amount of the loan. Accrual of interest income is generally resumed when delinquent contractual principal and interest is repaid or when a portion of the delinquent contractual payments are made and the ongoing required contractual payments have been made for an appropriate period. As of June 30, 2020, $9 million and $342 million of residential mortgage loans and commercial mortgage loans, respectively, were placed on nonaccrual status.

Accrued interest is presented separately and is included in Other assets on the Condensed Consolidated Balance Sheets. As of June 30, 2020, accrued interest receivable was $18 million and $137 million associated with residential mortgage loans and commercial mortgage loans, respectively.

A significant majority of commercial mortgages in the portfolio are non-recourse loans and, accordingly, the only guarantees are for specific items that are exceptions to the non-recourse provisions. It is therefore extremely rare for us to have cause to enforce the provisions of a guarantee on a commercial real estate or mortgage loan.

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

(in millions)	June 30, 2020	December 31, 2019
Commercial mortgages[a]	$ 36,535	$ 36,170
Residential mortgages	6,046	6,683
Life insurance policy loans	2,091	2,065
Commercial loans, other loans and notes receivable	2,644	2,504
Total mortgage and other loans receivable	47,316	47,422
Allowance for credit losses[b]	(794)	(438)
Mortgage and other loans receivable, net	$ 46,522	$ 46,984

(a) 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 24 percent and 10 percent, respectively, at June 30, 2020 and 23 percent and 10 percent, respectively, at December 31, 2019).

(b) Does not include $58 million of expected credit loss liability at June 30, 2020 in relation to off-balance-sheet commitments to fund commercial mortgage loans, which is recorded in Other liabilities.

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

CREDIT QUALITY OF COMMERCIAL MORTGAGES

The following table presents debt service coverage ratios[a] for commercial mortgages by year of vintage:

June 30, 2020 *(in millions)*	2020	2019	2018	2017	2016	Prior	Total
>1.2X	$ 933	$ 5,593	$ 6,051	$ 4,275	$ 5,172	$ 11,171	$ 33,195
1.00 - 1.20X	116	331	511	372	161	1,419	2,910
<1.00X	-	75	-	51	-	304	430
Total commercial mortgages	$ 1,049	$ 5,999	$ 6,562	$ 4,698	$ 5,333	$ 12,894	$ 36,535

The following table presents loan-to-value ratios[b] for commercial mortgages by year of vintage:

June 30, 2020 *(in millions)*	2020	2019	2018	2017	2016	Prior	Total
Less than 65%	$ 923	$ 4,461	$ 4,615	$ 3,549	$ 4,067	$ 10,527	$ 28,142
65% to 75%	126	1,493	1,947	1,012	932	1,806	7,316
76% to 80%	-	45	-	-	26	305	376
Greater than 80%	-	-	-	137	308	256	701
Total commercial mortgages	$ 1,049	$ 5,999	$ 6,562	$ 4,698	$ 5,333	$ 12,894	$ 36,535

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

December 31, 2019	Debt Service Coverage Ratios[a]			
(in millions)	>1.20X	1.00X - 1.20X	<1.00X	Total
Loan-to-Value Ratios[b]				
Less than 65%	$ 23,013	$ 2,440	$ 245	$ 25,698
65% to 75%	9,007	899	40	9,946
76% to 80%	200	6	-	206
Greater than 80%	184	2	134	320
Total commercial mortgages	$ 32,404	$ 3,347	$ 419	$ 36,170

(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 2.1X at June 30, 2020 and 2.0X at December 31, 2019. The debt service coverage ratios have been updated within the last six months.

(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 56 percent at both June 30, 2020 and December 31, 2019. The loan-to-value ratios have been updated within the last six months.

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
June 30, 2020									
Credit Quality Performance Indicator:									
In good standing	699	$ 14,262	$ 10,484	$ 5,106	$ 3,578	$ 2,145	$ 435	$ 36,010	98 %
Restructured[a]	5	1	85	50	-	86	-	222	1
90 days or less delinquent	7	1	152	57	-	18	-	228	1
>90 days delinquent or in process of foreclosure	3	-	75	-	-	-	-	75	-
Total[b]	714	$ 14,264	$ 10,796	$ 5,213	$ 3,578	$ 2,249	$ 435	$ 36,535	100 %
Allowance for credit losses		$ 134	$ 292	$ 154	$ 56	$ 25	$ 6	$ 667	2 %
December 31, 2019									
Credit Quality Performance Indicator:									
In good standing	736	$ 13,698	$ 10,553	$ 5,332	$ 3,663	$ 2,211	$ 522	$ 35,979	99 %
Restructured[a]	3	-	89	-	-	101	-	190	1
90 days or less delinquent	1	1	-	-	-	-	-	1	-
>90 days delinquent or in process of foreclosure	-	-	-	-	-	-	-	-	-
Total[b]	740	$ 13,699	$ 10,642	$ 5,332	$ 3,663	$ 2,312	$ 522	$ 36,170	100 %
Allowance for credit losses:									
Specific		$ -	$ 2	$ 1	$ -	$ 6	$ -	$ 9	- %
General		81	153	44	30	14	5	327	1
Total allowance for credit losses		$ 81	$ 155	$ 45	$ 30	$ 20	$ 5	$ 336	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 8 to the Consolidated Financial Statements in the 2019 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.

The following table presents credit quality performance indicators for residential mortgages by year of vintage:

June 30, 2020 (in millions)	2020	2019	2018	2017	2016	Prior	Total
FICO*:							
780 and greater	$ 233	$ 879	$ 477	$ 796	$ 865	$ 811	**$ 4,061**
720 - 779	283	458	148	224	257	240	**1,610**
660 - 719	8	71	39	53	63	81	**315**
600 - 659	1	7	7	8	6	15	**44**
Less than 600	-	-	1	2	3	10	**16**
Total residential mortgages	$ 525	$ 1,415	$ 672	$ 1,083	$ 1,194	$ 1,157	**$ 6,046**

* Fair Isaac Corporation (FICO) is the credit quality indicator used to evaluate consumer credit risk for residential mortgage loan borrowers and have been updated within the last three months.

METHODOLOGY USED TO ESTIMATE THE ALLOWANCE FOR CREDIT LOSSES

Subsequent to the adoption of the Financial Instruments Credit Losses Standard on January 1, 2020

At the time of origination or purchase, an allowance for credit losses is established for mortgage and other loan receivables and is updated each reporting period. Changes in the allowance for credit losses are recorded in realized capital losses. This allowance reflects the risk of loss, even when that risk is remote, and reflects losses expected over the remaining contractual life of the loan. The allowance for credit losses considers available relevant information about the collectability of cash flows, including information about past events, current conditions, and reasonable and supportable forecasts of future economic conditions. We revert to historical information when we determine that we can no longer reliably forecast future economic assumptions.

The allowances for the commercial mortgage loans and residential mortgage loans are estimated utilizing a probability of default and loss given default model. Loss rate factors are determined based on historical data and adjusted for current and forecasted information. The loss rates are applied based on individual loan attributes and considering such data points as loan-to-value ratios, FICO scores, and debt service coverage.

The estimate of credit losses also reflects management's assumptions on certain macroeconomic factors that include, but are not limited to, gross domestic product growth, employment, inflation, housing price index, interest rates and credit spreads.

Accrued interest is excluded from the measurement of the allowance for credit losses and accrued interest is reversed through interest income once a loan is placed on nonaccrual.

When all or a portion of a loan is deemed uncollectible, the uncollectible portion of the carrying amount of the loan is charged off against the allowance.

We also have off-balance sheet commitments related to our commercial mortgage loans. The liability for expected credit losses related to these commercial mortgage loan commitments is reported in Other liabilities in the Condensed Consolidated Balance Sheets. When a commitment is funded, we record a loan receivable and reclassify the liability for expected credit losses related to the commitment into loan allowance for expected credit losses. Other changes in the liability for expected credit losses on loan commitments are recorded in Net realized capital gains (losses) in the Condensed Consolidated Statements of Income.

Prior to the adoption of the Financial Instruments Credit Losses Standard on January 1, 2020

Mortgage and other loans receivable are considered impaired when collection of all amounts due under contractual terms is not probable. Impairment is measured using either i) the present value of expected future cash flows discounted at the loan's effective interest rate, ii) the loan's observable market price, if available, or iii) the fair value of the collateral if the loan is collateral dependent. Impairment of commercial mortgages is typically determined using the fair value of collateral while impairment of other loans is typically determined using the present value of cash flows or the loan's observable market price. An allowance is typically established for the difference between the impaired value of the loan and its current carrying amount. Additional allowance amounts are established for incurred but not specifically identified impairments, based on statistical models primarily driven by past-due status, debt service coverage, loan-to-value ratio, property type and location, loan term, profile of the borrower and of the major property tenants, and loan seasoning. When all or a portion of a loan is deemed uncollectable, the uncollectable portion of the carrying amount of the loan is charged off against the allowance.

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

Three Months Ended June 30,	2020			2019		
(in millions)	Commercial Mortgages	Other Loans	Total	Commercial Mortgages	Other Loans	Total
Allowance, beginning of period	$ 689	$ 98	$ 787	$ 323	$ 99	$ 422
Initial allowance upon CECL adoption	-	-	-	-	-	-
Loans charged off	(12)	-	(12)	-	-	-
Recoveries of loans previously charged off	-	-	-	-	-	-
Net charge-offs	(12)	-	(12)	-	-	-
Provision for loan losses	(10)	29	19	(13)	(2)	(15)
Allowance, end of period	$ 667	$ 127	$ 794	$ 310 [(b)]	$ 97	$ 407

Six Months Ended June 30,	2020			2019		
(in millions)	Commercial Mortgages	Other Loans	Total	Commercial Mortgages	Other Loans	Total
Allowance, beginning of year	$ 336	$ 102	$ 438	$ 318	$ 79	$ 397
Initial allowance upon CECL adoption	311	7	318	-	-	-
Loans charged off	(12)	-	(12)	-	-	-
Recoveries of loans previously charged off	-	-	-	-	-	-
Net charge-offs	(12)	-	(12)	-	-	-
Provision for loan losses	32	18	50	(8)	18	10
Allowance, end of period	$ 667	$ 127	$ 794	$ 310 [(b)]	$ 97	$ 407

(a) Does not include $58 million of expected credit loss liability at June 30, 2020 in relation to off-balance-sheet commitments to fund commercial mortgage loans, which is recorded in Other liabilities.

(b) The June 30, 2019 total allowance was calculated prior to the adoption of ASC 326 on January 1, 2020. Of the total allowance, $8 million relates to individually assessed credit losses on $173 million of commercial mortgages at June 30, 2019.

As a result of the COVID-19 crisis, including the significant global economic slowdown and general market decline, our expectations and models used to estimate the allowance for losses on commercial and residential mortgage loans have been updated to reflect the current economic environment. The full impact of COVID-19 on real estate valuations remains uncertain and we will continue to review our valuations as further information becomes available.

TROUBLED DEBT RESTRUCTURINGS

We modify loans to optimize their returns and improve their collectability, among other things. When we undertake such a modification with a borrower that is experiencing financial difficulty and the modification involves us granting a concession to the troubled debtor, the modification is a troubled debt restructuring (TDR). We assess whether a borrower is experiencing financial difficulty based on a variety of factors, including the borrower's current default on any of its outstanding debt, the probability of a default on any of its debt in the foreseeable future without the modification, the insufficiency of the borrower's forecasted cash flows to service any of its outstanding debt (including both principal and interest), and the borrower's inability to access alternative third-party financing at an interest rate that would be reflective of current market conditions for a non-troubled debtor. Concessions granted may include extended maturity dates, interest rate changes, principal or interest forgiveness, payment deferrals and easing of loan covenants.

In response to the COVID-19 pandemic, there was an increase in the volume of loan modifications in our commercial mortgage, residential mortgage and leveraged loan portfolios. The COVID-19 related modifications were primarily in the form of short term payment deferrals (one to six months). Short-term payment deferrals are not considered a concession and therefore these modifications are not considered a TDR.

During the six-month period ended June 30, 2020, loans with a carrying value of $50 million were modified in TDRs. There were no loans modified in TDRs during the six-month period ended June 30, 2019.

7. Reinsurance

In the ordinary course of business, our insurance companies may use both treaty and facultative reinsurance to minimize their net loss exposure to any single catastrophic loss event or to an accumulation of losses from a number of smaller events or to provide greater diversification of our businesses. In addition, our general insurance subsidiaries assume reinsurance from other insurance companies. We determine the portion of the incurred but not reported (IBNR) loss that will be recoverable under our reinsurance contracts by reference to the terms of the reinsurance protection purchased. This determination is necessarily based on the estimate of IBNR and accordingly, is subject to the same uncertainties as that estimate. Reinsurance assets include the balances due from reinsurance and insurance companies under the terms of our reinsurance agreements for paid and unpaid losses and loss adjustment expenses incurred, ceded unearned premiums and ceded future policy benefits for life and accident and health insurance contracts and benefits paid and unpaid. Amounts related to paid and unpaid losses and benefits and loss expenses with respect to these reinsurance agreements are substantially collateralized. We remain liable to the extent that our reinsurers do not meet their obligation under the reinsurance contracts, and as such, we regularly evaluate the financial condition of our reinsurers and monitor concentration of our credit risk. The estimation of the allowance for doubtful accounts requires judgment for which key inputs typically include historical trends regarding uncollectible balances, disputes and credit events as well as specific reviews of balances in dispute or subject to credit impairment.

SALE OF FORTITUDE HOLDINGS

On June 2, 2020, we completed the Majority Interest Fortitude Sale. AIG established Fortitude Re, a wholly owned subsidiary of Fortitude Holdings, in 2018 in a series of reinsurance transactions related to AIG's Legacy Portfolio. As of June 30, 2020, approximately $30.5 billion of reserves from AIG's Legacy Life and Retirement Run-Off Lines and approximately $4.1 billion of reserves from AIG's Legacy General Insurance Run-Off Lines, related to business written by multiple wholly-owned AIG subsidiaries, had been ceded to Fortitude Re under these reinsurance transactions. As of closing of the Majority Interest Fortitude Sale, these reinsurance transactions are no longer considered affiliated transactions and Fortitude Re is the reinsurer of the majority of AIG's Legacy Portfolio.

These reinsurance transactions between AIG and Fortitude Re were structured as modco and loss portfolio transfer arrangements with funds withheld (funds withheld). In modco and funds withheld arrangements, the investments supporting the reinsurance agreements, and which reflect the majority of the consideration that would be paid to the reinsurer for entering into the transaction, are withheld by, and therefore continue to reside on the balance sheet of, the ceding company (i.e., AIG) thereby creating an obligation for the ceding company to pay the reinsurer (i.e., Fortitude Re) at a later date. Additionally, as AIG maintains ownership of these investments, AIG will maintain its existing accounting for these assets (e.g., the changes in fair value of available for sale securities will be recognized within other comprehensive income). As a result of the deconsolidation resulting from the Majority Interest Fortitude Sale, AIG has established a funds withheld payable to Fortitude Re while simultaneously establishing a reinsurance asset representing reserves for the insurance coverage that Fortitude Re has assumed. The funds withheld payable contains an embedded derivative and changes in fair value of the embedded derivative related to the funds withheld payable are recognized in earnings through realized capital gains (losses). This embedded derivative is considered a total return swap with contractual returns that are attributable to various assets and liabilities associated with these reinsurance agreements.

There is a diverse pool of assets supporting the funds withheld arrangements with Fortitude Re. The following summarizes the composition of the pool of assets as of June 30, 2020:

June 30, 2020 *(in millions)*	Carrying Value	Fair Value	Corresponding Accounting Policy
Fixed maturity securities - available for sale[(a)]	$ 35,380	$ 35,380	Fair value through other comprehensive income
Fixed maturity securities - fair value option	190	190	Fair value through net investment income
Commercial mortgage loans	3,537	3,781	Amortized cost
Real estate investments	385	600	Amortized cost
Private equity funds / hedge funds	978	978	Fair value through net investment income
Policy loans	431	431	Amortized cost
Derivative assets, net[(b)]	-	-	Fair value through realized capital gains (losses)
Other	640	640	Amortized cost
Total	$ 41,541	$ 42,000	

(a) The change in the net unrealized gains (losses) on available for sale securities related to the Fortitude Re funds withheld assets was $555 million ($438 million after-tax) during the post deconsolidation period (June 2, 2020-June 30, 2020).

(b) The derivative assets have been presented net of collateral. The derivative assets supporting the Fortitude Re funds withheld arrangements had a fair market value of $650 million as of June 30, 2020. These derivative assets are fully collateralized.

The impact of the funds withheld arrangements with Fortitude Re for the period post deconsolidation was as follows:

(in millions)	
Net underwriting income	$ -
Net investment income - Fortitude Re funds withheld assets	116
Net realized capital losses on Fortitude Re funds withheld assets:	
Net realized capital gains - Fortitude Re funds withheld assets	96
Net realized capital losses - Fortitude Re embedded derivatives	(837)
Net realized capital losses on Fortitude Re funds withheld assets	(741)
Loss from continuing operations before income tax benefit	**(625)**
Income tax benefit[(a)]	(131)
Net loss	**(494)**
Change in unrealized appreciation of all other investments[(a)]	438
Comprehensive loss	$ **(56)**

(a) The income tax expense (benefit) and the tax impact in accumulated other comprehensive income was computed using AIG's U.S. statutory tax rate of 21 percent.

Various assets supporting the Fortitude Re funds withheld arrangements are reported at amortized cost, and as such, changes in the fair value of these assets are not reflected in the financial statements. However, changes in the fair value of these assets are included in the embedded derivative in the Fortitude Re funds withheld arrangements. During the period from June 2, 2020 to June 30, 2020, these assets appreciated by $56 million on a after-tax basis.

REINSURANCE — CREDIT LOSSES

The estimation of reinsurance recoverables involves a significant amount of judgment, particularly for latent exposures, such as asbestos, due to their long-tail nature. Reinsurance assets include reinsurance recoverables on unpaid losses and loss adjustment expenses that are estimated as part of our loss reserving process and, consequently, are subject to similar judgments and uncertainties as the estimation of gross loss reserves. Similarly, Other assets include reinsurance recoverables for contracts which are accounted for as deposits.

We assess the collectability of reinsurance recoverable balances in each reporting period, through either historical trends of disputes and credit events or financial analysis of the credit quality of the reinsurer. We record adjustments to reflect the results of these assessments through an allowance for credit losses and disputes on uncollectable reinsurance that reduces the carrying amount of reinsurance and other assets on the consolidated balance sheets (collectively, the reinsurance recoverable balances). This estimate requires significant judgment for which key considerations include:

- paid and unpaid amounts recoverable;
- whether the balance is in dispute or subject to legal collection;
- the relative financial health of the reinsurer as determined by the Obligor Risk Ratings (ORRs) we assign to each reinsurer based upon our financial reviews; insurers that are financially troubled (i.e., in run-off, have voluntarily or involuntarily been placed in receivership, are insolvent, are in the process of liquidation or otherwise subject to formal or informal regulatory restriction) are assigned ORRs that will generate a significant allowance; and
- whether collateral and collateral arrangements exist.

An estimate of the reinsurance recoverable's lifetime expected credit losses is established utilizing a probability of default and loss given default method, which reflects the reinsurer's ORR rating. The allowance for credit losses excludes disputed amounts. An allowance for disputes is established for a reinsurance recoverable using the losses incurred model for contingencies.

The total reinsurance recoverables as of June 30, 2020 were $77.6 billion. As of that date, utilizing AIG's ORRs, (i) approximately 87 percent of the reinsurance recoverables were investment grade, of which 82 percent related to General Insurance and 5 percent related to Life and Retirement; (ii) approximately 12 percent of the reinsurance recoverables were non-investment grade, the majority of which related to General Insurance; (iii) less than one percent of the non-investment grade reinsurance recoverables related to Life and Retirement and (iv) approximately one percent of the reinsurance recoverables related to entities that were not rated by AIG.

As of June 30, 2020, approximately 74 percent of our non-investment grade reinsurance exposure related to captive insurers. These arrangements are typically collateralized by letters of credit, funds held or trust agreements.

Reinsurance Recoverable Allowance

The following table presents a rollforward of the reinsurance recoverable allowance:

	Three Months Ended June 30, 2020			Six Months Ended June 30, 2020		
(in millions)	General Insurance	Life and Retirement	**Total**	General Insurance	Life and Retirement	**Total**
Balance, beginning of period	$ 302	$ 60	**$ 362**	$ 111	$ 40	**$ 151**
Initial allowance upon CECL adoption	-	-	**-**	202	22	**224**
Current period provision for expected credit losses and disputes	6	1	**7**	2	3	**5**
Write-offs charged against the allowance for credit losses and disputes	(2)	(1)	**(3)**	(5)	(5)	**(10)**
Other changes	(1)	(1)	**(2)**	(5)	(1)	**(6)**
Balance, end of period	$ 305	$ 59	**$ 364**	$ 305	$ 59	**$ 364**

There were no recoveries of credit losses previously written off for either of the three- and six-month periods ended June 30, 2020.

Past-Due Status

We consider a reinsurance asset to be past due when it is 90 days past due and record an allowance for disputes when there is reasonable uncertainty of the collectability of a disputed amount during the reporting period. Past due balances were not significant for any of the periods presented.

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 (i) the power to direct the activities of the VIE that most significantly affect the entity's economic performance and (ii) 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
June 30, 2020					
Assets:					
Bonds available for sale	$ -	$ 6,313	$ -	$ -	$ 6,313
Other bond securities	-	2,417	-	1	2,418
Mortgage and other loans receivable	-	3,783	-	-	3,783
Other invested assets	5,101	-	3,510	43	8,654
Other[a]	560	1,645	509	41	2,755
Total assets[b]	$ 5,661	$ 14,158	$ 4,019	$ 85	$ 23,923
Liabilities:					
Long-term debt	$ 2,558	$ 4,592	$ 2,251	$ 4	$ 9,405
Other[c]	161	137	192	23	513
Total liabilities	$ 2,719	$ 4,729	$ 2,443	$ 27	$ 9,918
December 31, 2019					
Assets:					
Bonds available for sale	$ 177	$ 7,239	$ -	$ -	$ 7,416
Other bond securities	-	3,324	-	1	3,325
Mortgage and other loans receivable	-	3,860	-	-	3,860
Other invested assets	5,231	-	3,464	42	8,737
Other[a]	615	1,996	469	42	3,122
Total assets[b]	$ 6,023	$ 16,419	$ 3,933	$ 85	$ 26,460
Liabilities:					
Long-term debt	$ 2,810	$ 4,356	$ 2,074	$ 4	$ 9,244
Other[c]	236	359	195	24	814
Total liabilities	$ 3,046	$ 4,715	$ 2,269	$ 28	$ 10,058

(a) Comprised primarily of Short-term investments and Other assets at June 30, 2020 and December 31, 2019.

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

(c) Comprised primarily of Other liabilities at June 30, 2020 and December 31, 2019.

(d) At June 30, 2020 and December 31, 2019, off-balance sheet exposure primarily consisting of commitments to real estate and investment entities was $2.3 billion and $2.6 billion, respectively.

(e) At June 30, 2020 and December 31, 2019, the company had contributed total assets of $13.4 billion and $15.6 billion, respectively, into consolidated securitization vehicles.

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
June 30, 2020				
Real estate and investment entities[a]	**$ 290,205**	**$ 5,625**	**$ 3,388**	**$ 9,013**
Affordable housing partnerships	**3,094**	**396**	**-**	**396**
Other	**6,483**	**346**	**562** [c]	**908**
Total	**$ 299,782**	**$ 6,367**	**$ 3,950**	**$ 10,317**
December 31, 2019				
Real estate and investment entities[a]	$ 283,349	$ 6,519	$ 3,286	$ 9,805
Affordable housing partnerships	3,351	453	-	453
Other	5,320	310	561 [c]	871
Total	$ 292,020	$ 7,282	$ 3,847	$ 11,129

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

(b) At June 30, 2020 and December 31, 2019, $6.1 billion and $7.0 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 11 to the Consolidated Financial Statements in the 2019 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 12 to the Consolidated Financial Statements in the 2019 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 swaps) are used to economically mitigate risk associated with non-U.S. dollar denominated debt, net capital exposures, foreign currency transactions, and foreign denominated investments. Equity derivatives are used to mitigate financial risk embedded in certain insurance liabilities and economically hedge certain investments. 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, credit default swaps (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:

	June 30, 2020				December 31, 2019			
	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	$ 735	$ 19	$ 294	$ 13	$ 495	$ 3	$ 410	$ 7
Foreign exchange contracts	5,996	656	3,733	134	4,328	342	5,230	162
Derivatives not designated as hedging instruments:[a]								
Interest rate contracts	67,839	5,661	39,796	4,602	52,437	3,197	35,231	2,742
Foreign exchange contracts	11,100	1,313	10,290	529	8,133	698	12,093	863
Equity contracts	21,898	1,033	7,229	212	18,533	769	7,539	139
Credit contracts[b]	1,765	3	1,007	74	8,457	3	923	89
Other contracts[c]	41,928	13	55	10	40,582	14	56	7
Total derivatives, gross	$ 151,261	$ 8,698	$ 62,404	$ 5,574	$ 132,965	$ 5,026	$ 61,482	$ 4,009
Counterparty netting[d]		(3,977)		(3,977)		(2,427)		(2,427)
Cash collateral[e]		(3,933)		(1,016)		(1,806)		(527)
Total derivatives on condensed consolidated balance sheets[f]		$ 788		$ 581		$ 793		$ 1,055

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

(b) As of June 30, 2020 and December 31, 2019, included CDSs on super senior multi-sector CDOs with a net notional amount of $139 million and $152 million (fair value liability of $47 million and $48 million), respectively. The net notional amount represents the maximum exposure to loss on the portfolio.

(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 Other liabilities, respectively. Fair value of assets related to bifurcated embedded derivatives was zero at both June 30, 2020 and December 31, 2019. Fair value of liabilities related to bifurcated embedded derivatives was $13.7 billion and $6.9 billion, respectively, at June 30, 2020 and December 31, 2019. 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, and the funds withheld arrangement with Fortitude Re. *For additional information see Note 7 herein.*

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 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 $2.6 billion at June 30, 2020 and $2.2 billion at December 31, 2019. 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 $4.1 billion and $2.2 billion at June 30, 2020 and December 31, 2019, respectively. In the case of collateral provided to us under derivative transactions that are not subject to clearing, we generally can repledge or resell collateral.

OFFSETTING

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

HEDGE ACCOUNTING

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

We use foreign currency denominated debt and cross-currency swaps as hedging instruments in net investment hedge relationships to mitigate the foreign exchange risk associated with our non-U.S. dollar functional currency foreign subsidiaries. For net investment hedge relationships where issued debt is used as a hedging instrument, we assess the hedge effectiveness and measure the amount of ineffectiveness based on changes in spot rates. For net investment hedge relationships that use derivatives as hedging instruments, we assess hedge effectiveness and measure hedge ineffectiveness using changes in forward rates. For the three- and six-month periods ended June 30, 2020, we recognized gains of $3 million and $102 million, respectively, and for the three- and six-month periods ended June 30, 2019, we recognized gains (losses) of $(7) million and $57 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 June 30, 2020				
Interest rate contracts:				
Interest credited to policyholder account balances	$ 1	$ -	$ (3)	$ (2)
Net investment income	(4)	-	3	(1)
Foreign exchange contracts:				
Realized capital gains/(losses)	(132)	(76)	132	(76)
Three Months Ended June 30, 2019				
Interest rate contracts:				
Interest credited to policyholder account balances	$ 9	$ -	$ (9)	$ -
Net investment income	-	-	-	-
Foreign exchange contracts:				
Realized capital gains/(losses)	58	57	(58)	57
Six Months Ended June 30, 2020				
Interest rate contracts:				
Interest credited to policyholder account balances	$ 18	$ -	$ (20)	$ (2)
Net investment income	(7)	-	6	(1)
Foreign exchange contracts:				
Realized capital gains/(losses)	173	205	(173)	205
Six Months Ended June 30, 2019				
Interest rate contracts:				
Interest credited to policyholder account balances	$ 14	$ -	$ (14)	$ -
Net investment income	(1)	-	1	-
Foreign exchange contracts:				
Realized capital gains/(losses)	50	43	(50)	43

(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:

	Gains (Losses) Recognized in Earnings			
	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2020**	2019	**2020**	2019
By Derivative Type:				
Interest rate contracts	**$ (7)**	$ 615	**$ 2,566**	$ 974
Foreign exchange contracts	**(124)**	231	**901**	203
Equity contracts	**(471)**	89	**632**	(119)
Credit contracts	**(66)**	17	**56**	9
Other contracts	**16**	18	**26**	34
Embedded derivatives	**(1,774)**	(832)	**(2,826)**	(1,281)
Total	**$ (2,426)**	$ 138	**$ 1,355**	$ (180)
By Classification:				
Policy fees	**$ 15**	$ 18	**$ 30**	$ 35
Net investment income	**(1)**	(50)	**(3)**	(55)
Net realized capital gains (losses) - excluding Fortitude Re funds withheld assets	**(1,579)**	165	**2,173**	(169)
Net realized capital gains (losses) on Fortitude Re funds withheld assets	**(863)**	-	**(863)**	-
Policyholder benefits and claims incurred	**2**	5	**18**	9
Total	**$ (2,426)**	$ 138	**$ 1,355**	$ (180)

CREDIT RISK-RELATED CONTINGENT FEATURES

We estimate that at June 30, 2020, 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 $46 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 $261 million and $336 million at June 30, 2020 and December 31, 2019, respectively. The aggregate fair value of assets posted as collateral under these contracts at June 30, 2020 and December 31, 2019, was approximately $308 million and $381 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 $2.4 billion and $3.3 billion at June 30, 2020 and December 31, 2019, respectively. These securities have par amounts of $5.2 billion and $7.4 billion at June 30, 2020 and December 31, 2019, 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 and loss adjustment expenses, 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. Given the uncertainties around the impact from the COVID-19 crisis, including the significant global economic slowdown and general market decline, the full impact of COVID-19 and how it may ultimately impact the results of our insurance operations remains uncertain. In addition, in response to the crisis, new governmental, legislative and regulatory initiatives have been put in place and continue to be developed that could result in additional restrictions and requirements relating to our policies that may have a negative impact on our business operations. However, we have recorded our estimate of the ultimate liability for claims that have occurred as of the balance sheet date associated with COVID-19 which reflects our expectations given the current facts and circumstances. We will continue to monitor and review the impact. 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 $12.3 billion and $12.2 billion at June 30, 2020 and December 31, 2019, 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 June 30, 2020 and December 31, 2019, we held collateral of approximately $9.1 billion and $8.9 billion, respectively, for these deductible recoverable amounts, consisting primarily of letters of credit and funded trust agreements. Allowance for credit losses for the unsecured portion of these recoverable amounts was $14 million at June 30, 2020.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2020	2019	2020	2019
Liability for unpaid loss and loss adjustment expenses, beginning of period	$ 77,747	$ 82,496	$ 78,328	$ 83,639
Reinsurance recoverable	(31,114)	(31,784)	(31,069)	(31,690)
Initial allowance upon CECL adoption	-	-	164	-
Net Liability for unpaid loss and loss adjustment expenses, beginning of period	46,633	50,712	47,423	51,949
Losses and loss adjustment expenses incurred:				
Current year	4,248	4,272	8,359	8,569
Prior years, excluding discount and amortization of deferred gain	(25)	(132)	(26)	(147)
Prior years, discount charge (benefit)	34	244	110	741
Prior years, amortization of deferred gain on retroactive reinsurance[(a)]	(76)	(56)	(151)	(142)
Total losses and loss adjustment expenses incurred	4,181	4,328	8,292	9,021
Losses and loss adjustment expenses paid:				
Current year	(910)	(1,060)	(1,252)	(1,377)
Prior years	(3,790)	(4,127)	(8,141)	(9,766)
Total losses and loss adjustment expenses paid	(4,700)	(5,187)	(9,393)	(11,143)
Other changes:				
Foreign exchange effect	(39)	(209)	(269)	7
Allowance for credit losses	-	-	-	-
Retroactive reinsurance adjustment (net of discount)[(b)]	138	80	160	(110)
Fortitude sale and reinsurance adjustment[(c)]	(3,818)	-	(3,818)	-
Total other changes	(3,719)	(129)	(3,927)	(103)
Liability for unpaid loss and loss adjustment expenses, end of period:				
Net liability for unpaid losses and loss adjustment expenses	42,395	49,724	42,395	49,724
Reinsurance recoverable	35,458	31,333	35,458	31,333
Total	$ 77,853	$ 81,057	$ 77,853	$ 81,057

(a) Includes $12 million and $6 million for the retroactive reinsurance agreement with National Indemnity Company (NICO), a subsidiary of Berkshire Hathaway Inc. (Berkshire), covering U.S. asbestos exposures for the three-month periods ended June 30, 2020 and 2019, respectively, and $20 million and $15 million for the six-month periods ended June 30, 2020 and 2019, respectively

(b) Includes benefit (charge) from change in discount on retroactive reinsurance in the amount of $(14) million and $125 million for the three-month periods ended June 30, 2020 and 2019, respectively, and $58 million and $432 million for the six-month periods ended June 30, 2020 and 2019, respectively.

(c) On June 2, 2020, AIG completed the Majority Interest Fortitude Sale. Concurrent with the Majority Interest Fortitude Sale, AIG established a reinsurance recoverable. *Refer to Note 1 for additional information*.

On January 20, 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 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 June 30, 2020 were below the attachment point.

Discounting of Loss Reserves

At June 30, 2020 and December 31, 2019, the loss reserves reflect a net loss reserve discount of $887 million and $1.5 billion, respectively, including tabular and non-tabular calculations based upon the following assumptions:

The discount for asbestos reserves has been fully accreted.

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 and in 2014, our Pennsylvania and Delaware regulators, respectively, 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 and Delaware domiciled companies, as well as our use of updated payout patterns specific to our primary and excess workers compensation portfolios. In 2020, these regulators also approved that the discount rate will be updated on an annual basis, with the next update being performed in the fourth quarter of 2020.

At June 30, 2020 and December 31, 2019, the discount consists of $336 million and $582 million of tabular discount, respectively, and $551 million and $967 million of non-tabular discount for workers' compensation, respectively. During the six-month periods ended June 30, 2020 and 2019, the benefit (charge) from changes in discount of $(72) million and $(685) million, respectively, recorded as part of the policyholder benefits and losses incurred in the Condensed Consolidated Statements of Income.

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

	June 30, 2020			December 31, 2019		
(in millions)	North America Commercial Insurance	Legacy Portfolio[b]	Total	North America Commercial Insurance	Legacy Portfolio	Total
U.S. workers' compensation	$ 2,080	$ -	$ 2,080	$ 2,134	$ 666	$ 2,800
Retroactive reinsurance	(1,193)	-	(1,193)	(1,251)	-	(1,251)
Total reserve discount[a]	$ 887	$ -	$ 887	$ 883	$ 666	$ 1,549

(a) Excludes $164 million and $172 million of discount related to certain long tail liabilities in the UK at June 30, 2020 and December 31, 2019, respectively.

(b) On June 2, 2020, we completed the Majority Interest Fortitude Sale. *Refer to Note 1 for additional information.*

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

Three Months Ended June 30,	2020			2019		
(in millions)	North America Commercial Insurance	Legacy Portfolio[c]	Total	North America Commercial Insurance	Legacy Portfolio	Total
Current accident year	$ 18	$ -	$ 18	$ 32	$ -	$ 32
Accretion and other adjustments to prior year discount	(25)	(9)	(34)	8	(11)	(3)
Effect of interest rate changes	-	-	-	(170)	(71)	(241)
Net reserve discount benefit (charge)	(7)	(9)	(16)	(130)	(82)	(212)
Change in discount on loss reserves ceded under retroactive reinsurance	(14)	-	(14)	125	-	125
Net change in total reserve discount[a]	$ (21)	$ (9)	$ (30)	$ (5)	$ (82)	$ (87)

Six Months Ended June 30,	2020			2019		
(in millions)	North America Commercial Insurance	Legacy Portfolio[c]	Total	North America Commercial Insurance	Legacy Portfolio	Total
Current accident year	$ 38	$ -	$ 38	$ 56	$ -	$ 56
Accretion and other adjustments to prior year discount	(92)	(18)	(110)	(243)	(24)	(267)
Effect of interest rate changes	-	-	-	(337)	(137)	(474)
Net reserve discount benefit (charge)	(54)	(18)	(72)	(524)	(161)	(685)
Change in discount on loss reserves ceded under retroactive reinsurance	58	-	58	432	-	432
Net change in total reserve discount[b]	$ 4	$ (18)	$ (14)	$ (92)	$ (161)	$ (253)

(a) Excludes $(6) million and $(9) million discount related to certain long tail liabilities in the UK for the three-month periods ended June 30, 2020 and 2019, respectively.

(b) Excludes $(8) million and $26 million discount related to certain long tail liabilities in the UK for the six-month periods ended June 30, 2020 and 2019, respectively.

(c) On June 2, 2020, we completed the Majority Interest Fortitude Sale. *Refer to Note 1 for additional information.*

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 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 may 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, indemnification 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. Such investigations, inquiries or examinations could develop into administrative, civil or criminal proceedings or enforcement actions, in which remedies could include fines, penalties, restitution or alterations in our business practices, and could result in additional expenses, limitations on certain business activities and reputational damage. For example, among other matters, we are currently responding to governmental investigations and examinations pertaining to certain sales and compensation practices and payments and related disclosures in connection with financial planning services and the sale and distribution of related products, including 403(b) and similar retirement plans, by the Individual and Group Retirement operating segments. On July 28, 2020, VALIC Financial Advisors, Inc. (VFA), an indirect subsidiary of AIG, agreed to settle two separate proceedings brought by the SEC to resolve certain of these matters. VFA consented to the entry of both orders without admitting or denying the findings therein. In the first matter, the SEC found that VFA violated Sections 206(2) and 206(4) of the Investment Advisers Act of 1940 (the "Advisers Act") and Rules 206(4)-3 and 206(4)-7 thereunder, by failing to disclose to certain Florida teachers who were potential and actual clients that VFA's parent, VALIC, made payments and provided other financial benefits to a company owned by Florida K-12 teachers' unions for referrals. As part of the settlement VFA agreed to pay a $20 million penalty and to comply with certain undertakings. In the second settled proceeding, the SEC found that VFA violated Sections 206(2) and 206(4) of the Advisers Act and Rule 206(4)-7 thereunder, in connection with certain mutual fund share class selection practices. These practices included conflicts of interest associated with VFA's receipt of revenue sharing, avoidance of transaction fees, and receipt of compensation paid by mutual funds in accordance with Rule 12b-1 under the Investment Company Act of 1940, without appropriate disclosure, and in violation of its duty to seek best execution. VFA agreed as part of the settlement to pay disgorgement of $13.2 million, prejudgment interest of $2.2 million, and a civil monetary penalty of $4.5 million, as well as to comply with certain undertakings. We have cooperated, and will continue to cooperate, in producing documents and other information with respect to these matters.

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 $6.8 billion at June 30, 2020.

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, Inc. (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 June 30, 2020 was $79 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. The Majority Interest Fortitude Sale is subject to a post-closing purchase price adjustment pursuant to which AIG will pay Fortitude Re for certain adverse development in property casualty related reserves, based on an agreed methodology, that may occur on or prior to December 31, 2023, up to a maximum of $500 million.

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.

For additional discussion on the Fortitude Re transaction, see Note 1 herein.

Other

- *For additional discussion on commitments and guarantees associated with VIEs see Note 8 herein.*
- *For additional disclosures about derivatives see Note 9 herein.*

12. Equity

SHARES OUTSTANDING

Preferred Stock

On March 14, 2019, we issued 20,000 shares of Series A 5.85% Non-Cumulative Perpetual 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 Securities Exchange Act of 1934, as amended (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.

The following table presents declaration date, record date, payment date and dividends paid per preferred share and per depository share on the Series A Preferred Stock in the six months ended June 30, 2020 and June 30, 2019:

			Dividends Paid	
Declaration Date	Record Date	Payment Date	Per Preferred Share	Per Depositary Share
May 4, 2020	May 29, 2020	June 15, 2020	**$ 365.625**	**$ 0.365625**
February 12, 2020	February 28, 2020	March 16, 2020	**365.625**	**0.365625**
May 21, 2019	May 31, 2019	June 17, 2019	$ 369.6875	$ 0.3696875

Common Stock

The following table presents a rollforward of outstanding shares:

Six Months Ended June 30, 2020	Common Stock Issued	Treasury Stock	Common Stock Outstanding
Shares, beginning of year	**1,906,671,492**	**(1,036,672,461)**	**869,999,031**
Shares issued	-	3,595,763	3,595,763
Shares repurchased	-	(12,160,952)	(12,160,952)
Shares, end of period	**1,906,671,492**	**(1,045,237,650)**	**861,433,842**

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 common share on AIG Common Stock in the six months ended June 30, 2020 and June 30, 2019:

Declaration Date	Record Date	Payment Date	Dividends Paid Per Common Share
May 4, 2020	June 15, 2020	June 29, 2020	**$ 0.32**
February 12, 2020	March 16, 2020	March 30, 2020	**0.32**
May 6, 2019	June 14, 2019	June 28, 2019	$ 0.32
February 13, 2019	March 15, 2019	March 29, 2019	0.32

For a discussion of restrictions on payments of dividends to AIG Parent by its subsidiaries see Note 20 to the Consolidated Financial Statements in the 2019 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:

Six Months Ended June 30, *(in millions)*	2020	2019
Aggregate repurchases of common stock	**$ 500**	$ -
Total number of common shares repurchased	**12**	-
Aggregate repurchases of warrants	**$ -**	$ -
Total number of warrants repurchased	**-**	-

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 June 30, 2020, $1.5 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.

In February 2020, we executed an accelerated stock repurchase (ASR) agreement with a third-party financial institution. The total number of shares of AIG Common Stock repurchased in the six months ended June 30, 2020, and the aggregate purchase price of those shares, reflect our payment of $500 million in the aggregate under the ASR agreement and the receipt of approximately 12 million shares of AIG Common Stock in the aggregate.

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 (LOSS)

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

(in millions)	Unrealized Appreciation (Depreciation) of Fixed Maturity Securities on Which Allowance for Credit Losses Was 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, March 31, 2020, net of tax	$ (359)	$ 3,190	$ (2,706)	$ (1,129)	$ 10	$ (994)
Change in unrealized appreciation of investments	171	13,786	-	-	-	13,957
Change in deferred policy acquisition costs adjustment and other	(11)	(1,736)	-	-	-	(1,747)
Change in future policy benefits	-	662	-	-	-	662
Change in foreign currency translation adjustments	-	-	(59)	-	-	(59)
Change in net actuarial loss	-	-	-	12	-	12
Change in prior service credit	-	-	-	-	-	-
Change in deferred tax liability	(34)	(2,630)	(2)	(3)	-	(2,669)
Change in fair value of liabilities under fair value option attributable to changes in own credit risk	-	-	-	-	(2)	(2)
Total other comprehensive income (loss)	126	10,082	(61)	9	(2)	10,154
Noncontrolling interests	-	(9)	-	-	-	(9)
Balance, June 30, 2020, net of tax	$ (233)	$ 13,281	$ (2,767)	$ (1,120)	$ 8	$ 9,169
Balance, December 31, 2019, net of tax	$ -	$ 8,722	$ (2,625)	$ (1,122)	$ 7	$ 4,982
Change in unrealized appreciation (depreciation) of investments	(313)	3,815	-	-	-	3,502
Change in deferred policy acquisition costs adjustment and other	19	(359)	-	-	-	(340)
Change in future policy benefits	-	2,334	-	-	-	2,334
Change in foreign currency translation adjustments	-	-	(128)	-	-	(128)
Change in net actuarial loss	-	-	-	16	-	16
Change in prior service credit	-	-	-	(1)	-	(1)
Change in deferred tax asset (liability)	61	(1,250)	(18)	(13)	-	(1,220)
Change in fair value of liabilities under fair value option attributable to changes in own credit risk	-	-	-	-	1	1
Total other comprehensive income (loss)	(233)	4,540	(146)	2	1	4,164
Noncontrolling interests	-	(19)	(4)	-	-	(23)
Balance, June 30, 2020, net of tax	$ (233)	$ 13,281	$ (2,767)	$ (1,120)	$ 8	$ 9,169

(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, March 31, 2019, net of tax	$ 638	$ 5,129	$ (2,562)	$ (1,087)	$ 10	$ 2,128
Change in unrealized appreciation of investments	95	5,812	-	-	-	5,907
Change in deferred policy acquisition costs adjustment and other	(6)	(868)	-	-	-	(874)
Change in future policy benefits	-	(1,181)	-	-	-	(1,181)
Change in foreign currency translation adjustments	-	-	(133)	-	-	(133)
Change in net actuarial loss	-	-	-	15	-	15
Change in prior service cost	-	-	-	-	-	-
Change in deferred tax asset (liability)	(7)	(849)	4	(7)	-	(859)
Change in fair value of liabilities under fair value option attributable to changes in own credit risk	-	-	-	-	(2)	(2)
Total other comprehensive income (loss)	82	2,914	(129)	8	(2)	2,873
Noncontrolling interests	-	9	1	-	-	10
Balance, June 30, 2019, net of tax	$ 720	$ 8,034	$ (2,692)	$ (1,079)	$ 8	$ 4,991
Balance, December 31, 2018, net of tax	$ (38)	$ 2,426	$ (2,725)	$ (1,086)	$ 10	$ (1,413)
Change in unrealized appreciation of investments	944	10,876	-	-	-	11,820
Change in deferred policy acquisition costs adjustment and other	(14)	(1,724)	-	-	-	(1,738)
Change in future policy benefits	-	(2,249)	-	-	-	(2,249)
Change in foreign currency translation adjustments	-	-	55	-	-	55
Change in net actuarial loss	-	-	-	16	-	16
Change in prior service credit	-	-	-	(1)	-	(1)
Change in deferred tax liability	(172)	(1,281)	(20)	(8)	-	(1,481)
Change in fair value of liabilities under fair value option attributable to changes in own credit risk	-	-	-	-	(2)	(2)
Total other comprehensive income (loss)	758	5,622	35	7	(2)	6,420
Noncontrolling interests	-	14	2	-	-	16
Balance, June 30, 2019, net of tax	$ 720	$ 8,034	$ (2,692)	$ (1,079)	$ 8	$ 4,991

The following table presents the other comprehensive income (loss) reclassification adjustments for the three- and six-month periods ended June 30, 2020 and 2019, respectively:

(in millions)	Unrealized Appreciation (Depreciation) of Fixed Maturity Securities on Which Allowance for Credit Losses Was 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
Three Months Ended June 30, 2020						
Unrealized change arising during period	**$ 157**	**$ 12,864**	**$ (59)**	**$ 1**	**$ (2)**	**$ 12,961**
Less: Reclassification adjustments included in net income	**(3)**	**152**	**-**	**(11)**	**-**	**138**
Total other comprehensive income (loss), before income tax expense	**160**	**12,712**	**(59)**	**12**	**(2)**	**12,823**
Less: Income tax expense	**34**	**2,630**	**2**	**3**	**-**	**2,669**
Total other comprehensive income (loss), net of income tax expense	**$ 126**	**$ 10,082**	**$ (61)**	**$ 9**	**$ (2)**	**$ 10,154**
Six Months Ended June 30, 2020						
Unrealized change arising during period	**$ (297)**	**$ 6,156**	**$ (128)**	**$ (6)**	**$ 1**	**$ 5,726**
Less: Reclassification adjustments included in net income	**(3)**	**366**	**-**	**(21)**	**-**	**342**
Total other comprehensive income (loss), before income tax expense (benefit)	**(294)**	**5,790**	**(128)**	**15**	**1**	**5,384**
Less: Income tax expense (benefit)	**(61)**	**1,250**	**18**	**13**	**-**	**1,220**
Total other comprehensive income (loss), net of income tax expense (benefit)	**$ (233)**	**$ 4,540**	**$ (146)**	**$ 2**	**$ 1**	**$ 4,164**

(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
Three Months Ended June 30, 2019						
Unrealized change arising during period	$ 85	$ 3,854	$ (133)	$ 5	$ (2)	$ 3,809
Less: Reclassification adjustments included in net income	(4)	91	-	(10)	-	77
Total other comprehensive income (loss), before income tax expense (benefit)	89	3,763	(133)	15	(2)	3,732
Less: Income tax expense (benefit)	7	849	(4)	7	-	859
Total other comprehensive income (loss), net of income tax expense (benefit)	$ 82	$ 2,914	$ (129)	$ 8	$ (2)	$ 2,873
Six Months Ended June 30, 2019						
Unrealized change arising during period	$ 926	$ 6,963	$ 55	$ -	$ (2)	$ 7,942
Less: Reclassification adjustments included in net income	(4)	60	-	(15)	-	41
Total other comprehensive income (loss), before income tax expense	930	6,903	55	15	(2)	7,901
Less: Income tax expense	172	1,281	20	8	-	1,481
Total other comprehensive income (loss), net of income tax expense	$ 758	$ 5,622	$ 35	$ 7	$ (2)	$ 6,420

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 June 30,		Affected Line Item in the Condensed Consolidated Statements of Income
(in millions)	**2020**	2019	
Unrealized appreciation (depreciation) of fixed maturity securities on which allowance for credit losses was taken			
Investments	**$ (3)**	$ -	Other realized capital gains
Total	**(3)**	-	
Unrealized appreciation (depreciation) of fixed maturity securities on which other-than-temporary credit impairments were taken			
Investments	**-**	(4)	Other realized capital gains
Total	**-**	(4)	
Unrealized appreciation (depreciation) of all other investments			
Investments	**152**	91	Other realized capital gains
Total	**152**	91	
Change in retirement plan liabilities adjustment			
Prior-service credit	**(1)**	-	*
Actuarial losses	**(10)**	(10)	*
Total	**(11)**	(10)	
Total reclassifications for the period	**$ 138**	$ 77	

	Amount Reclassified from Accumulated Other Comprehensive Income		
	Six Months Ended June 30,		Affected Line Item in the Condensed Consolidated Statements of Income
(in millions)	**2020**	2019	
Unrealized appreciation (depreciation) of fixed maturity securities on which allowance for credit losses was taken			
Investments	**$ (3)**	$ -	Other realized capital gains
Total	**(3)**	-	
Unrealized appreciation (depreciation) of fixed maturity securities on which other-than-temporary credit impairments were taken			
Investments	**-**	(4)	Other realized capital gains
Total	**-**	(4)	
Unrealized appreciation (depreciation) of all other investments			
Investments	**366**	60	Other realized capital gains
Total	**366**	60	
Change in retirement plan liabilities adjustment			
Prior-service credit	**(1)**	-	*
Actuarial losses	**(20)**	(15)	*
Total	**(21)**	(15)	
Total reclassifications for the period	**$ 342**	$ 41	

* These Accumulated other comprehensive income components are included in the computation of net periodic pension cost. *For additional information see Note 14 herein.*

13. Earnings Per Common 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 common 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 June 30,		Six Months Ended June 30,	
(dollars in millions, except per common share data)	**2020**	2019	**2020**	2019
Numerator for EPS:				
Income (loss) from continuing operations	**$ (7,765)**	$ 1,391	**$ (6,111)**	$ 2,328
Less: Net income from continuing operations attributable to noncontrolling interests	**162**	281	**67**	564
Less: Preferred stock dividends	**8**	7	**15**	7
Income (loss) attributable to AIG common shareholders from continuing operations	**(7,935)**	1,103	**(6,193)**	1,757
Loss from discontinued operations, net of income tax expense	**(1)**	(1)	**(1)**	(1)
Net income (loss) attributable to AIG common shareholders	**$ (7,936)**	$ 1,102	**$ (6,194)**	$ 1,756
Denominator for EPS:				
Weighted average common shares outstanding — basic	**866,968,305**	876,382,884	**870,590,968**	875,885,588
Dilutive common shares	**-**	11,942,158	**-**	7,035,659
Weighted average common shares outstanding — diluted[(a)(b)]	**866,968,305**	888,325,042	**870,590,968**	882,921,247
Income (loss) per common share attributable to AIG common shareholders:				
Basic:				
Income (loss) from continuing operations	**$ (9.15)**	$ 1.26	**$ (7.11)**	$ 2.00
Income from discontinued operations	**$ -**	$ -	**$ -**	$ -
Income (loss) attributable to AIG common shareholders	**$ (9.15)**	$ 1.26	**$ (7.11)**	$ 2.00
Diluted:				
Income (loss) from continuing operations	**$ (9.15)**	$ 1.24	**$ (7.11)**	$ 1.99
Income from discontinued operations	**$ -**	$ -	**$ -**	$ -
Income (loss) attributable to AIG common shareholders	**$ (9.15)**	$ 1.24	**$ (7.11)**	$ 1.99

(a) Shares in the diluted EPS calculation represent basic shares for the three- and six-month periods ended June 30, 2020 due to the net losses in those periods. The number of common shares excluded from the calculation was 3,226,882 shares and 3,939,732 shares, respectively, for the three- and six-month periods ended June 30, 2020.

(b) Dilutive common shares included our share-based employee compensation plans and a weighted average portion of the 10-year warrants issued to AIG shareholders as part of AIG's recapitalization in January 2011. The number of common shares excluded from diluted shares outstanding was 68.6 million and 67.9 million for the three- and six-month periods ended June 30, 2020, respectively, and 5.4 million and 34.8 million for the three- and six-month periods ended June 30, 2019, respectively, because the effect of including those common shares in the calculation would have been anti-dilutive.

For information about our repurchases of AIG Common Stock see Note 12 herein.

14. Employee Benefits

We sponsor various defined benefit 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 (credit) with respect to pension benefits:

	Pension		
(in millions)	U.S. Plans	Non-U.S. Plans	Total
Three Months Ended June 30, 2020			
Components of net periodic benefit cost:			
Service cost	$ 2	$ 5	$ 7
Interest cost	33	2	35
Expected return on assets	(59)	(5)	(64)
Amortization of prior service cost	-	1	1
Amortization of net loss	8	2	10
Net periodic benefit cost (credit)	(16)	5	(11)
Settlement charges	-	-	-
Net benefit cost (credit)	$ (16)	$ 5	$ (11)
Three Months Ended June 30, 2019			
Components of net periodic benefit cost:			
Service cost	$ 3	$ 4	$ 7
Interest cost	43	4	47
Expected return on assets	(57)	(6)	(63)
Amortization of prior service cost	-	1	1
Amortization of net loss	8	2	10
Net periodic benefit cost (credit)	(3)	5	2
Settlement charges	-	1	1
Net benefit cost (credit)	$ (3)	$ 6	$ 3
Six Months Ended June 30, 2020			
Components of net periodic benefit cost:			
Service cost	$ 3	$ 10	$ 13
Interest cost	67	5	72
Expected return on assets	(119)	(10)	(129)
Amortization of prior service cost	-	1	1
Amortization of net loss	16	4	20
Net periodic benefit cost (credit)	(33)	10	(23)
Settlement charges	-	-	-
Net benefit cost (credit)	$ (33)	$ 10	$ (23)
Six Months Ended June 30, 2019			
Components of net periodic benefit cost:			
Service cost	$ 5	$ 10	$ 15
Interest cost	87	8	95
Expected return on assets	(114)	(11)	(125)
Amortization of prior service cost	-	1	1
Amortization of net loss	16	3	19
Net periodic benefit cost (credit)	(6)	11	5
Settlement credit	-	(3)	(3)
Net benefit cost (credit)	$ (6)	$ 8	$ 2

The service cost for our U.S. defined benefit plans only reflects administrative fees as the plans are frozen and no longer accrue benefits. We recognized net expense of $2 million and $4 million for our U.S. and non-U.S. postretirement benefit plans for the three- and six-month periods ended June 30, 2020, respectively. We recognized net expense of $1 million and $3 million for our U.S. and non-U.S. postretirement benefit plans for the three- and six-month periods ended June 30, 2019, respectively.

15. Income Taxes

RECENT U.S. TAX LAW CHANGES

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 includes provisions for Global Intangible Low-Taxed Income (GILTI) under which taxes 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. While the U.S. tax authorities issued formal guidance, including recently issued proposed and final regulations for BEAT and other provisions of the Tax Act, there are still certain aspects of the Tax Act that remain unclear and subject to substantial uncertainties. Additional guidance is expected in future periods. 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.

On March 27, 2020, the U.S. enacted the Coronavirus Aid, Relief, and Economic Security (CARES) Act to mitigate the economic impacts of the COVID-19 crisis. AIG does not expect the tax provisions of the CARES Act to have a material impact on AIG's U.S. federal tax liabilities.

RECLASSIFICATION OF CERTAIN TAX EFFECTS FROM ACCUMULATED OTHER COMPREHENSIVE INCOME

We use an item-by-item approach to release the stranded or disproportionate income tax effects in AOCI related to our available-for-sale securities. Under this approach, a portion of the disproportionate tax effects is assigned to each individual security lot at the date the amount becomes lodged. When the individual securities are sold, mature, or are otherwise impaired on an other-than-temporary basis, the assigned portion of the disproportionate tax effect is reclassified from AOCI to income from continuing operations.

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. As of June 30, 2020, the annual effective tax rate includes the tax effects of actual and projected COVID-19 related losses and market developments. The tax effects of the Majority Interest Fortitude Sale were excluded from the estimated annual effective tax rate and reported in the second quarter interim period.

INTERIM TAX EXPENSE (BENEFIT)

For the three-month period ended June 30, 2020, the effective tax rate on loss from continuing operations was 19.6 percent. The effective tax rate on loss from continuing operations differs from the statutory tax rate of 21 percent primarily due to tax effects of the Majority Interest Fortitude Sale, tax charges associated with the increase of U.S. federal valuation allowance related to certain tax attribute carryforwards, accrual of interest associated with IRS and other tax authority matters, the effect of foreign operations, state and local income taxes, and non-deductible transfer pricing charges, partially offset by tax benefits associated with tax exempt income, and reclassifications from accumulated other comprehensive income to income from continuing operations related to the disposal of available for sale securities. 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 six-month period ended June 30, 2020, the effective tax rate on loss from continuing operations was 14.0 percent. The effective tax rate on loss from continuing operations differs from the statutory tax rate of 21 percent primarily due to tax effects of the Majority Interest Fortitude Sale, tax charges associated with the establishment of U.S. federal valuation allowance related to certain tax attribute carryforwards, accrual of interest associated with IRS and other tax authority matters, excess tax charges related to share based compensation payments recorded through the income statement, the effect of foreign operations, state and local income taxes, and non-deductible transfer pricing charges, partially offset by tax benefits associated with tax exempt income, and reclassifications from accumulated other comprehensive income to income from continuing operations related to the disposal of available for sale securities. 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 June 30, 2019, the effective tax rate on income from continuing operations was 24.3 percent. The effective tax rate on income from continuing operations differs from the statutory tax rate of 21 percent primarily due to tax charges associated with the effect of foreign operations, a net tax charge related to the accrual of IRS interest, state and local income taxes, non-deductible transfer pricing charges, U.S. tax imposed on GILTI earned by certain foreign subsidiaries, and valuation allowance activity related to certain foreign subsidiaries, partially offset by tax benefits associated with tax exempt income and reclassifications from accumulated other comprehensive income to income from continuing operations related to the disposal of available for sale securities. 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 six-month period ended June 30, 2019, the effective tax rate on income from continuing operations was 22.2 percent. The effective tax rate on income from continuing operations differs from the statutory tax rate of 21 percent primarily due to tax charges associated with the accrual of IRS interest, the effect of foreign operations, state and local income taxes, 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, 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 valuation allowance activity related to 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 six-month period ended June 30, 2020, 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. Given the uncertainties around the impact from the COVID-19 crisis, including the significant global economic slowdown and general market decline, we continue to monitor and review the impact on our reinvestment considerations, including regulatory oversight in the relevant jurisdictions.

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, including forecasts of future income for each of our businesses and actual and planned business and operational changes;
- the carryforward periods 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 are able to utilize both the net operating loss and foreign tax credit carryforwards concurrently.

Recent events, including the COVID-19 crisis, multiple reductions in target interest rates by the Board of Governors of the Federal Reserve System, and significant market volatility, continue to impact actual and projected results of our business operations as well as our views on potential effectiveness of certain prudent and feasible tax planning strategies. In order to demonstrate the predictability and sufficiency of future taxable income necessary to support the realizability of the net operating losses and foreign tax credit carryforwards, we have considered forecasts of future income for each of our businesses, including assumptions about future macro-economic and AIG-specific conditions and events, and any impact these conditions and events may have on our prudent and feasible tax planning strategies. We also subjected the forecasts to a variety of stresses of key assumptions and evaluated the effect on tax attribute utilization.

The carryforward periods of our foreign tax credit carryforwards range from tax years 2020 through 2023. Carryforward periods for our net operating losses extend from 2028 forward. However, utilization of a portion of our net operating losses is limited under separate return limitation year (SRLY) rules. Based on first half of 2020 events and our analysis of their potential impact on utilization of our tax attributes, we concluded that a valuation allowance should be established on a portion of our foreign tax credit carryforwards and net operating losses that are no longer more-likely-than-not to be realized. To the extent that the valuation allowance is attributed to changes in forecast of current year taxable income, the impact is included in our estimated annualized effective tax rate. The valuation allowance related to changes in forecasts of income in future periods as well as other items not related to the current year was recorded discretely in the six-month period ended June 30, 2020. Accordingly, as of June 30, 2020, we have recorded a $286 million valuation allowance through continuing operations.

Estimates of future taxable income, including income generated from prudent and feasible actions and tax planning strategies, impact of settlements with taxing authorities, and any changes to 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. Additionally, estimates of future taxable income, including prudent and feasible tax planning strategies, may be further impacted by market developments arising from the COVID-19 crisis and uncertainty regarding its outcome. Such potential impact could be material to our consolidated financial condition or results of operations for an individual reporting period.

For the six-month period ended June 30, 2020, recent changes in market conditions, including the COVID-19 crisis and 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 deferred tax liability related to net unrealized tax capital gains. As of June 30, 2020, based on all available evidence, we concluded that no valuation allowance is necessary in the U.S. Life Insurance Companies' available for sale securities portfolio.

For the six-month period ended June 30, 2020, 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 a deferred tax liability related to net unrealized tax capital gains. As of June 30, 2020, based on all available evidence, we concluded that no valuation allowance is necessary in the U.S. non-life companies' available for sale securities portfolio. Accordingly, for the three-month period ended June 30, 2020, we released $115 million of valuation allowance associated with the unrealized tax losses in the U.S. non-life companies' available for sale securities portfolio which was recorded during the three-month period ended March 31, 2020. Amounts recorded in both periods were allocated to other comprehensive income.

For the three- and six-month periods ended June 30, 2020, we recognized net increases of $11 million and $20 million, respectively, in deferred tax asset valuation allowance associated with certain foreign and state jurisdictions, primarily attributable to current year activity. For each of the three- and six-month periods ended June 30, 2020, we also recognized a $206 million decrease in deferred tax asset valuation allowance associated with certain foreign jurisdictions, primarily attributable to a corresponding reduction in foreign net operating loss deferred tax assets as a result of restructuring of our European business and the expiration of a portion of net operating losses prior to utilization in Japan.

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. In 2019, we agreed with the IRS to execute an agreement for the tax years at issue in which AIG would waive restrictions on the assessment of additional tax related to the settlement of the underlying issues in those tax years. 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 June 30, 2020 and December 31, 2019, our unrecognized tax benefits, excluding interest and penalties, were $4.8 billion. At June 30, 2020 and December 31, 2019, 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 $43 million, respectively. Accordingly, at both June 30, 2020 and December 31, 2019, 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 June 30, 2020 and December 31, 2019, we had accrued liabilities of $2.5 billion and $2.4 billion, respectively, for the payment of interest (net of the federal benefit) and penalties. For the six-month periods ended June 30, 2020 and 2019, we accrued expense (benefit) of $96 million and $136 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 $3.6 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. Subsequent Events

DIVIDENDS DECLARED

On August 3, 2020, our Board of Directors declared a cash dividend on AIG Common Stock of $0.32 per share, payable on September 30, 2020 to shareholders of record on September 17, 2020. On August 3, 2020, our Board of Directors declared a cash dividend on AIG's Series A Preferred Stock of $365.625 per share, payable on September 15, 2020 to holders of record on August 31, 2020.

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, 2019 (the 2019 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 AIG's 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, the effect of catastrophes and macroeconomic events, such as COVID-19, anticipated dispositions, 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 AIG's 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 AIG's actual results to differ, possibly materially, from those in the specific projections, goals, assumptions and statements include:

- the adverse impact of COVID-19, including with respect to AIG's business, financial condition and results of operations;
- changes in market and industry conditions, including the significant global economic downturn, general market declines, prolonged economic recovery and disruptions to AIG's operations driven by COVID-19 and responses thereto, including new or changed governmental policy and regulatory actions;
- the occurrence of catastrophic events, both natural and man-made, including COVID-19, pandemics, civil unrest and the effects of climate change;
- AIG's ability to effectively execute on AIG 200 operational programs designed to achieve underwriting excellence, modernization of AIG's operating infrastructure, enhanced user and customer experiences and unification of AIG;
- the impact of potential information technology, cybersecurity or data security breaches, including as a result of cyber-attacks or security vulnerabilities, the likelihood of which may increase due to extended remote business operations as a result of COVID-19;
- disruptions in the availability of AIG's electronic data systems or those of third parties;
- the effectiveness of our risk management policies and procedures, including with respect to our business continuity and disaster recovery plans;
- changes in judgments concerning potential cost-saving opportunities;
- concentrations in AIG's investment portfolios;
- changes to the valuation of AIG's investments;
- actions by credit rating agencies;
- changes in judgments concerning insurance underwriting and insurance liabilities;
- the effectiveness of strategies to recruit and retain key personnel and to implement effective succession plans;
- the requirements, which may change from time to time, of the global regulatory framework to which AIG is subject;
- significant legal, regulatory or governmental proceedings;
- AIG's ability to successfully manage Legacy Portfolios;
- AIG's ability to successfully dispose of, monetize and/or acquire businesses or assets or successfully integrate acquired businesses;
- changes in judgments concerning the recognition of deferred tax assets and the impairment of goodwill; and
- such other factors discussed in:
  - Part I, Item 2. MD&A and Part II, Item 1A. Risk Factors of this Quarterly Report on Form 10-Q;
  - Part I, Item 2. MD&A of the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020; and
  - Part I, Item 1A. Risk Factors and Part II, Item 7. MD&A of the 2019 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.

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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) adjusted for the cumulative unrealized gains and losses related to Fortitude Re’s Funds Withheld Assets and Book value per common share, excluding AOCI adjusted for the cumulative unrealized gains and losses related to Fortitude Re’s Funds Withheld Assets 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 after eliminating items that can fluctuate significantly from period to period including changes in fair value of AIG’s 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. In addition, we adjust for the cumulative unrealized gains and losses related to Fortitude Re’s Funds Withheld Assets since these fair value movements are economically transferred to Fortitude Re. 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 adjusted for the cumulative unrealized gains and losses related to Fortitude Re’s Funds Withheld Assets, is derived by dividing total AIG common shareholders’ equity, excluding AOCI adjusted for the cumulative unrealized gains and losses related to Fortitude Re’s Funds Withheld Assets, by total common shares outstanding. Adjusted book value per common share is derived by dividing total AIG common shareholders’ equity, excluding AOCI adjusted for the cumulative unrealized gains and losses related to Fortitude Re’s Funds Withheld Assets 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 adjusted for the cumulative unrealized gains and losses related to Fortitude Re’sFunds Withheld Assets 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. In addition, we adjust for the cumulative unrealized gains and losses related to Fortitude Re’s Funds Withheld Assets since these fair value movements are economically transferred to Fortitude Re. 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 common shareholders 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 common shareholders is derived by excluding the tax effected adjusted pre-tax income (APTI) adjustments described below, dividends on preferred stock, 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 (the Tax Act);

and by excluding the net realized capital gains (losses) and other charges 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;
- net investment income on Fortitude Re funds withheld assets post deconsolidation of Fortitude Re;
- following deconsolidation of Fortitude Re, net realized capital gains and losses on Fortitude Re funds withheld assets held by AIG in support of Fortitude Re's reinsurance obligations to AIG (Fortitude Re funds withheld assets);
- 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 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 catastrophe losses are generally weather or seismic events having a net impact on AIG in excess of $10 million each and man-made catastrophe losses, 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;
- 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;
- reinsurance assets;
- impairment charges, including impairments on other invested assets and goodwill impairment;
- allowances for credit losses primarily on loans, available for sale fixed maturity securities, reinsurance assets and premiums and other receivables;
- 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.

The following accounting estimates have been updated from the descriptions in the 2019 Annual Report on account of the new accounting standard that changed how entities account for current expected credit losses (CECL) for most financial assets, premiums receivable, trade receivables, off-balance sheet exposures and reinsurance receivables (the Financial Instruments Credit Losses Standard) that we adopted on January 1, 2020.

REINSURANCE RECOVERABLE

The estimation of reinsurance recoverable involves a significant amount of judgment, particularly for latent exposures, such as asbestos, due to their long-tail nature. Reinsurance assets include reinsurance recoverable on unpaid losses and loss adjustment expenses that are estimated as part of our loss reserving process and, consequently, are subject to similar judgments and uncertainties as the estimation of gross loss reserves. Similarly, Other assets include reinsurance recoverable for contracts which are accounted for as deposits.

We assess the collectability of reinsurance recoverable balances, at minimum on an annual basis, through either historical trends of disputes and credit events or financial analysis of the credit quality of the reinsurer. We record adjustments to reflect the results of these assessments through an allowance for credit losses and disputes on uncollectable reinsurance that reduces the carrying amount of reinsurance and other assets on the balance sheet (collectively, the reinsurance recoverable balances). This estimate requires significant judgment for which key considerations include:

- paid and unpaid amounts recoverable;
- whether the balance is in dispute or subject to legal collection;
- the relative financial health of the reinsurer as determined by the Obligor Risk Ratings (ORRs) we assign to each reinsurer based upon our financial reviews; insurers that are financially troubled (i.e., in run-off, have voluntarily or involuntarily been placed in receivership, are insolvent, are in the process of liquidation or otherwise subject to formal or informal regulatory restriction) are assigned ORRs that will generate significant allowance; and
- whether collateral and collateral arrangements exist.

An estimate of the reinsurance recoverable's lifetime expected credit losses is established utilizing a probability of default and loss given default method, which reflects the reinsurer's ORR rating. The allowance for credit losses excludes disputed amounts. An allowance for disputes is established for a reinsurance recoverable using the losses incurred model for contingencies.

At June 30, 2020, the allowance for credit losses and disputes on reinsurance recoverable was $212 million, or less than one percent of the consolidated reinsurance recoverable.

IMPAIRMENT CHARGES

Impairments of Investments

Available for sale securities

If we intend to sell a fixed maturity security, or it is more likely than not that we will be required to sell a fixed maturity security before recovery of its amortized cost basis and the fair value of the security is below amortized cost, an impairment has occurred and the amortized cost is written down to current fair value, with a corresponding charge to realized capital losses. No allowance is established in these situations. When assessing our intent to sell a fixed maturity security, or whether it is more likely than not that we will be required to sell a fixed maturity security before recovery of its amortized cost basis, management evaluates relevant facts and circumstances including, but not limited to, decisions to reposition our investment portfolio, sales of securities to meet cash flow needs and sales of securities to take advantage of favorable pricing.

For fixed maturity securities for which a decline in the fair value below the amortized cost is due to credit related factors, an allowance is established for the difference between the estimated recoverable value and amortized cost with a corresponding charge to realized capital losses. The allowance for credit losses is limited to the difference between amortized cost and fair value. The estimated recoverable value is the present value of cash flows expected to be collected, as determined by management. The difference between fair value and amortized cost that is not associated with credit related factors is presented in unrealized appreciation (depreciation) of fixed maturity securities on which an allowance for credit losses were recognized (a separate component of accumulated other comprehensive income).

Commercial and residential mortgage loans

At the time of origination or purchase, an allowance for credit losses is established for mortgage and other loan receivables and is updated each reporting period. Changes in the allowance for credit losses are recorded in realized capital losses. This allowance reflects the risk of loss, even when that risk is remote, and reflects losses expected over the remaining contractual life of the loan. The allowance for credit losses considers available relevant information about the collectability of cash flows, including information about past events, current conditions, and reasonable and supportable forecasts of future economic conditions. We revert to historical information when we determine that we can no longer reliably forecast future economic assumptions.

The allowances for the commercial mortgage loans and residential mortgage loans are estimated utilizing a probability of default and loss given default model. Loss rate factors are determined based on historical data and adjusted for current and forecasted information. The loss rates are applied based on individual loan attributes and considering such data points as loan-to-value ratios, Fair Isaac Corporation (FICO) scores, and debt service coverage.

The estimate of credit losses also reflects management's assumptions on certain macroeconomic factors that include, but are not limited to, gross domestic product growth, employment, inflation, housing price index, interest rates and credit spreads.

Goodwill Impairment

Goodwill represents the future economic benefits arising from assets acquired in a business combination that are not individually identified and separately recognized. At both June 30, 2020 and December 31, 2019, our goodwill balance was $4.0 billion. The operating segments with goodwill are our General Insurance business – North America and International operating segments, our Life and Retirement business – Life Insurance operating segment, Legacy Portfolio and Other Operations.

Goodwill is tested for impairment annually or more frequently if circumstances indicate an impairment may have occurred. The date of our annual goodwill Impairment testing is July 1. In 2019, for substantially all of the reporting units we performed quantitative assessments that supported a conclusion that the fair value of all of the reporting units tested exceeded their book value. To determine fair value, we primarily use a discounted expected future cash flow analysis that estimates and discounts projected future distributable earnings. Such analysis is principally based on our business projections that inherently include judgments regarding business trends.

COVID-19 has caused significant market volatility impacting our actual and projected results along with a decline in our stock price. During the three-month period ended June 30, 2020, we performed a qualitative assessment that continues to support a conclusion that fair values of all of our reporting units exceeded their book value. As this is an evolving crisis, we expect to continue to monitor developments and perform updated analyses as necessary.

For a complete discussion of goodwill impairment see Part I, Item 1A. Risk Factors – Estimates and Assumptions and Note 13 to the Consolidated Financial Statements in the 2019 Annual Report and Part II, Item 1A. Risk Factors in the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020.

INCOME TAXES

Recoverability of Net Deferred Tax Asset

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.

We consider a number of factors to reliably estimate future taxable income so we can determine the extent of our ability to realize net operating losses, foreign tax credits, realized capital loss and other carryforwards. These factors include forecasts of future income for each of our businesses and actual and planned business and operational changes, both of which include assumptions about future macroeconomic and AIG specific conditions and events. We subject the forecasts to stresses of key assumptions and evaluate the effect on tax attribute utilization. We also apply stresses to our assumptions about the effectiveness of relevant prudent and feasible tax planning strategies. We have also considered the impact of the Tax Act on our forecasts of taxable income, made certain assumptions related to interpretation of relevant new rules, and incorporated guidance issued by the U.S. tax authority. Our analysis also reflects the effect of slower utilization of our tax credits due to a reduction in the U.S. statutory tax rate as a result of the Tax Act.

Recent events, including the COVID-19 crisis, multiple reductions in target interest rates by the Board of Governors of the Federal Reserve System, and significant market volatility, continued to impact actual and projected results of our business operations as well as our views on potential effectiveness of certain prudent and feasible tax planning strategies. In order to demonstrate the predictability and sufficiency of future taxable income necessary to support the realizability of the net operating losses and foreign tax credit carryforwards, we have considered forecasts of future income for each of our businesses, including assumptions about future macro-economic and AIG-specific conditions and events, and any impact these conditions and events may have on our prudent and feasible tax planning strategies. We also subjected the forecasts to a variety of stresses of key assumptions and evaluate the effect on tax attribute utilization.

The carryforward periods of our foreign tax credit carryforwards range from tax years 2020 through 2023. Carryforward periods for our net operating losses extend from 2028 forward. However, utilization of a portion of our net operating losses is limited under separate return limitation year (SRLY) rules. Based on the events that transpired in the six-month period ended June 30, 2020 and our analysis of their potential impact on utilization of our tax attributes, we concluded that valuation allowance should be established on a portion of our foreign tax credit carryforwards and net operating losses that are no longer more-likely-than-not to be realized, all of which was allocated to continuing operations.

For the six-month period ended June 30, 2020, recent changes in market conditions, including the COVID-19 crisis and 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 deferred tax liability related to net unrealized tax capital gains. As of June 30, 2020, based on all available evidence, we concluded that no valuation allowance is necessary in the U.S. Life Insurance Companies' available for sale securities portfolio.

For the six-month period ended June 30, 2020, 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 a deferred tax liability related to net unrealized tax capital gains. As of June 30, 2020, based on all available evidence, we concluded that no valuation allowance is necessary in the U.S. non-life companies' available for sale securities portfolio. Accordingly, for the three-month period ended June 30, 2020, we released $115 million of valuation allowance associated with the unrealized tax losses in the U.S. non-life companies' available for sale securities portfolio which was recorded during the three-month period ended March 31, 2020. Amounts recorded in both periods were allocated to other comprehensive income.

For a complete discussion of our critical accounting estimates, see Part II, Item 7. MD&A — Critical Accounting Estimates in the 2019 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 2019 Annual Report, in their entirety for a more detailed description of events, trends, uncertainties, risks and critical accounting estimates affecting us.

On June 2, 2020, we completed the sale of a majority of the interests in Fortitude Group Holdings, LLC (Fortitude Holdings) to Carlyle FRL, L.P. (Carlyle FRL), an investment fund advised by an affiliate of The Carlyle Group Inc. (Carlyle), and T&D United Capital Co., Ltd. (T&D), a subsidiary of T&D Holdings, Inc., under the terms of a membership interest purchase agreement entered into on November 25, 2019 by and among AIG, Fortitude Holdings, Carlyle FRL, Carlyle, T&D and T&D Holdings, Inc. (the Majority Interest Fortitude Sale). AIG established Fortitude Reinsurance Company Ltd. (Fortitude Re), a wholly owned subsidiary of Fortitude Holdings, in 2018 in a series of reinsurance transactions related to AIG's Legacy Portfolio. As of June 30, 2020, approximately $30.5 billion of reserves from AIG's Legacy Life and Retirement Run-Off Lines and approximately $4.1 billion of reserves from AIG's Legacy General Insurance Run-Off Lines, related to business written by multiple wholly-owned AIG subsidiaries, had been ceded to Fortitude Re under these reinsurance transactions. As of closing of the Majority Interest Fortitude Sale, these reinsurance transactions are no longer considered affiliated transactions and Fortitude Re is the reinsurer of the majority of AIG's Legacy Portfolio. As these reinsurance transactions are structured as modified coinsurance and loss portfolio transfers with funds withheld, following the closing of the Majority Interest Fortitude Sale, AIG continues to reflect the invested assets, which consist mostly of available for sale securities, supporting Fortitude Re's obligations, in AIG's financial statements.

AIG sold a 19.9 percent ownership interest in Fortitude Holdings to TC Group Cayman Investments Holdings, L.P. (TCG), an affiliate of Carlyle, in November 2018 (the 2018 Fortitude Sale). As a result of completion of the Majority Interest Fortitude Sale, Carlyle FRL purchased from AIG a 51.6 percent ownership interest in Fortitude Holdings and T&D purchased from AIG a 25 percent ownership interest in Fortitude Holdings; AIG retained a 3.5 percent ownership interest in Fortitude Holdings and one seat on its Board of Managers. The $2.2 billion of proceeds received by AIG at closing include (i) the $1.8 billion under the Majority Interest Fortitude Sale, which is subject to a post-closing purchase price adjustment pursuant to which AIG will pay Fortitude Re for certain adverse development in property casualty related reserves, based on an agreed methodology, that may occur on or prior to December 31, 2023, up to a maximum payment of $500 million; and (ii) a $383 million purchase price adjustment from Carlyle FRL and T&D, corresponding to their respective portions of a proposed $500 million non-pro rata distribution from Fortitude Holdings that was not received by AIG prior to the closing.

For further discussion on the sale of Fortitude Holdings see Note 7 to the Condensed Consolidated Financial Statements

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. At the end of March 2020, Blackboard was placed into run-off. 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 Re was included in our Legacy Portfolio. In November 2019, we announced the Majority Interest Fortitude Sale. On June 2, 2020, we completed the Majority Interest Fortitude Sale. Upon closing of the Majority Interest Fortitude Sale, AIG has a 3.5 percent ownership interest in Fortitude Holdings.

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 regional insurance businesses in Japan, the UK, Europe, Asia Pacific, Latin America and Caribbean, Middle East and Africa, and China. 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

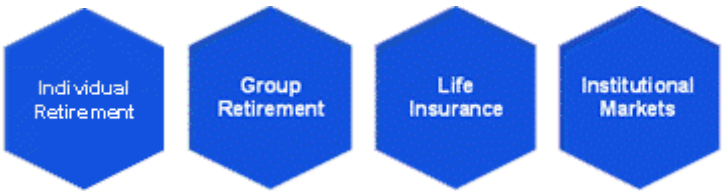
General Insurance

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. (Validus); Talbot Holdings Ltd. (Talbot); Western World Insurance Group, Inc. and Glatfelter Insurance Group (Glatfelter).

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

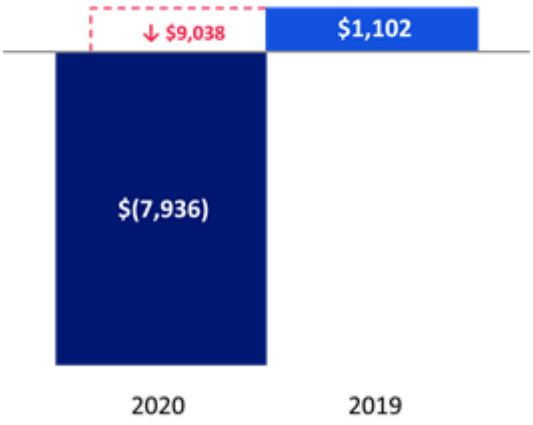
Other Operations consists of businesses and items not attributed to our General Insurance and Life and Retirement segments or our Legacy Portfolio. It includes AIG Parent; Blackboard; deferred tax assets related to tax attributes; corporate expenses and intercompany eliminations. At the end of March 2020, Blackboard was placed into run-off.

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, was included in our Legacy Portfolio. On November 25, 2019, we announced an agreement to sell a controlling financial interest in Fortitude Holdings. On June 2, 2020, we completed the sale of a controlling interest in Fortitude Holdings (reducing our interest in Fortitude Holdings to 3.5 percent), and Fortitude Re is only in the Legacy Portfolio through such date.

FINANCIAL PERFORMANCE SUMMARY

Net Income (Loss) Attributable To AIG Common Shareholders
Three Months Ended June 30,
(in millions)



2020 and 2019 Quarterly Comparison

Net income (loss) attributable to AIG Common Shareholders decreased due to:

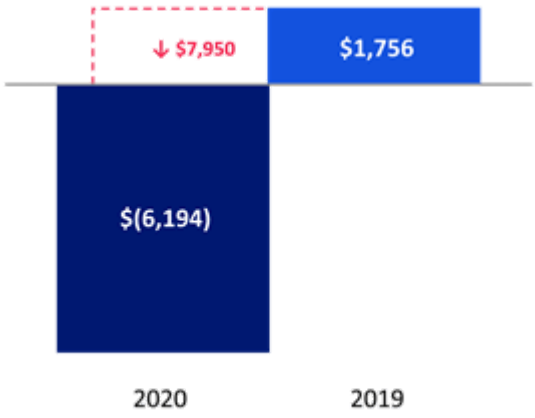
- loss on the closing of the Majority Interest Fortitude Sale;
- net realized capital losses in the three-month period ended June 30, 2020 compared to net realized capital gains in the same period in the prior year;
- lower investment returns due to losses on our private equity funds compared to gains in the same period in the prior year, which included income from an initial public offering of a holding in the private equity portfolio; and
- higher catastrophe losses and adverse mortality primarily due to the impact of COVID-19.

This decrease was partially offset by:

- lower net loss reserve discount charge; and
- lower variable annuity DAC/SIA amortization and reserves due to higher equity market performance.

For further discussion see Consolidated Results of Operations.

Net Income (Loss) Attributable To AIG Common Shareholders
Six Months Ended June 30,
(in millions)



2020 and 2019 Year-to-Date Comparison

Net income (loss) attributable to AIG Common Shareholders decreased due to:

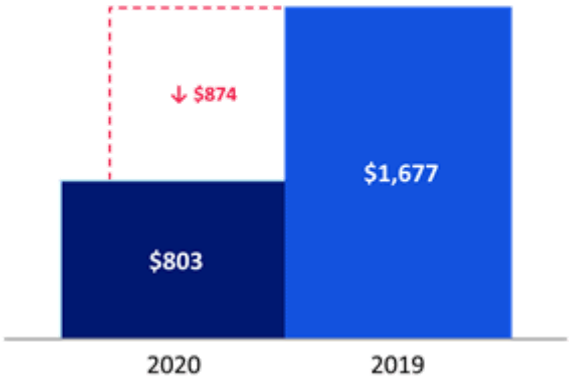
- loss on the closing of the Majority Interest Fortitude Sale;
- lower investment returns due to losses on our alternative investments and fair value option equity security holdings due to declines in equity markets in the six-month period ended June 30, 2020, and lower income on our fixed maturity securities for which the fair value option was elected due to a widening of credit spreads in the current period. This compares to the same period in the prior year where we experienced gains on our alternative investments, which included income from an initial public offering of a holding in the private equity portfolio, and gains on fair value option equity security holdings as a result of robust returns in equity markets and higher gains on our fixed maturity securities for which the fair value option was elected due to a decrease in rates and narrowing of credit spreads;
- higher catastrophe losses and adverse mortality primarily due to the impact of COVID-19; and
- asset impairment charges as a result of Blackboard being placed into run-off.

This decrease was partially offset by:

- net realized capital gains in the six-month period ended June 30, 2020 compared to net realized capital losses in the same period in the prior year;
- lower net loss reserve discount charge; and
- the impact of noncontrolling interest attributed to Fortitude Re results as discussed in Consolidated Results of Operations.

For further discussion see Consolidated Results of Operations.

Adjusted Pre-Tax Income*
Three Months Ended June 30,
(in millions)



2020 and 2019 Quarterly Comparison

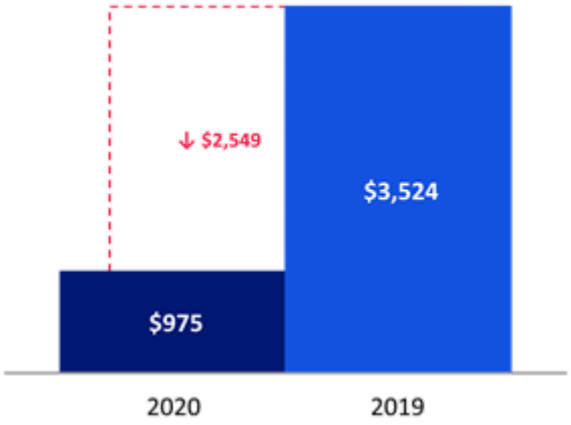
Adjusted pre-tax income decreased primarily due to:

- lower investment returns due to losses on our private equity funds compared to gains in the same period in the prior year, which included income from an initial public offering of a holding in the private equity portfolio; and
- higher catastrophe losses and adverse mortality primarily due to the impact of COVID-19.

This decrease was partially offset by:

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

Adjusted Pre-Tax Income*
Six Months Ended June 30,
(in millions)



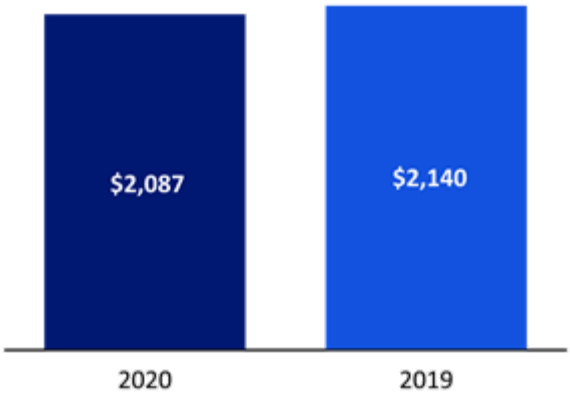
2020 and 2019 Year-to-Date Comparison

Adjusted pre-tax income decreased primarily due to:

- lower investment returns due to losses on our alternative investments due to declines in equity markets in the six-month period ended June 30, 2020, and lower income on our fixed maturity securities for which the fair value option was elected due to a widening of credit spreads in the current period. This compares to the same period in the prior year where we experienced gains on our alternative investments, which included income from an initial public offering of a holding in the private equity portfolio, as a result of robust returns in equity markets and higher gains on our fixed maturity securities for which the fair value option was elected due to a decrease in rates and narrowing of credit spreads; and
- higher catastrophe losses and adverse mortality primarily due to the impact of COVID-19 .

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

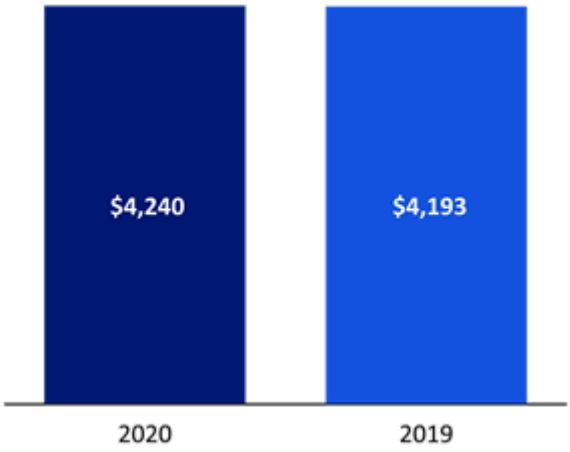
General Operating and Other Expenses
Three Months Ended June 30,
(in millions)



2020 and 2019 Quarterly Comparison

General operating and other expenses decreased primarily due lower employee-related expenses. General operating and other expenses in the three-month periods ended June 30, 2020 and 2019 included approximately $134 million and $60 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.

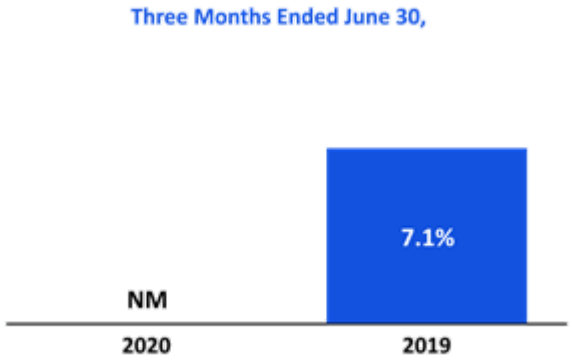
General Operating and Other Expenses
Six Months Ended June 30,
(in millions)



2020 and 2019 Year-to-Date Comparison

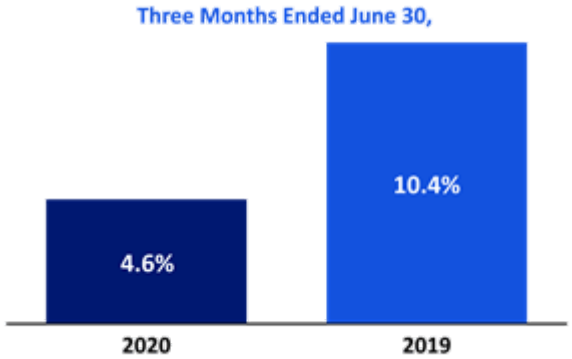
General operating and other expenses increased primarily due to restructuring and related costs partially offset by lower employee- related expenses. General operating and other expenses in the six-month periods ended June 30, 2020 and 2019 included approximately $224 million and $107 million of pre-tax 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



Return on Common Equity

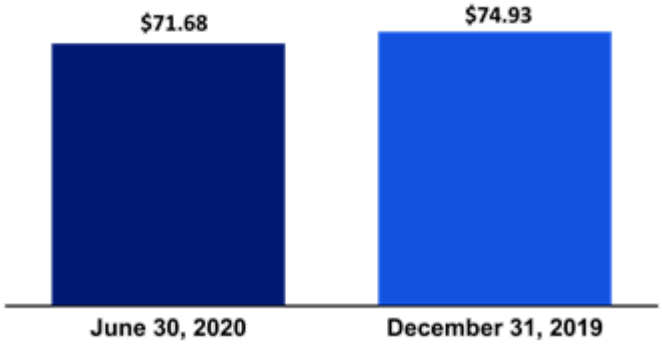
Adjusted Return on Common Equity*



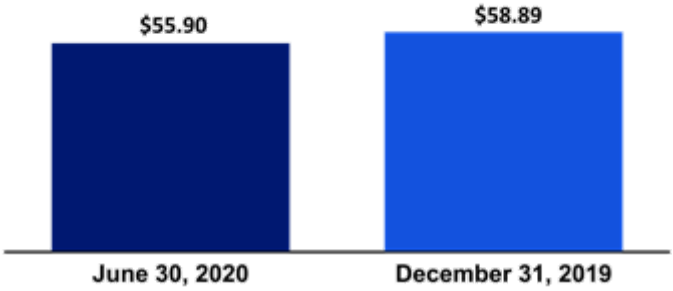
Adjusted Return on Common Equity*

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

Book Value Per Common Share



Adjusted Book Value Per Common Share*



* 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 six months of 2020, characterized by factors such as the impact of COVID-19 and the related governmental and societal responses, historically low interest rates, global economic contraction, global trade tensions and the UK's 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 COVID-19

We are continually assessing the impact on our business, operations and investments of COVID-19 and the resulting ongoing and severe economic and societal disruption. Adverse impacts to the global economy resulting from the crisis, including a global economic contraction, disruptions in financial markets, increased market volatility and declines in equity and other asset prices have had and may continue to have negative effects on our investments, our access to liquidity, our ability to generate new sales and the costs associated with claims. In addition, in response to the crisis, new governmental, legislative and regulatory actions have been taken and continue to be developed that could result in additional restrictions and requirements, or court decisions rendered, relating to our policies that may have a negative impact on our business, operations and capital.

General Insurance offers numerous products for which we are monitoring claims activity and assessing adverse impact on future new and renewal business in relation to the COVID-19 crisis. General Insurance had $674 million and $1.1 billion of pre-tax catastrophe losses, net of reinsurance, in the three- and six-month periods ended June 30, 2020, respectively. This included $458 million and $730 million of estimated COVID-19 losses related to travel, contingency, commercial property, trade credit, workers' compensation and Validus in the three- and six-month periods ended June 30, 2020, respectively. The remainder of the catastrophe losses were primarily weather-related. We are continually reassessing our exposures in light of unfolding developments in the U.S. and globally and evaluating coverage by our reinsurance arrangements.

In our Life and Retirement business, the most significant impacts relating to COVID-19 have been the impact of interest rate and equity market levels on spread and fee income, deferred acquisition cost amortization and adverse mortality. We are actively monitoring our claims activity and the potential direct and indirect impacts that COVID-19 may have across our portfolio of Life and Retirement businesses.

We have a diverse investment portfolio with material exposures to various forms of credit risk. Because of the far reaching economic impacts of COVID-19, it is likely that there will be continued impact on the value of the portfolio, however, at this point in time, uncertainty surrounding the duration and severity of the COVID-19 crisis makes the short-term or long-term financial impact difficult to quantify.

For additional information please see Part II, Item 1A. Risk Factors — COVID-19 is adversely affecting, and is expected to continue to adversely affect, our global business, financial condition and results of operations, and its ultimate impact will depend on future developments that are uncertain and cannot be predicted, including the scope, severity and duration of the crisis, and the governmental, legislative and regulatory actions taken and court decisions rendered in response thereto.

Impact of Changes in the Interest Rate Environment

While many benchmark U.S. interest rates had risen to recent period highs in 2018, more recent concerns about global trade and potential weakness in U.S. economic expansion led to declining interest rates in 2019. In the first six months of 2020, interest rates declined further in response to COVID-19 with key benchmark rates in the U.S. and in many developed markets close to historic lows and, in some international jurisdictions, negative. The low interest rate environment negatively affects sales of interest rate sensitive products in our industry and negatively impacts 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. The severe market impacts in the first six months of 2020 have, however, resulted in an increase in credit spreads that partially offset the decrease in benchmark rates. On the other hand, if 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 may result in higher pension expense due to the impact on discounting of projected benefit cash flows.

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. Fixed annuities have surrender charge periods, generally in the three-to-five year range, 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 closely monitor surrenders of fixed annuities as contracts with lower minimum interest rates come out of the surrender charge period. 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, 67 percent were crediting at the contractual minimum guaranteed interest rate at June 30, 2020. The percentage of fixed account values of our annuity products that are currently crediting at rates above one percent was 61 percent at both June 30, 2020 and December 31, 2019. 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, 66 percent of the account values were crediting at the contractual minimum guaranteed interest rate at June 30, 2020.

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:

June 30, 2020	Current Crediting Rates			
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%	$ 7,601	$ 1,813	$ 19,258	$ 28,672
> 1% - 2%	5,202	56	1,742	7,000
> 2% - 3%	11,576	6	50	11,632
> 3% - 4%	8,870	41	6	8,917
> 4% - 5%	511	-	4	515
> 5% - 5.5%	34	-	5	39
Total Individual Retirement	$ 33,794	$ 1,916	$ 21,065	$ 56,775
Group Retirement*				
1%	$ 1,703	$ 2,793	$ 4,404	$ 8,900
> 1% - 2%	5,597	794	360	6,751
> 2% - 3%	14,707	6	-	14,713
> 3% - 4%	777	-	-	777
> 4% - 5%	7,052	-	-	7,052
> 5% - 5.5%	170	-	-	170
Total Group Retirement	$ 30,006	$ 3,593	$ 4,764	$ 38,363
Universal life insurance				
1%	$ -	$ -	$ -	$ -
> 1% - 2%	97	25	368	490
> 2% - 3%	266	539	1,106	1,911
> 3% - 4%	1,505	388	-	1,893
> 4% - 5%	2,929	236	-	3,165
> 5% - 5.5%	250	-	-	250
Total universal life insurance	$ 5,047	$ 1,188	$ 1,474	$ 7,709
Total	$ 68,847	$ 6,697	$ 27,303	$ 102,847
Percentage of total	67 %	6 %	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 currently 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

In our Life and Retirement business, we and our distributors are subject to laws and regulations regarding the standard of care applicable to sales of our products and the provision of advice to our customers. In recent years, many of these laws and regulations have been revised or reexamined while others have been newly adopted. We continue to closely follow these legislative and regulatory activities. *For additional information regarding these legislative and regulatory activities, see Regulatory Environment – Standard of Care Developments*. Changes in standard of care requirements or new standards issued by governmental authorities, such as the Department of Labor, the SEC, the National Association of Insurance Commissioners (NAIC) or state regulators and/or legislators, may affect our businesses, results of operations and financial condition. While we cannot predict the long-term impact of these legislative and regulatory 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.

SECURE Act

On December 20, 2019 the Setting Every Community Up for Retirement Enhancement (SECURE) Act was signed into law as part of larger federal appropriations legislation. The SECURE Act includes many provisions affecting qualified contracts, some of which became effective upon enactment on January 1, 2020 or later, and some of which were retroactively effective. Some of the SECURE Act provisions that became effective on January 1, 2020, include, without limitation: an increase in the age at which required minimum distributions (RMDs) generally must commence, to age 72, from the previous age of 70 ½; new limitations on the period for beneficiary distributions following the death of the plan participant or IRA owner; elimination of the age 70 ½ restriction on IRA contributions (combined with an offset to the amount of eligible qualified charitable distributions (QCDs) by the amount of post-70 ½ IRA contributions); a new exception to the 10% additional tax on early distributions for the birth or adoption of a child, which also became an allowable plan distribution event; and, reduction of the earliest permissible age for in-service distributions from pension plans and certain Section 457 plans to 59 ½. Some of the changes in law made by the SECURE Act are complex and require further regulatory definition and guidance. At this time, we cannot predict what, or the extent of, impact the provisions of the SECURE Act will ultimately have on our Life and Retirement businesses.

CARES Act

On March 27, 2020, the U.S. enacted the Coronavirus Aid, Relief, and Economic Security (CARES) Act to mitigate the economic impacts of the COVID-19 emergency. This legislation contains multiple provisions, including some that provide greater access to assets held in tax-qualified retirement plans and IRAs for qualifying individuals, which have relevance to the products and services offered by Individual Retirement and Group Retirement. The relief provided in the CARES Act includes, among others, temporary liberalization of access to distributions and loans, and loan repayment suspension, for eligible individuals in many defined contribution retirement plans; a waiver of the 10% additional tax on qualifying distributions which otherwise applies to early distributions (generally, prior to age 59 ½) from retirement plans and IRAs; and a temporary waiver of required minimum distributions due to be taken in 2020 from retirement plans and IRAs. We have implemented an array of forms, processes and procedures to assist in making these provisions available to plan sponsors, plan participants and IRA owners.

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 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 June 30,			Six Months Ended June 30,		
Rate for 1 USD	**2020**	2019	Percentage Change	**2020**	2019	Percentage Change
Currency:						
GBP	**0.81**	0.77	5 %	**0.79**	0.77	3 %
EUR	**0.91**	0.89	2 %	**0.91**	0.88	3 %
JPY	**107.57**	110.94	(3)%	**108.51**	110.72	(2)%

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. On July 15, 2019, the UK Ministry of Justice announced a change in the Ogden rate from negative 0.75 percent to negative 0.25 percent with an effective date of August 5, 2019.

Consolidated Results of Operations

The following section provides a comparative discussion of our Consolidated Results of Operations on a reported basis for the three- and six-month periods ended June 30, 2020 and 2019. 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 2019 Annual Report.

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

	Three Months Ended June 30,		Percentage	Six Months Ended June 30,		Percentage
(in millions)	**2020**	2019	Change	**2020**	2019	Change
Revenues:						
Premiums	**$ 7,407**	$ 7,430	- %	**$ 14,850**	$ 15,500	(4)%
Policy fees	**749**	769	(3)	**1,504**	1,504	-
Net investment income	**3,366**	3,745	(10)	**5,874**	7,624	(23)
Net realized capital gains (losses)	**(2,332)**	404	NM	**1,187**	(42)	NM
Other income	**206**	213	(3)	**424**	431	(2)
Total revenues	**9,396**	12,561	(25)	**23,839**	25,017	(5)
Benefits, losses and expenses:						
Policyholder benefits and losses incurred	**6,521**	5,802	12	**12,846**	12,481	3
Interest credited to policyholder account balances	**918**	967	(5)	**1,875**	1,907	(2)
Amortization of deferred policy acquisition costs	**754**	1,439	(48)	**2,616**	2,728	(4)
General operating and other expenses	**2,087**	2,140	(2)	**4,240**	4,193	1
Interest expense	**365**	360	1	**720**	709	2
Loss on extinguishment of debt	**-**	15	NM	**17**	13	31
Net (gain) loss on sale or disposal of divested businesses	**8,412**	1	NM	**8,628**	(5)	NM
Total benefits, losses and expenses	**19,057**	10,724	78	**30,942**	22,026	40
Income (loss) from continuing operations before income tax expense (benefit)	**(9,661)**	1,837	NM	**(7,103)**	2,991	NM
Income tax expense (benefit)	**(1,896)**	446	NM	**(992)**	663	NM
Income (loss) from continuing operations	**(7,765)**	1,391	NM	**(6,111)**	2,328	NM
Loss from discontinued operations, net of income taxes	**(1)**	(1)	-	**(1)**	(1)	-
Net income (loss)	**(7,766)**	1,390	NM	**(6,112)**	2,327	NM
Less: Net income attributable to noncontrolling interests	**162**	281	(42)	**67**	564	(88)
Net income (loss) attributable to AIG	**(7,928)**	1,109	NM	**(6,179)**	1,763	NM
Less: Dividends on preferred stock	**8**	7	14	**15**	7	114
Net income (loss) attributable to AIG common shareholders	**$ (7,936)**	$ 1,102	NM%	**$ (6,194)**	$ 1,756	NM%

(in millions, except per common share data)		June 30, 2020		December 31, 2019
Balance sheet data:				
Total assets	$	569,388	$	525,064
Long-term debt and debt of consolidated investment entities		39,280		35,350
Total AIG shareholders' equity		62,234		65,675
Book value per common share		71.68		74.93
Book value per common share, excluding AOCI adjusted for the cumulative unrealized gains and losses related to Fortitude Re's Funds Withheld Assets		65.93		69.20
Adjusted book value per common share		55.90		58.89

The following table presents a reconciliation of Book value per common share to Book value per common share, excluding AOCI adjusted for the cumulative unrealized gains and losses related to Fortitude Re's Funds Withheld Assets and Book value per common share, excluding AOCI adjusted for the cumulative unrealized gains and losses related to Fortitude Re's Funds Withheld Assets 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 common share data)		June 30, 2020		December 31, 2019
Total AIG shareholders' equity	$	62,234	$	65,675
Preferred equity		485		485
Total AIG common shareholders' equity		61,749		65,190
Less: Accumulated other comprehensive income		9,169		4,982
Add: Cumulative unrealized gains and losses related to Fortitude Re's Funds Withheld Assets		4,215		-
Total AIG common shareholders' equity, excluding AOCI adjusted for the cumulative unrealized gains and losses related to Fortitude Re's Funds Withheld Assets		56,795		60,208
Deferred tax assets		8,643		8,977
Adjusted common shareholders' equity	$	48,152	$	51,231
Total common shares outstanding		861,433,842		869,999,031
Book value per common share	$	71.68	$	74.93
Book value per common share, excluding AOCI adjusted for the cumulative unrealized gains and losses related to Fortitude Re's Funds Withheld Assets		65.93		69.20
Adjusted book value per common share		55.90		58.89

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 June 30,		Six Months Ended June 30,		Year Ended December 31,
(dollars in millions)	2020	2019	2020	2019	2019
Actual or annualized net income (loss) attributable to AIG common shareholders	$ (31,744)	$ 4,408	$ (12,388)	$ 3,512	$ 3,326
Actual or annualized adjusted after-tax income attributable to AIG common shareholders	2,284	5,088	1,340	5,320	4,084
Average AIG common shareholders' equity	$ 60,719	$ 62,178	$ 62,209	$ 60,239	$ 62,205
Less: Average AOCI	4,088	3,560	4,386	1,902	3,261
Add: Average cumulative unrealized gains and losses related to Fortitude Re's Funds Withheld Assets	2,108	-	1,405	-	-
Average AIG common shareholders' equity, excluding average AOCI adjusted for the cumulative unrealized gains and losses related to Fortitude Re's Funds Withheld Assets	58,739	58,618	59,228	58,337	58,944
Average DTA	8,589	9,752	8,718	9,885	9,605
Average adjusted AIG common shareholders' equity	$ 50,150	$ 48,866	$ 50,510	$ 48,452	$ 49,339
Return on common equity	NM	7.1 %	NM	5.8 %	5.3 %
Adjusted return on common equity	4.6 %	10.4 %	2.7 %	11.0 %	8.3 %

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 June 30,	2020				2019			
(in millions, except per common share data)	Pre-tax	Total Tax (Benefit) Charge	Non-controlling Interests[e]	After Tax	Pre-tax	Total Tax (Benefit) Charge	Non-controlling Interests[e]	After Tax
Pre-tax income (loss)/net income (loss), including noncontrolling interests	$ (9,661)	$ (1,896)	$ -	$ (7,766)	$ 1,837	$ 446	$ -	$ 1,390
Noncontrolling interests			(162)	(162)			(281)	(281)
Pre-tax income (loss)/net income (loss) attributable to AIG	$ (9,661)	$ (1,896)	$ (162)	$ (7,928)	$ 1,837	$ 446	$ (281)	$ 1,109
Dividends on preferred stock				8				7
Net income (loss) attributable to AIG common shareholders				$ (7,936)				$ 1,102
Changes in uncertain tax positions and other tax adjustments[a]		(206)	-	206		(27)	-	27
Deferred income tax valuation allowance (releases) charges[b]		183	-	(183)		(7)	-	7
Changes in fair value of securities used to hedge guaranteed living benefits	(16)	(4)	-	(12)	(75)	(16)	-	(59)
Changes in benefit reserves and DAC, VOBA and SIA related to net realized capital gains (losses)	(255)	(53)	-	(202)	73	16	-	57
Changes in the fair value of equity securities	(56)	(12)	-	(44)	22	5	-	17
(Gain) loss on extinguishment of debt	-	-	-	-	15	4	-	11
Net investment income on Fortitude Re funds withheld assets[c]	(116)	(24)	-	(92)	-	-	-	-
Net realized capital (gains) losses on Fortitude Re funds withheld assets[c]	(96)	(20)	-	(76)	-	-	-	-
Net realized capital (gains) losses on Fortitude Re funds withheld embedded derivative[c]	837	176	-	661	-	-	-	-
Net realized capital (gains) losses[d]	1,619	369	-	1,250	(351)	(86)	-	(265)
Loss from discontinued operations				1				1
Loss from divested businesses	8,412	1,657	-	6,755	1	-	-	1
Non-operating litigation reserves and settlements	-	-	-	-	-	(1)	-	1
Favorable prior year development and related amortization changes ceded under retroactive reinsurance agreements	(33)	(7)	-	(26)	(125)	(27)	-	(98)
Net loss reserve discount charge	16	3	-	13	212	45	-	167
Integration and transaction costs associated with acquired businesses	4	1	-	3	6	1	-	5
Restructuring and other costs	134	28	-	106	60	13	-	47
Non-recurring costs related to regulatory or accounting changes	14	3	-	11	2	-	-	2
Noncontrolling interests primarily related to net realized capital gains (losses) of Fortitude Holdings' standalone results[e]			136	136			249	249
Adjusted pre-tax income/Adjusted after-tax income attributable to AIG common shareholders	$ 803	$ 198	$ (26)	$ 571	$ 1,677	$ 366	$ (32)	$ 1,272
Weighted average diluted shares outstanding[f]				867.0				888.3
Income (loss) per common share attributable to AIG common shareholders (diluted)[f]				$ (9.15)				$ 1.24
Adjusted after-tax income per common share attributable to AIG common shareholders (diluted)[f]				$ 0.66				$ 1.43

Six Months Ended June 30,	2020				2019			
(in millions, except per common share data)	Pre-tax	Total Tax (Benefit) Charge	Non-controlling Interests[e]	After Tax	Pre-tax	Total Tax (Benefit) Charge	Non-controlling Interests[e]	After Tax
Pre-tax income (loss)/net income (loss), including noncontrolling interests	$ (7,103)	$ (992)	$ -	$ (6,112)	$ 2,991	$ 663	$ -	$ 2,327
Noncontrolling interests			(67)	(67)			(564)	(564)
Pre-tax income (loss)/net income (loss) attributable to AIG	$ (7,103)	$ (992)	$ (67)	$ (6,179)	$ 2,991	$ 663	$ (564)	$ 1,763
Dividends on preferred stock				15				7
Net income (loss) attributable to AIG common shareholders				$ (6,194)				$ 1,756
Changes in uncertain tax positions and other tax adjustments[a]		(211)	-	211		(15)	-	15
Deferred income tax valuation allowance (releases) charges[b]		(100)	-	100		31	-	(31)
Changes in fair value of securities used to hedge guaranteed living benefits	(9)	(2)	-	(7)	(171)	(36)	-	(135)
Changes in benefit reserves and DAC, VOBA and SIA related to net realized capital gains (losses)	283	60	-	223	(26)	(5)	-	(21)
Changes in the fair value of equity securities	135	28	-	107	(57)	(12)	-	(45)
(Gain) loss on extinguishment of debt	17	4	-	13	13	3	-	10
Net investment income on Fortitude Re funds withheld assets[c]	(116)	(24)	-	(92)	-	-	-	-
Net realized capital (gains) losses on Fortitude Re funds withheld assets[c]	(96)	(20)	-	(76)	-	-	-	-
Net realized capital (gains) losses on Fortitude Re funds withheld embedded derivative[c]	837	176	-	661	-	-	-	-
Net realized capital (gains) losses[d]	(1,883)	(398)	-	(1,485)	123	23	-	100
Loss from discontinued operations				1				1
(Income) loss from divested businesses	8,628	1,702	-	6,926	(5)	(1)	-	(4)
Non-operating litigation reserves and settlements	(6)	(1)	-	(5)	1	-	-	1
Favorable prior year development and related amortization changes ceded under retroactive reinsurance agreements	(41)	(9)	-	(32)	(152)	(32)	-	(120)
Net loss reserve discount charge	72	15	-	57	685	144	-	541
Integration and transaction costs associated with acquired businesses	6	1	-	5	13	3	-	10
Restructuring and other costs	224	47	-	177	107	23	-	84
Non-recurring costs related to regulatory or accounting changes	27	6	-	21	2	-	-	2
Noncontrolling interests primarily related to net realized capital gains (losses) of Fortitude Holdings' standalone results[e]			59	59			496	496
Adjusted pre-tax income/Adjusted after-tax income attributable to AIG common shareholders	$ 975	$ 282	$ (8)	$ 670	$ 3,524	$ 789	$ (68)	$ 2,660
Weighted average diluted shares outstanding[f]				870.6				882.9
Income (loss) per common share attributable to AIG common shareholders (diluted)[f]				$ (7.11)				$ 1.99
Adjusted after-tax income per common share attributable to AIG common shareholders (diluted)[f]				$ 0.77				$ 3.01

(a) Includes the write-down of net operating loss deferred tax assets in certain foreign jurisdictions, which is offset by valuation allowance release.

(b) Six months ended June 30, 2020 includes valuation allowance established against a portion of foreign tax credit and net operating loss carryforwards of AIG's U.S. federal consolidated income tax group, as well as net valuation allowance release in certain foreign jurisdictions.

(c) Represents activity subsequent to the deconsolidation of Fortitude Re on June 2, 2020.

(d) 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 and net realized gains and losses on Fortitude Re funds withheld assets.

(e) Noncontrolling interests was primarily due to the 19.9 percent investment in Fortitude Holdings by an affiliate of Carlyle, which occurred in the fourth quarter of 2018. Carlyle was allocated 19.9 percent of Fortitude Holdings' standalone financial results through the June 2, 2020 closing date of the Majority Interest Fortitude Sale. Fortitude Holdings' results were mostly eliminated in AIG's consolidated income from continuing operations given that its results arose from intercompany transactions. Noncontrolling interests was calculated based on the standalone financial results of Fortitude Holdings. The most significant component of Fortitude Holdings' standalone results was the change in fair value of the embedded derivatives which changes with movements in interest rates and credit spreads, and which was 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. Subsequent to the Majority Interest Fortitude Sale, AIG's owns 3.5 percent of Fortitude Holdings and no longer consolidates Fortitude Holdings in its financial statements as of such date. The minority interest in Fortitude Holdings is carried at cost within AIG's consolidated investments, which was $100 million as of June 30, 2020.

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

	Three Months Ended June 30,				Six Months Ended June 30,			
	2020		2019		2020		2019	
(in millions)	Fortitude Holdings	AIG Noncontrolling Interest	Fortitude Holdings	AIG Noncontrolling Interest	Fortitude Holdings	AIG Noncontrolling Interest	Fortitude Holdings	AIG Noncontrolling Interest
Revenues	$ 423	$ 84	$ 565	$ 112	$ 653	$ 130	$ 1,171	$ 233
Expenses	244	49	449	89	702	140	921	183
Adjusted pre-tax income (loss)	179	35	116	23	(49)	(10)	250	50
Taxes (benefit) expense	38	8	24	5	(10)	(2)	52	11
Adjusted after-tax income (loss)	141	27	92	18	(39)	(8)	198	39
Net realized capital gains and other charges	872	174	1,599	318	383	77	3,172	631
Taxes on realized capital gains and other charges	184	36	336	69	81	16	666	133
Net realized capital gains and other charges - after-tax	688	138	1,263	249	302	61	2,506	498
Net income	$ 829	$ 165	$ 1,355	$ 267	$ 263	$ 53	$ 2,704	$ 537

(f) For the three- and six-month periods ended June 30, 2020, because we reported net losses attributable to AIG common shareholders, all common stock equivalents are anti-dilutive and are therefore excluded from the calculation of diluted shares and diluted per share amounts. However, because we reported adjusted after-tax income attributable to AIG common shareholders, the calculation of adjusted after-tax income per diluted share attributable to AIG common shareholders includes 3,226,882 dilutive shares and 3,939,732 dilutive shares for the three- and six-month periods ended June 30, 2020, respectively.

QUARTERLY PRE-TAX INCOME COMPARISON FOR 2020 AND 2019

Pre-tax income decreased in the three-month period ended June 30, 2020 compared to the same period in 2019 primarily due to:

- an $8.4 billion loss on the closing of the Majority Interest Fortitude Sale;
- net realized capital losses in the three-month period ended June 30, 2020 compared to net realized capital gains in the same period in the prior year due to;
  - Life and Retirement guaranteed living benefits, net of hedges, which reflected higher net realized capital losses in the three-month period ended June 30, 2020 compared to the same period in the prior year, 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);
  - net realized capital losses in the three-month period ended June 30, 2020 on foreign exchange hedges compared to net realized capital gains in the same period in the prior year due to the U.S. dollar depreciating against the euro;
  - net realized capital losses in the three-month period ended June 30, 2020 on non-foreign exchange hedges compared to net realized capital gains in the same period in the prior year due to a steeper decline in interest rates in the prior year period, and improving equity markets in the current period; and
  - fair value loss on embedded derivative related to the funds withheld payable to Fortitude Re.
- lower investment returns due to losses on our private equity funds compared to gains in the same period in the prior year, which included income from an initial public offering of a holding in the private equity portfolio; and
- higher catastrophe losses and adverse mortality primarily due to the impact of COVID-19.

This decrease was partially offset by:

- lower net loss reserve discount charge; and
- lower variable annuity DAC/SIA amortization and reserves due to higher equity market performance.

YEAR-TO-DATE PRE-TAX INCOME COMPARISON FOR 2020 AND 2019

Pre-tax income decreased in the six-month period ended June 30, 2020 compared to the same period in 2019 primarily due to:

- an $8.4 billion loss on the closing of the Majority Interest Fortitude Sale;
- lower investment returns due to losses on our alternative investments and fair value option equity security holdings due to declines in equity markets in the six-month period ended June 30, 2020, and lower income on our fixed maturity securities for which the fair value option was elected due to a widening of credit spreads in the current period. This compares to the same period in the prior year where we experienced gains on our alternative investments, which included income from an initial public offering of a holding in the private equity portfolio, and gains on fair value option equity security holdings as a result of robust returns in equity markets and higher gains on our fixed maturity securities for which the fair value option was elected due to a decrease in rates and narrowing of credit spreads;
- higher catastrophe losses and adverse mortality primarily due to the impact of COVID-19; and
- asset impairment charges as a result of Blackboard being placed into run-off.

This decrease was partially offset by:

- Net realized capital gains in the six-month period ended June 30, 2020 compared to net realized capital losses in the same period in the prior year due to:
  - Life and Retirement guaranteed living benefits, net of hedges, which reflected net realized capital gains in the six-month period ended June 30, 2020 compared to net realized capital losses in the same period in the prior year, primarily due to changes in the movement in the 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);
  - higher net realized capital gains in the six-month period ended June 30, 2020 on foreign exchange hedges compared to the same period in the prior year due to the U.S. dollar appreciating against the British pound; and
  - higher net realized capital gains in the six-month period ended June 30, 2020 on interest rate hedges compared to the same period in the prior year due to the decline in interest rates.

The net realized capital gains were partially offset by:

  - fair value loss on embedded derivative related to the funds withheld payable to Fortitude Re.
- lower net loss reserve discount charge.

RECENT U.S. TAX LAW CHANGES

On December 22, 2017, the U.S. enacted Public Law 115-97, known informally as the Tax Act. The Tax Act includes provisions for Global Intangible Low-Taxed Income (GILTI) under which taxes 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. While the U.S. tax authorities issued formal guidance, including recently issued proposed and final regulations for BEAT and other provisions of the Tax Act, there are still certain aspects of the Tax Act that remain unclear and subject to substantial uncertainties. Additional guidance is expected in future periods. 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.

On March 27, 2020, the U.S. enacted the Coronavirus Aid, Relief, and Economic Security (CARES) Act to mitigate the economic impacts of the COVID-19 crisis. AIG does not expect the tax provisions of the CARES Act to have a material impact on AIG's U.S. federal tax liabilities.

Repatriation Assumptions

For 2020, 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. Given the uncertainties around the impact from the COVID-19 crisis, including the significant global economic slowdown and general market decline, we continue to monitor and review the impact on our reinvestment considerations, including regulatory oversight in the relevant jurisdictions.

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. As of June 30, 2020, the annual effective tax rate includes the tax effects of actual and projected COVID-19 related losses and market developments. The tax effects of the Majority Interest Fortitude Sale were excluded from the estimated annual effective tax rate and reported in the second quarter interim period.

INCOME TAX EXPENSE ANALYSIS

For the three-month period ended June 30, 2020, the effective tax rate on loss from continuing operations was 19.6 percent. The effective tax rate on loss from continuing operations differs from the statutory tax rate of 21 percent primarily due to tax effects of the Majority Interest Fortitude Sale, tax charges associated with the increase of U.S. federal valuation allowance related to certain tax attribute carryforwards, accrual of interest associated with IRS and other tax authority matters, the effect of foreign operations, state and local income taxes, and non-deductible transfer pricing charges, partially offset by tax benefits associated with tax exempt income, and reclassifications from accumulated other comprehensive income to income from continuing operations related to the disposal of available for sale securities. 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 six-month period ended June 30, 2020, the effective tax rate on loss from continuing operations was 14.0 percent. The effective tax rate on loss from continuing operations differs from the statutory tax rate of 21 percent primarily due to tax effects of the Majority Interest Fortitude Sale, tax charges associated with the establishment of U.S. federal valuation allowance related to certain tax attribute carryforwards, accrual of interest associated with IRS and other tax authority matters, excess tax charges related to share based compensation payments recorded through the income statement, the effect of foreign operations, state and local income taxes, and non-deductible transfer pricing charges, partially offset by tax benefits associated with tax exempt income, and reclassifications from accumulated other comprehensive income to income from continuing operations related to the disposal of available for sale securities. 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 June 30, 2019, the effective tax rate on income from continuing operations was 24.3 percent. The effective tax rate on income from continuing operations differs from the statutory tax rate of 21 percent primarily due to tax charges associated with the effect of foreign operations, a net tax charge related to the accrual of IRS interest, state and local income taxes, non-deductible transfer pricing charges, U.S. tax imposed on GILTI earned by certain foreign subsidiaries, and valuation allowance activity related to certain foreign subsidiaries, partially offset by tax benefits associated with tax exempt income and reclassifications from accumulated other comprehensive income to income from continuing operations related to the disposal of available for sale securities. 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 six-month period ended June 30, 2019, the effective tax rate on income from continuing operations was 22.2 percent. The effective tax rate on income from continuing operations differs from the statutory tax rate of 21 percent primarily due to tax charges associated with the accrual of IRS interest, the effect of foreign operations, state and local income taxes, 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, 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 valuation allowance activity related to 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.

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: Individual Retirement, Group 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. At the end of March 2020, Blackboard was placed into run-off. Our Legacy Portfolio consists of our Legacy Life and Retirement Run-Off Lines, Legacy General Insurance Run-Off Lines, and Legacy Investments. On June 2, 2020, we completed the sale of a controlling interest in Fortitude Holdings, which from February 2018 through the sale date, was 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 June 30,		Six Months Ended June 30,	
(in millions)	**2020**	2019	**2020**	2019
Core business:				
General Insurance				
North America	**$ 5**	$ 718	**$ 414**	$ 1,652
International	**170**	262	**262**	596
General Insurance	**175**	980	**676**	2,248
Life and Retirement				
Individual Retirement	**550**	588	**856**	1,096
Group Retirement	**214**	293	**357**	525
Life Insurance	**(9)**	86	**46**	202
Institutional Markets	**126**	82	**196**	150
Life and Retirement	**881**	1,049	**1,455**	1,973
Other Operations	**(559)**	(415)	**(1,010)**	(802)
Consolidations, eliminations and other adjustments	**49**	(56)	**(35)**	(126)
Total Core	**546**	1,558	**1,086**	3,293
Legacy Portfolio	**257**	119	**(111)**	231
Adjusted pre-tax income	**$ 803**	$ 1,677	**$ 975**	$ 3,524

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, mergers and acquisitions, fidelity, employment practices, fiduciary liability, cyber risk, kidnap and ransom, and errors and omissions insurance.

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 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, including public health events, such as the COVID-19 crisis.

OUTLOOK—INDUSTRY AND ECONOMIC FACTORS

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

The ultimate impact of COVID-19 continues to be uncertain and will depend upon the scope, severity and duration of the crisis as well as the actions taken by governments, legislative bodies or regulators and other third parties in response, all of which are highly uncertain at this time. The results for the first six months of 2020 include COVID-19 related impacts to both our estimates for catastrophe losses as well as our investment returns, most prominently in our alternative investment portfolio. COVID-19 has driven a material reduction in our second quarter revenues, particularly within the Travel segment (given the travel restrictions imposed as a result of COVID-19 and the global slowdown) and other lines to a lesser degree. The recessionary impact of COVID-19 could adversely affect our clients, particularly in certain industry segments where demand dropped significantly and is likely to remain challenging for a period of time, even after the COVID-19 crisis subsides. The ultimate impact of COVID-19 on our business will depend upon the speed at which government mandated safety precautions are lifted (and the impact of any future shutdowns related to a potential second wave of infections) and how quickly and in what manner economic activity rebounds. Although we have seen some benefit in claims experience in lines where economic and social activities have been suppressed (e.g. Personal Auto), this continues to be partly offset by requirements for premium refunds in those lines (the full extent of which is unclear at this time). The regulatory approach to the crisis and impact on the insurance industry is still developing and remains uncertain.

General Insurance – North America

In recent periods Commercial Lines have seen growing market support for rate increases in challenged segments where major carriers are reducing risk appetite and exhibiting increasing market discipline. As a result, multiple markets are now experiencing rate increases. We are seeing rate increases across U.S. Financial Lines and Liability segments (outside of Workers' Compensation), with a common driver being higher industry-wide claims severity trends, as well as within our Property and Specialty portfolios. 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. Despite the higher rates, our retention of business remains in line with recent years and in certain instances has increased. These retention rates are often coupled with an exposure limit management strategy to reduce volatility within the portfolio. We continue to proactively identify segments to grow in light of evolving market conditions and rate adequacy requirements using a portfolio management approach.

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 business is showing signs of change, with capacity reducing and the tightening of terms and conditions. We are continuing 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. Overall, Commercial lines are showing positive rate increases, particularly in our Specialty, Financial Lines and Property portfolio and across international markets where market events or withdrawal of capability and capacity have favorably impacted pricing. We are maintaining our underwriting discipline, reducing gross and net limits, increasing use of reinsurance to reduce volatility, as well as 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 generally low volatility of the short-tailed risk in these business lines, although some product classes are exposed to catastrophe losses.

GENERAL INSURANCE RESULTS

	Three Months Ended June 30,			Six Months Ended June 30,		
(in millions)	**2020**	2019	Change	**2020**	2019	Change
Underwriting results:						
Net premiums written	**$ 5,549**	$ 6,581	(16)%	**$ 11,470**	$ 12,614	(9)%
Decrease in unearned premiums	**188**	113	66	**346**	793	(56)
Net premiums earned	**5,737**	6,694	(14)	**11,816**	13,407	(12)
Losses and loss adjustment expenses incurred[(a)]	**4,167**	4,215	(1)	**8,226**	8,448	(3)
Acquisition expenses:						
Amortization of deferred policy acquisition costs	**866**	1,154	(25)	**1,852**	2,313	(20)
Other acquisition expenses	**281**	334	(16)	**626**	637	(2)
Total acquisition expenses	**1,147**	1,488	(23)	**2,478**	2,950	(16)
General operating expenses	**766**	844	(9)	**1,542**	1,683	(8)
Underwriting income (loss)	**(343)**	147	NM	**(430)**	326	NM
Net investment income	**518**	833	(38)	**1,106**	1,922	(42)
Adjusted pre-tax income	**$ 175**	$ 980	(82)%	**$ 676**	$ 2,248	(70)%
Loss ratio[(a)]	**72.6**	63.0	9.6	**69.6**	63.0	6.6
Acquisition ratio	**20.0**	22.2	(2.2)	**21.0**	22.0	(1.0)
General operating expense ratio	**13.4**	12.6	0.8	**13.1**	12.5	0.6
Expense ratio	**33.4**	34.8	(1.4)	**34.1**	34.5	(0.4)
Combined ratio[(a)]	**106.0**	97.8	8.2	**103.7**	97.5	6.2
Adjustments for accident year loss ratio, as adjusted and accident year combined ratio, as adjusted:						
Catastrophe losses and reinstatement premiums	**(11.9)**	(2.6)	(9.3)	**(9.3)**	(2.6)	(6.7)
Prior year development, net of (additional) return premium on loss sensitive business	**0.8**	0.9	(0.1)	**0.8**	1.0	(0.2)
Adjustment for ceded premiums under reinsurance contracts related to prior accident years and other	**-**	-	NM	**-**	0.2	NM
Accident year loss ratio, as adjusted	**61.5**	61.3	0.2	**61.1**	61.6	(0.5)
Accident year combined ratio, as adjusted	**94.9**	96.1	(1.2)	**95.2**	96.1	(0.9)

(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.

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

	Three Months Ended June 30,		Percentage Change in		Six Months Ended June 30,		Percentage Change in	
(in millions)	**2020**	2019	U.S. dollars	Original Currency	**2020**	2019	U.S. dollars	Original Currency
North America	**$ 2,347**	$ 3,307	(29)%	(29)%	**$ 5,117**	$ 5,885	(13)%	(13)%
International	**3,202**	3,274	(2)	(1)	**6,353**	6,729	(6)	(5)
Total net premiums written	**$ 5,549**	$ 6,581	(16)%	(15)%	**$ 11,470**	$ 12,614	(9)%	(9)%

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 June 30, 2020				
Flooding and rainstorms	**3**	**$ 13**	**$ 6**	**$ 19**
Windstorms and hailstorms	**5**	**52**	**9**	**61**
Earthquakes	**2**	**9**	**1**	**10**
COVID-19	**N/A[(c)]**	**364**	**94**	**458**
Civil unrest	**1**	**81**	**45**	**126**
Total catastrophe-related charges	**11**	**$ 519**	**$ 155**	**$ 674**
Three Months Ended June 30, 2019				
Windstorms and hailstorms	10	$ 175	$ 3	$ 178
Tropical cyclone	-	(5)	1	(4)
Total catastrophe-related charges	10	$ 170	$ 4	$ 174
Six Months Ended June 30, 2020				
Flooding and rainstorms	**3**	**$ 30**	**$ 16**	**$ 46**
Windstorms and hailstorms	**5**	**101**	**54**	**155**
Earthquakes	**2**	**25**	**11**	**36**
COVID-19	**N/A[(c)]**	**487**	**243**	**730**
Civil unrest	**1**	**81**	**45**	**126**
Total catastrophe-related charges	**11**	**$ 724**	**$ 369**	**$ 1,093**
Six Months Ended June 30, 2019				
Flooding and rainstorms	1	$ -	$ 10	$ 10
Windstorms and hailstorms	13	328	5	333
Tropical cyclone	1	-	6	6
Total catastrophe-related charges	15	$ 328	$ 21	$ 349

(a) Geography: North America primarily includes insurance businesses in the United States, Canada and Bermuda. International includes regional insurance businesses in Japan, the UK, Europe, Asia Pacific, Latin America and Caribbean, Middle East and Africa, and China. General Insurance results are presented before consideration of internal reinsurance agreements.

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

(c) As COVID-19 continues to evolve and affects many lines of business, the number of events is yet to be determined.

NORTH AMERICA RESULTS

Six Months Ended June 30,	Three Months Ended June 30,			Six Months Ended June 30,		
(in millions)	**2020**	2019	Change	**2020**	2019	Change
Underwriting results:						
Net premiums written	**$ 2,347**	$ 3,307	(29)%	**$ 5,117**	$ 5,885	(13)%
(Increase) decrease in unearned premiums	**306**	(5)	NM	**455**	570	(20)
Net premiums earned	**2,653**	3,302	(20)	**5,572**	6,455	(14)
Losses and loss adjustment expenses incurred[(a)]	**2,333**	2,286	2	**4,441**	4,475	(1)
Acquisition expenses:						
Amortization of deferred policy acquisition costs	**352**	527	(33)	**796**	1,035	(23)
Other acquisition expenses	**65**	143	(55)	**192**	249	(23)
Total acquisition expenses	**417**	670	(38)	**988**	1,284	(23)
General operating expenses	**322**	351	(8)	**648**	712	(9)
Underwriting loss	**(419)**	(5)	NM	**(505)**	(16)	NM
Net investment income	**424**	723	(41)	**919**	1,668	(45)
Adjusted pre-tax income	**$ 5**	$ 718	(99)%	**$ 414**	$ 1,652	(75)%
Loss ratio[(a)]	**87.9**	69.2	18.7	**79.7**	69.3	10.4
Acquisition ratio	**15.7**	20.3	(4.6)	**17.7**	19.9	(2.2)
General operating expense ratio	**12.1**	10.6	1.5	**11.6**	11.0	0.6
Expense ratio	**27.8**	30.9	(3.1)	**29.3**	30.9	(1.6)
Combined ratio[(a)]	**115.7**	100.1	15.6	**109.0**	100.2	8.8
Adjustments for accident year loss ratio, as adjusted and accident year combined ratio, as adjusted:						
Catastrophe losses and reinstatement premiums	**(19.6)**	(5.0)	(14.6)	**(13.0)**	(5.1)	(7.9)
Prior year development, net of (additional) return premium on loss sensitive business	**1.2**	1.7	(0.5)	**0.7**	1.8	(1.1)
Adjustment for ceded premiums under reinsurance contracts related to prior accident years and other	**-**	-	NM	**-**	0.5	NM
Accident year loss ratio, as adjusted	**69.5**	65.9	3.6	**67.4**	66.5	0.9
Accident year combined ratio, as adjusted	**97.3**	96.8	0.5	**96.7**	97.4	(0.7)

(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 continues to make progress in strengthening our underwriting, actively managing our portfolio to improve business mix and articulating our revised risk appetite to the marketplace. We are leading the industry across a number of lines in terms of driving rate momentum to improve rate adequacy while simultaneously increasing the level of business retained. As we see increasing disruption in the marketplace, we are well placed to capitalize on opportunities, including within our excess and surplus business which is seeing an increase in submission flow and achieving significant rate change.

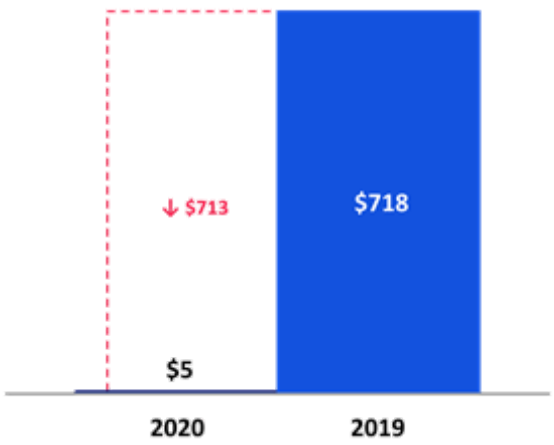
During the quarter, AIG entered into a series of new quota share reinsurance agreements, including with Lloyd's Syndicate 2019, a Lloyd's syndicate managed by Talbot, to reinsure risks related to AIG's Private Client Group ("PCG"). These transactions further AIG's continued optimization of its General Insurance portfolio, create additional products for clients and diversify AIG's capital base.

Adjusted pre-tax income decreased in the three- and six-month periods ended June 30, 2020 compared to the same periods in the prior year, primarily due to lower net investment income, higher catastrophe losses, lower favorable prior year loss reserve development and a higher current accident year loss ratio, as adjusted related to the impact of COVID-19 on the mix of business partially offset by related lower acquisition expenses and ongoing expense discipline.

Net premiums written decreased in the three- and six-month periods ended June 30, 2020 compared to the same periods in the prior year, primarily due to the new quota share reinsurance agreements related to PCG including recording of certain contractual provisions related to first quarter activity, which includes cessions to the newly launched Syndicate 2019 as well as the impact of COVID-19 and underwriting actions taken through 2019, partially offset by business growth and premium rate increases in Commercial lines.

For a discussion of 2020 reinsurance programs see Part II, Item 7 MD&A - Enterprise Risk Management in our 2019 Annual Report.

North America Adjusted Pre-Tax Income
Three Months Ended June 30,
(in millions)



Quarterly 2020 and 2019 Comparison

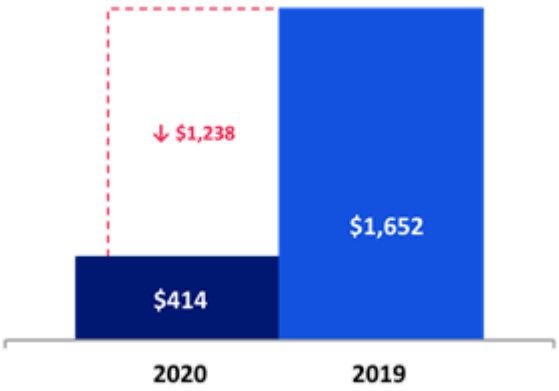
Adjusted pre-tax income decreased primarily due to:

- higher catastrophe losses primarily due to the impact of COVID-19 and civil unrest;
- decrease in net investment income reflecting losses on alternative investments, driven by losses on private equity investments and lower income on fixed income securities; and
- higher accident year loss ratio, as adjusted primarily due to changes in business mix impacted by COVID-19 partially offset by strong premium rate increases and benefits from underwriting actions in 2019.

These decreases were partially offset by:

- lower acquisition expenses primarily driven by changes in business mix including the impact of COVID-19 as well as new quota share reinsurance agreements; and
- lower general operating expense reflecting ongoing expense discipline.

North America Adjusted Pre-Tax Income
Six Months Ended June 30,
(in millions)



Year-to-Date 2020 and 2019 Comparison

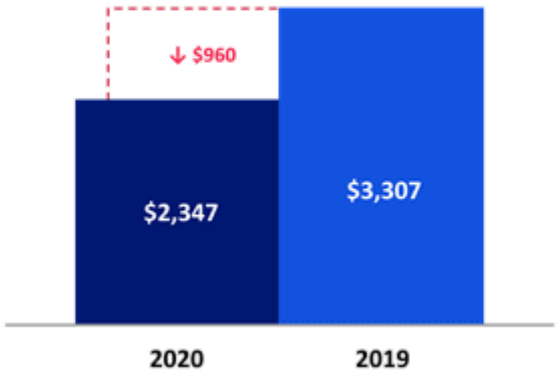
Adjusted pre-tax income decreased primarily due to:

- decrease in net investment income reflecting losses on alternative investments and lower income on fixed income securities;
- higher catastrophe losses primarily due to the impact of COVID-19 and civil unrest;
- lower favorable prior year loss reserve development; and
- higher accident year loss ratio, as adjusted primarily driven by changes in business mix impacted by COVID-19 partially offset by strong premium rate increases and benefits from underwriting actions in 2019.

These decreases were partially offset by:

- lower acquisition expenses primarily driven by changes in business mix including the impact of COVID-19 as well as new quota share reinsurance agreements; and
- lower general operating expense reflecting ongoing expense discipline.

North America Net Premiums Written
Three Months Ended June 30,
(in millions)



Quarterly 2020 and 2019 Comparison

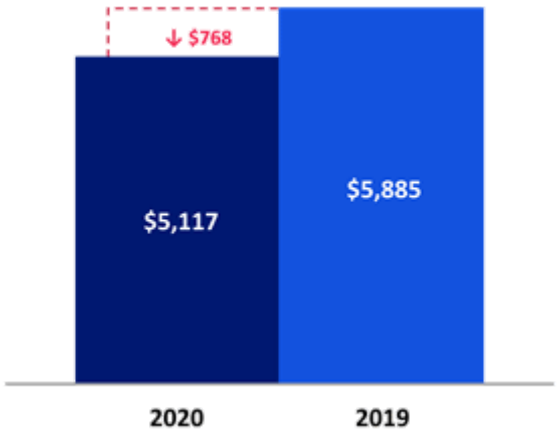
Net premiums written decreased primarily due to:

- higher ceded premiums due to the new quota share reinsurance agreements related to PCG including the recording of certain contractual provisions related to first quarter activity;
- the impact of COVID-19; and
- underwriting actions taken in 2019.

These decreases were partially offset by:

- growth in our assumed reinsurance business, Retail and Wholesale Property, as well as strong Commercial lines rate increases.

North America Net Premiums Written
Six Months Ended June 30,
(in millions)



Year-to-Date 2020 and 2019 Comparison

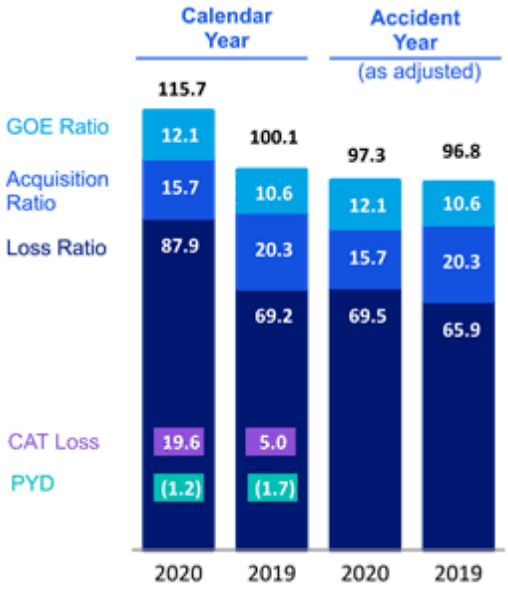
Net premiums written decreased primarily due to:

- higher ceded premiums due to the new quota share reinsurance agreements;
- the impact of COVID-19; and
- underwriting actions taken in 2019.

These decreases were partially offset by:

- growth in our assumed reinsurance business, Retail and Wholesale Property, as well as strong Commercial lines rate increases.

North America Combined Ratios
Three Months Ended June 30,



Quarterly 2020 and 2019 Comparison

The increase in the combined ratio reflected an increase in the loss ratio partially offset by a decrease in the expense ratio.

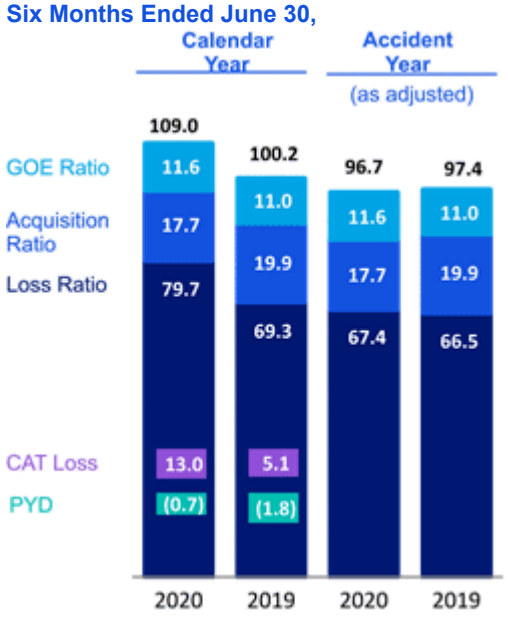
The increase in the loss ratio reflected:

- higher catastrophe losses primarily due to the impact of COVID-19;
- higher accident year loss ratio, as adjusted primarily due to changes in business mix impacted by COVID-19 partially offset by strong premium rate increases and benefits from underwriting actions taken in 2019; and
- lower favorable prior year loss reserve development.

The decrease in the expense ratio reflected:

- lower acquisition ratio primarily driven by changes in business mix including the impact of COVID-19 as well as new quota share reinsurance agreements; and
- higher general operating expense ratio primarily due to lower premiums partially offset by ongoing expense discipline.

North America Combined Ratios
Six Months Ended June 30,



Year-to-Date 2020 and 2019 Comparison

The increase in the combined ratio reflected an increase in the loss ratio partially offset by a decrease in the expense ratio.

The increase in the loss ratio reflected:

- higher catastrophe losses primarily due to the impact of COVID-19;
- lower favorable prior year loss reserve development; and
- higher accident year loss ratio, as adjusted primarily driven by changes in business mix impacted by COVID-19 partially offset by strong premium rate increases and benefits from underwriting actions taken in 2019.

The decrease in the expense ratio reflected:

- lower acquisition ratio primarily driven by changes in business mix including the impact of COVID-19 as well as new quota share reinsurance agreements; and
- higher general expense ratio primarily due to lower premiums partially offset by ongoing expense discipline.

INTERNATIONAL RESULTS

Six Months Ended June 30,	Three Months Ended June 30,			Six Months Ended June 30,		
(in millions)	**2020**	2019	Change	**2020**	2019	Change
Underwriting results:						
Net premiums written	**$ 3,202**	$ 3,274	(2)%	**$ 6,353**	$ 6,729	(6)%
(Increase) decrease in unearned premiums	**(118)**	118	NM	**(109)**	223	NM
Net premiums earned	**3,084**	3,392	(9)	**6,244**	6,952	(10)
Losses and loss adjustment expenses incurred	**1,834**	1,929	(5)	**3,785**	3,973	(5)
Acquisition expenses:						
Amortization of deferred policy acquisition costs	**514**	627	(18)	**1,056**	1,278	(17)
Other acquisition expenses	**216**	191	13	**434**	388	12
Total acquisition expenses	**730**	818	(11)	**1,490**	1,666	(11)
General operating expenses	**444**	493	(10)	**894**	971	(8)
Underwriting income	**76**	152	(50)	**75**	342	(78)
Net investment income	**94**	110	(15)	**187**	254	(26)
Adjusted pre-tax income	**$ 170**	$ 262	(35)%	**$ 262**	$ 596	(56)%
Loss ratio	**59.5**	56.9	2.6	**60.6**	57.1	3.5
Acquisition ratio	**23.7**	24.1	(0.4)	**23.9**	24.0	(0.1)
General operating expense ratio	**14.4**	14.5	(0.1)	**14.3**	14.0	0.3
Expense ratio	**38.1**	38.6	(0.5)	**38.2**	38.0	0.2
Combined ratio	**97.6**	95.5	2.1	**98.8**	95.1	3.7
Adjustments for accident year loss ratio, as adjusted and accident year combined ratio, as adjusted:						
Catastrophe losses and reinstatement premiums	**(5.4)**	(0.1)	(5.3)	**(6.1)**	(0.3)	(5.8)
Prior year development, net of (additional) return premium on loss sensitive business	**0.6**	0.1	0.5	**1.1**	0.3	0.8
Adjustment for ceded premiums under reinsurance contracts related to prior accident years	**-**	-	NM	**-**	-	NM
Accident year loss ratio, as adjusted	**54.7**	56.9	(2.2)	**55.6**	57.1	(1.5)
Accident year combined ratio, as adjusted	**92.8**	95.5	(2.7)	**93.8**	95.1	(1.3)

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.

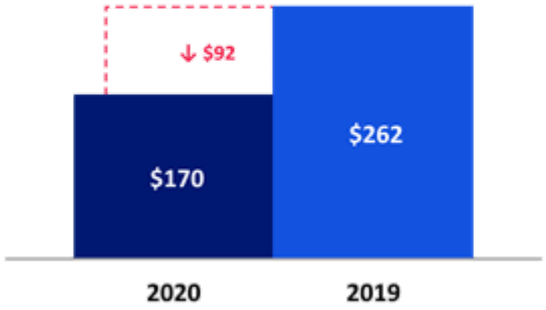
Adjusted pre-tax income decreased in the three- and six-month periods ended June, 30 2020 compared to the same periods in the prior year, primarily due to higher catastrophe losses (due to the combination of COVID-19 and other catastrophe losses), partially offset by lower accident year loss ratio, as adjusted reflecting premium rate increases, benefits from underwriting actions and better risk selection, ongoing expense discipline and higher favorable prior year loss development.

Adjusted pre-tax income in the six-month period ended June, 30 2020 also reflected a decrease in net investment income due to lower income on fixed income securities and losses on alternative investments driven by losses on private equity investments.

Net premiums written, excluding the impact of foreign exchange, decreased in the three- and six-month periods ended June, 30 2020 compared to the same periods in the prior year, primarily due to the impact of COVID-19 and underwriting actions taken through 2019, partially offset by rate increases in Financial lines as well as timing of renewals for the three-month period ended June, 30 2020. The six-month period ended June, 30 2020 also reflected higher ceded premiums due to changes in 2020 reinsurance program and lower premiums from run-off business.

For a discussion of 2020 reinsurance programs see Part II, Item 7 MD&A - Enterprise Risk Management in our 2019 Annual Report.

International Adjusted Pre-Tax Income (Loss)
Three Months Ended June 30,
(in millions)



Quarterly 2020 and 2019 Comparison

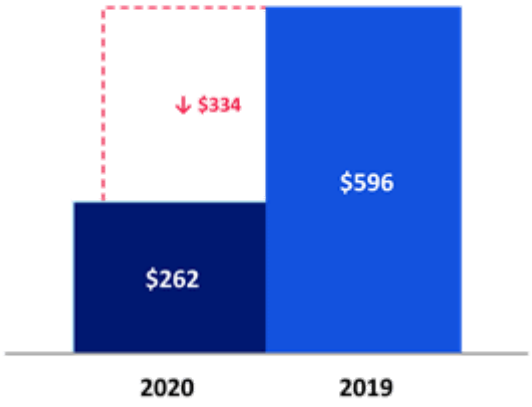
Adjusted pre-tax income decreased primarily due to:

- higher catastrophe losses (due to the combination of COVID-19 and other catastrophe losses).

The above decrease was partially offset by:

- lower accident year loss ratio, as adjusted reflecting premium rate increases, benefits from underwriting actions and better risk selection;
- lower general operating expenses reflecting ongoing expense discipline; and
- higher favorable prior year loss development.

International Adjusted Pre-Tax Income (Loss)
Six Months Ended June 30,
(in millions)



Year-to-Date 2020 and 2019 Comparison

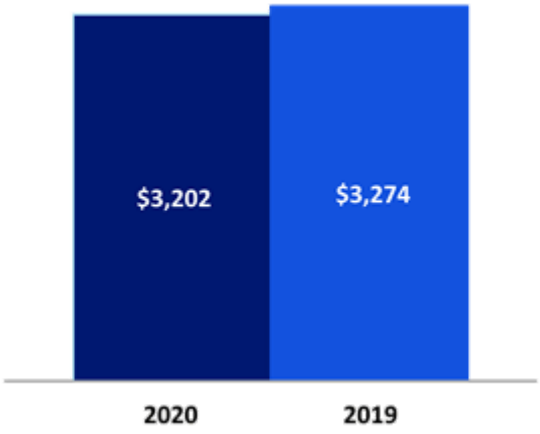
Adjusted pre-tax income decreased primarily due to:

- higher catastrophe losses (due to the combination of COVID-19 and other catastrophe losses); and
- decrease in net investment income reflecting lower income on fixed income securities and alternative investments driven by lower return on private equity investments.

The above decreases were partially offset by:

- lower accident year loss ratio, as adjusted reflecting premium rate increases, benefits from underwriting actions and better risk selection;
- lower general operating expenses reflecting ongoing expense discipline; and
- higher favorable prior year loss development.

International Net Premiums Written
Three Months Ended June 30,
(in millions)



Quarterly 2020 and 2019 Comparison

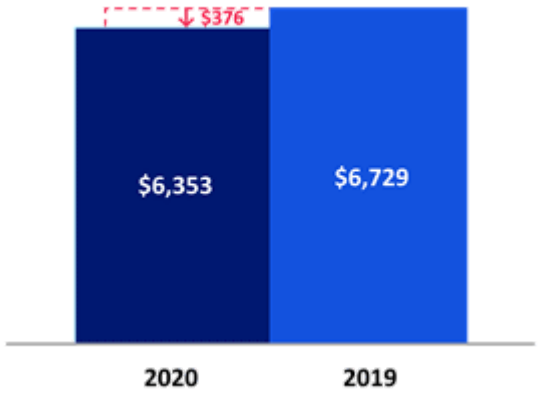
Net premiums written, excluding the impact of foreign exchange, decreased due to:

- lower production, most notably in Travel, resulting from government lockdowns and travel restrictions imposed in response to COVID-19.

This decrease was partially offset by:

- rate increases across most commercial lines as well as timing of renewals, partially offset by underwriting actions taken in 2019.

International Net Premiums Written
Six Months Ended June 30,
(in millions)



Year-to-Date 2020 and 2019 Comparison

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

- lower production, most notably in Travel, resulting from government lockdowns and travel restrictions imposed in response to COVID-19;
- higher ceded premiums due to changes in 2020 reinsurance program; and
- lower premiums from run-off business.

These decreases were partially offset by:

- rate increases across most commercial lines, partially offset by underwriting actions taken in 2019.

International Combined Ratios
Three Months Ended June 30,

Quarterly 2020 and 2019 Comparison

The increase in the combined ratio reflected an increase in the loss ratio partially offset by a decrease in the expense ratio.

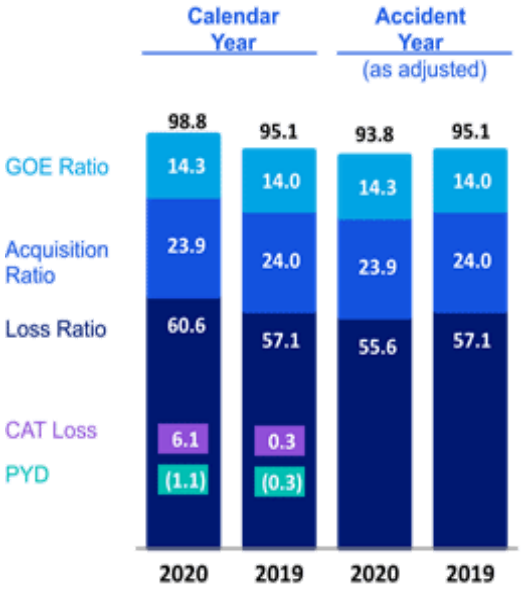
The increase in the loss ratio reflected higher catastrophe losses (due to the combination of COVID-19 and other catastrophe losses).

This increase was partially offset by:

- lower accident year loss ratio, as adjusted reflecting premium rate increases, benefits from underwriting actions and better risk selection; and
- higher favorable prior year development.

The decrease in the expense ratio reflected a lower acquisition ratio primarily driven by change in business mix as well as lower general operating expenses reflecting ongoing expense discipline.

International Combined Ratios
Six Months Ended June 30,



Year-to-Date 2020 and 2019 Comparison

The increase in the combined ratio reflected an increase in loss ratio.

The increase in the loss ratio reflected higher catastrophe losses (due to the combination of COVID-19 and other catastrophe losses).

This increase was partially offset by:

- lower accident year loss ratio, as adjusted reflecting premium rate increases, benefits from underwriting actions and better risk selection; and
- higher favorable prior year development.

Life and Retirement

PRODUCTS AND DISTRIBUTION

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 as well as optional living guaranteed features that provide lifetime income protection. 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. Certain fixed deferred annuity products offer optional income protection features. The fixed annuities product line maintains an 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 offerings and related administration and servicing operations. Retail Mutual Funds are distributed primarily through broker-dealers.

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

In March 2019, the products and services marketed by The Variable Annuity Life Insurance Company 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, 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: 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: Products primarily include stable value wrap products, structured settlement and pension risk transfer annuities (direct and assumed reinsurance), 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.

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 fixed or 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 spread income. 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 efficiency, and diversification of risk, while optimizing capital allocation and efficiency within insurance entities to enhance return on common 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 competitors with different profitability targets in the pension risk transfer space as well as other product lines;
- increasingly complex new and proposed regulatory requirements, which have affected industry growth and costs;
- upgrading our technology and underwriting processes while managing general operating expenses; and
- decreased premiums and deposits and adverse mortality experience due to COVID-19.

OUTLOOK—INDUSTRY AND ECONOMIC FACTORS

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

The impact of COVID-19 is evolving and will ultimately depend upon the scope, severity and duration of the crisis as well as the actions taken by governments, legislative bodies or regulators and other third parties in response, all of which are highly uncertain at this time. The results for the first six months of 2020 include COVID-19 related impacts to variable annuity DAC/SIA amortization and reserves as well as negatively impacting our investment returns, primarily due to lower yield enhancements from losses on securities for which the fair value option was elected. During the second quarter, we experienced significant decreases on our premiums and deposits primarily due to distribution channel disruptions related to COVID-19 and a decline in interest rates as well as adverse mortality experience. The regulatory approach to the crisis and impact on the insurance industry is still developing and remains uncertain.

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 index and fixed deferred 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 variable, fixed index, and fixed deferred annuities with margins that are less sensitive to the level of interest rates.

Changes in the capital markets (interest rate environment, equity markets, volatility) 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 capital markets (interest rate environment, equity markets, volatility) 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 (direct and assumed reinsurance) 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

(in millions)	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Percentage Change	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019	Percentage Change
Revenues:						
Premiums	$ 1,577	$ 598	164 %	$ 2,800	$ 1,827	53 %
Policy fees	720	735	(2)	1,446	1,442	-
Net investment income	2,040	2,270	(10)	4,043	4,312	(6)
Advisory fee and other income	212	225	(6)	432	451	(4)
Total adjusted revenues	4,549	3,828	19	8,721	8,032	9
Benefits, losses and expenses:						
Policyholder benefits and losses incurred	2,007	1,021	97	3,727	2,587	44
Interest credited to policyholder account balances	879	900	(2)	1,776	1,787	(1)
Amortization of deferred policy acquisition costs	119	200	(41)	437	400	9
General operating and other expenses*	624	619	1	1,246	1,206	3
Interest expense	39	39	-	80	79	1
Total benefits, losses and expenses	3,668	2,779	32	7,266	6,059	20
Adjusted pre-tax income	$ 881	$ 1,049	(16)%	$ 1,455	$ 1,973	(26)%

* 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

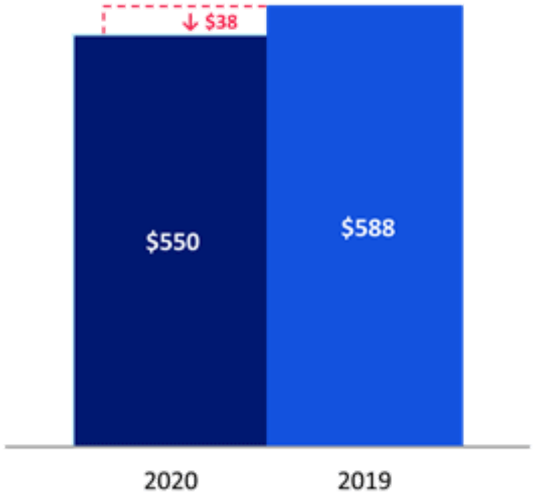
(in millions)	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Percentage Change	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019	Percentage Change
Revenues:						
Premiums	$ 38	$ 16	138 %	$ 79	$ 27	193 %
Policy fees	205	205	-	412	398	4
Net investment income	957	1,094	(13)	1,932	2,093	(8)
Advisory fee and other income	133	151	(12)	280	299	(6)
Benefits and expenses:						
Policyholder benefits and losses incurred	50	51	(2)	188	82	129
Interest credited to policyholder account balances	428	436	(2)	872	860	1
Amortization of deferred policy acquisition costs	54	119	(55)	275	239	15
Non deferrable insurance commissions	83	78	6	162	155	5
Advisory fee expenses	49	56	(13)	101	110	(8)
General operating expenses	100	119	(16)	210	237	(11)
Interest expense	19	19	-	39	38	3
Adjusted pre-tax income	$ 550	$ 588	(6)%	$ 856	$ 1,096	(22)%
Fixed annuities base net investment spread:						
Base yield	4.21 %	4.57 %	(36)bps	4.28 %	4.62 %	(34)bps
Cost of funds	2.66	2.68	(2)	2.63	2.69	(6)
Fixed annuities base net investment spread	1.55 %	1.89 %	(34)bps	1.65 %	1.93 %	(28)bps

Business and Financial Highlights

The market environment continues to reflect uncertainties in the annuity business resulting from a sustained low interest rate environment as well as the COVID-19 crisis. Interest rates declined significantly in the three- and six-month periods ended June 30, 2020 and are at historical lows. Premiums and deposits decreased in the three- and six-month periods ended June 30, 2020 compared to the same periods in the prior year. Net flows decreased in the three- and six-month periods ended June 30, 2020 compared to the same periods in the prior year primarily due to lower sales in Fixed and Index Annuities, and Retail Mutual Funds, partially offset by lower surrenders and withdrawals, and higher variable annuity sales in the six-month period ended June 30, 2020 compared to the same period in the prior year.

Adjusted pre-tax income decreased in the three- and six-month periods ended June 30, 2020 compared to the same periods in the prior year, primarily driven by lower gains on securities for which the fair value option was elected and lower private equity income partially due to prior year gains from a private equity initial public offering. Offsetting these decreases for the three-month period ended June 30, 2020 were decreases in variable annuity DAC/SIA amortization and reserves from higher equity market performance in the second quarter of 2020, offset by lower policy and advisory fees. For the six-month period ended June 30, 2020, additional decreases include higher variable annuity DAC/SIA amortization and reserves due to the equity market decline in the first half of 2020.

Individual Retirement Adjusted Pre-Tax Income
Three Months Ended June 30,
(in millions)



Quarterly 2020 and 2019 Comparison

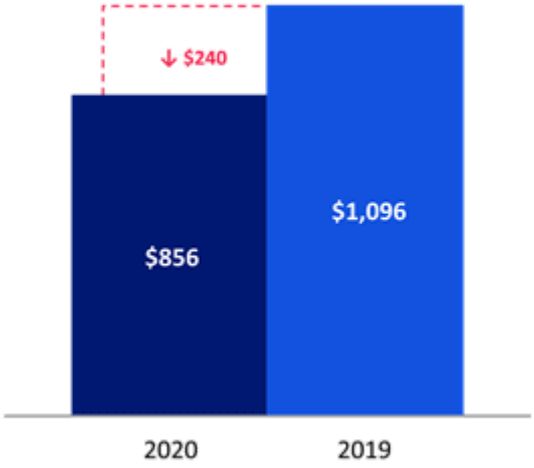
Adjusted pre-tax income decreased primarily due to:

- decrease in net investment income driven by lower private equity income partially due to prior year gains on a private equity initial public offering, lower gains on securities for which the fair value option was elected and lower call and tender income, partially offset by higher yield enhancement income; and
- lower policy and advisory fees.

Partially offsetting these decreases were:

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

Individual Retirement Adjusted Pre-Tax Income
Six Months Ended June 30,
(in millions)



Year-to-Date 2020 and 2019 Comparison

Adjusted pre-tax income decreased primarily due to:

- decreases in net investment income driven by lower gains on securities for which the fair value option was elected, lower gains on alternative investments due to lower private equity income partially due to prior year gains on a private equity initial public offering, and lower hedge fund returns, partially offset by growth in invested assets and higher yield enhancement income; and
- higher variable annuity DAC/SIA amortization and reserves due to lower equity market performance in the six-month period ended June 30, 2020 compared to the comparable period in the prior year.

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 increased in the three- and six-month periods ended June 30, 2020 compared to the same periods 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.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2020**	2019	**2020**	2019
Premiums	**$ 38**	$ 16	**$ 79**	$ 27
Deposits	**1,759**	3,852	**4,837**	8,027
Other	**(3)**	(3)	**(6)**	(3)
Premiums and deposits	**$ 1,794**	$ 3,865	**$ 4,910**	$ 8,051

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	**2020**	2019
Surrenders as a percentage of average reserves				
Fixed annuities	**4.9 %**	7.9 %	**5.8 %**	8.0 %
Variable and index annuities	**4.7**	6.4	**5.5**	6.3

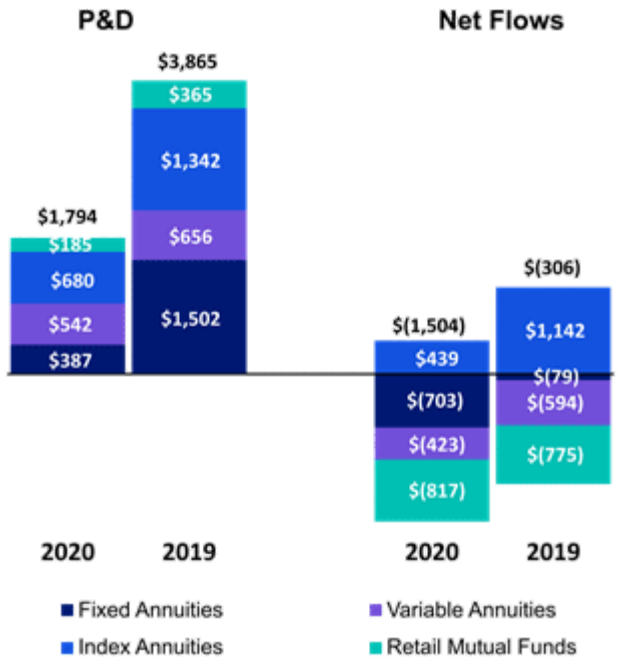
The following table presents reserves for fixed annuities and variable and index annuities by surrender charge category:

	June 30, 2020		December 31, 2019	
(in millions)	Fixed Annuities	Variable and Index Annuities	Fixed Annuities	Variable and Index Annuities
No surrender charge	**$ 27,248**	**$ 25,603**	$ 27,804	$ 24,393
Greater than 0% - 2%	**2,817**	**10,127**	2,059	9,397
Greater than 2% - 4%	**2,564**	**14,802**	3,209	15,296
Greater than 4%	**16,209**	**32,154**	16,453	31,833
Non-surrenderable	**1,692**	**553**	1,664	525
Total reserves	**$ 50,530**	**$ 83,239**	$ 51,189	$ 81,444

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 June 30, 2020 was flat compared to December 31, 2019. The slight increase in reserves with no surrender charge for variable and index annuities at June 30, 2020 compared to December 31, 2019 was principally due to normal aging of business.

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

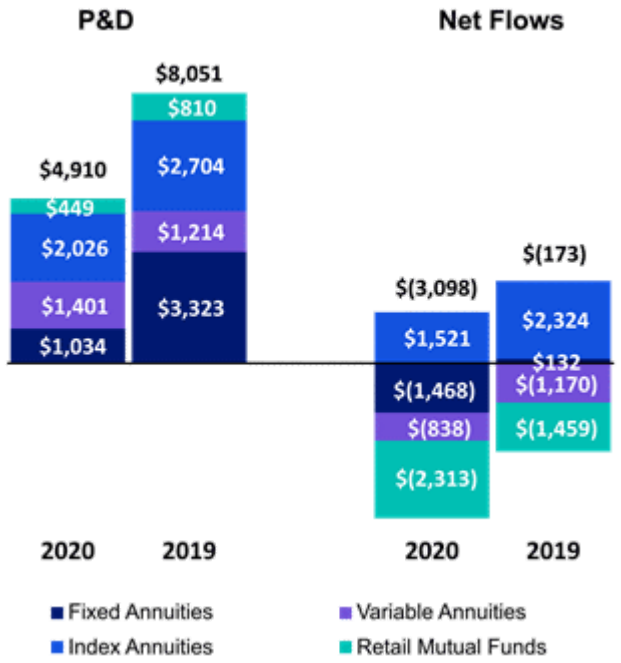
Individual Retirement Premiums and Deposits (P&D) and Net Flows
Three Months Ended June 30,
(in millions)



Quarterly 2020 and 2019 Comparison

- **Fixed Annuities** premiums and deposits decreased primarily due to distribution channel disruptions related to COVID-19 and a decline in interest rates. Net flows were negative primarily due to lower deposits partially offset by lower surrenders.
- **Variable and Index Annuities** premiums and deposits decreased primarily due to distribution channel disruptions related to COVID-19. Variable annuity net flows remained negative but improved primarily due to lower surrenders. Index annuity net flows decreased primarily due to lower sales and higher surrenders.
- **Retail Mutual Funds** premiums and deposits decreased due to continued negative industry trends in U.S. actively managed equity funds and underperformance within our largest fund. Net flows remained negative reflecting lower deposits partially offset by lower surrenders and withdrawals.

Individual Retirement Premiums and Deposits (P&D) and Net Flows
Six Months Ended June 30,
(in millions)



Year-to-Date 2020 and 2019 Comparison

- **Fixed Annuities** premiums and deposits decreased primarily due to distribution channel disruptions related to COVID-19 and a decline in interest rates. Net flows were negative primarily due to lower premiums and deposits partially offset by lower surrenders, compared to positive net flows in the six-month period ended June 30, 2019.
- **Variable and Index Annuities** premiums and deposits decreased primarily due to a decrease in index annuity sales due to distribution channel disruptions related to COVID-19 partially offset by higher variable annuity sales. Variable annuity net flows remained negative but improved primarily due to increase in sales and lower surrenders. Index annuity net flows decreased primarily due to lower sales and higher surrenders.
- **Retail Mutual Funds** premiums and deposits decreased due to continued negative industry trends in U.S. actively managed equity funds and underperformance within our largest fund. Net flows remained negative and deteriorated reflecting lower deposits and higher surrenders.

GROUP RETIREMENT RESULTS

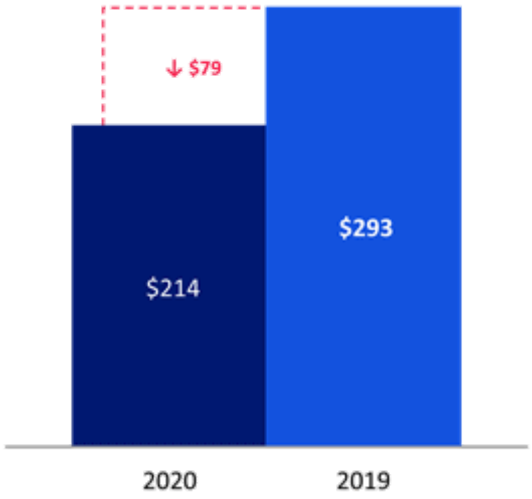
(in millions)	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Percentage Change	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019	Percentage Change
Revenues:						
Premiums	$ 3	$ 5	(40)%	$ 9	$ 9	- %
Policy fees	100	106	(6)	209	206	1
Net investment income	541	618	(12)	1,058	1,159	(9)
Advisory fee and other income	68	61	11	130	125	4
Benefits and expenses:						
Policyholder benefits and losses incurred	14	17	(18)	47	27	74
Interest credited to policyholder account balances	279	285	(2)	560	567	(1)
Amortization of deferred policy acquisition costs	4	22	(82)	39	34	15
Non deferrable insurance commissions	28	27	4	56	55	2
Advisory fee expenses	30	24	25	54	47	15
General operating expenses	132	111	19	271	222	22
Interest expense	11	11	-	22	22	-
Adjusted pre-tax income	$ 214	$ 293	(27)%	$ 357	$ 525	(32)%
Base net investment spread:						
Base yield	4.27 %	4.60 %	(33)bps	4.33 %	4.59 %	(26)bps
Cost of funds	2.64	2.72	(8)	2.66	2.74	(8)
Base net investment spread	1.63 %	1.88 %	(25)bps	1.67 %	1.85 %	(18)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. Premiums and deposits decreased in the three- and six-month periods ended June 30, 2020 compared to the same periods in 2019. Net flows remained negative and slightly deteriorated in the three-month period ended June 30, 2020 compared to the same period in the prior year primarily due to lower premiums and deposits partially offset by lower surrenders. Net flows remained negative but improved in the six-month period ended June 30, 2020 compared to the same period in the prior year primarily due to lower surrenders partially offset by lower deposits.

Adjusted pre-tax income decreased in the three- and six-month periods ended June 30, 2020 compared to the same periods in the prior year primarily due to lower investment returns in our alternative investment portfolio including lower private equity returns due to prior year gains from a private equity initial public offering, lower gains on securities for which the fair value option was elected, lower gains on base net investment spread primarily due to lower reinvestment yields, and higher general operating expenses. Partially offsetting these decreases was higher yield enhancement income.

Group Retirement Adjusted Pre-Tax Income
Three Months Ended June 30,
(in millions)



Quarterly 2020 and 2019 Comparison

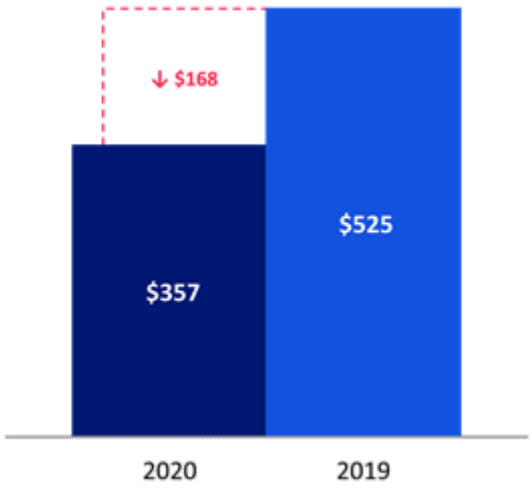
Adjusted pre-tax income decreased primarily due to:

- lower net investment income, primarily due to lower net investment returns in our alternative investment portfolio including lower private equity returns due to prior year gains from a private equity initial public offering, lower gains on securities for which the fair value option was elected, and lower gains on calls partially offset by higher yield enhancement income;
- higher general operating expenses primarily due to increased legal expenses; and
- decrease in base net investment spread primarily due to lower reinvestment yields and lower accretion partially offset by higher average invested assets.

Partially offsetting these decreases were:

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

Group Retirement Adjusted Pre-Tax Income
Six Months Ended June 30,
(in millions)



Year-to-Date 2020 and 2019 Comparison

Adjusted pre-tax income decreased primarily due to:

- lower net investment income, primarily from lower gains on securities for which the fair value option was elected, lower net investment returns in our alternative investment portfolio driven by lower private equity returns due to prior year gains from a private equity initial public offering and lower hedge fund returns due to widening spreads partially offset by higher yield enhancement income;
- higher general operating expenses primarily due to increased legal expenses;
- higher variable annuity DAC amortization and reserves due to weaker equity market performance; and
- decrease in base net investment spread primarily due to lower reinvestment yields and lower accretion partially offset by higher average invested assets and lower interest credited.

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 three- and six-month periods ended June 30, 2020, which primarily represents immediate annuities, remained flat compared to the same periods in the prior year. Overall, premiums are 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, FHLB funding agreements and mutual funds under administration.

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.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2020**	2019	**2020**	2019
Premiums	**$ 3**	$ 5	**$ 9**	$ 9
Deposits	**1,667**	2,042	**3,516**	4,101
Premiums and deposits	**$ 1,670**	$ 2,047	**$ 3,525**	$ 4,110

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	**2020**	2019
Surrenders as a percentage of average reserves and mutual funds	**7.3 %**	8.4 %	**8.2 %**	10.2 %

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

(in millions)	**June 30, 2020[a]**	December 31, 2019[a]
No surrender charge[b]	**$ 70,752**	$ 71,912
Greater than 0% - 2%	**472**	1,140
Greater than 2% - 4%	**607**	672
Greater than 4%	**6,088**	6,038
Non-surrenderable	**615**	614
Total reserves	**$ 78,534**	$ 80,376

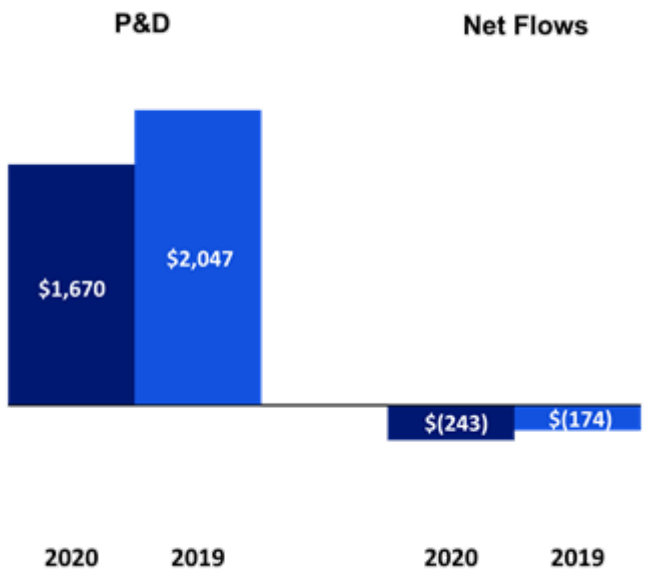
(a) Excludes mutual fund assets under administration of $21 billion and $21.7 billion at June 30, 2020 and December 31, 2019, respectively.

(b) Group Retirement amounts in this category include general account reserves of approximately $6.2 billion at both June 30, 2020 and December 31, 2019, which are subject to 20 percent annual withdrawal limitations at the participant level and general account reserves of $5.5 billion and $5.4 billion at June 30, 2020 and December 31, 2019, respectively, which are subject to 20 percent annual withdrawal limitations at the plan level.

Group Retirement annuity deposits are typically subject to a five- to seven-year surrender charge period, depending on the product. At June 30, 2020, Group Retirement annuity reserves decreased compared to December 31, 2019 primarily due to weaker equity market performance. The surrender rate in the three- and six-month periods ended June 30, 2020 decreased compared to the same periods in the prior year due to lower individual surrenders. For the six- month period ended June 30, 2020, additional decreases include fewer large plan surrenders compared to the same period in the prior year. At June 30, 2020, Group Retirement annuity reserves with no or low surrender charges decreased compared to December 31, 2019 primarily due to lower equity markets and normal aging of the business.

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

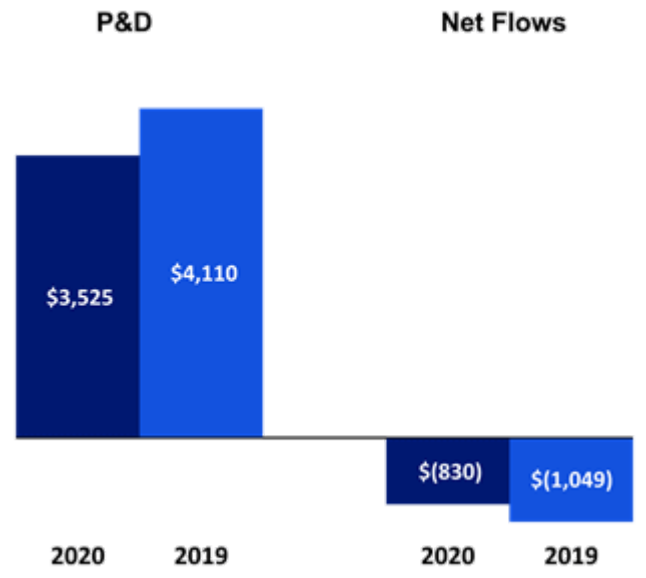
Group Retirement Premiums and Deposits and Net Flows
Three Months Ended June 30,
(in millions)



Quarterly 2020 and 2019 Comparison

Net flows decreased primarily due to decreased deposits partially offset by lower surrenders. External factors including consolidation of healthcare providers and other employers in target markets, along with shorter term impacts from market conditions related to COVID-19, also contributed to the decrease.

Group Retirement Premiums and Deposits and Net Flows
Six Months Ended June 30,
(in millions)



Year-to-Date 2020 and 2019 Comparison

Net flows remained negative but improved primarily due to lower surrenders partially offset by decreased deposits. There were approximately $324 million of large plan related surrenders in the six-month period ended June 30, 2020 compared to approximately $566 million of large plan surrenders for the same period in the prior year. External factors including consolidation of healthcare providers and other employers in target markets, along with shorter term impacts from market conditions related to COVID-19, also contributed to the decrease.

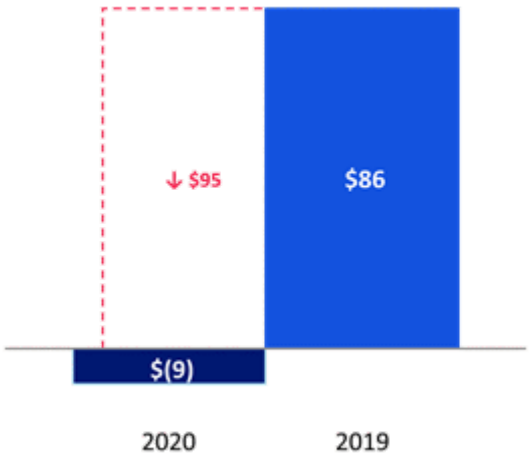
LIFE INSURANCE RESULTS

(in millions)	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Percentage Change	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019	Percentage Change
Revenues:						
Premiums	$ 447	$ 425	5 %	$ 866	$ 820	6 %
Policy fees	375	381	(2)	745	754	(1)
Net investment income	280	335	(16)	571	626	(9)
Other income	11	13	(15)	22	27	(19)
Benefits and expenses:						
Policyholder benefits and losses incurred	788	731	8	1,497	1,369	9
Interest credited to policyholder account balances	92	92	-	184	184	-
Amortization of deferred policy acquisition costs	60	58	3	121	125	(3)
Non deferrable insurance commissions	28	28	-	55	40	38
General operating expenses	148	153	(3)	288	294	(2)
Interest expense	6	6	-	13	13	-
Adjusted pre-tax income (loss)	$ (9)	$ 86	NM%	$ 46	$ 202	(77)%

Business and Financial Highlights

Life Insurance is focused on selling profitable new products through strategic channels to enhance future returns. Adjusted pre-tax income decreased in the three- and six-month periods ended June 30, 2020 compared to the same periods in the prior year primarily due to higher mortality and lower net investment income partially offset by prior year unfavorable reinsurance valuation allowance.

Life Insurance Adjusted Pre-Tax Income
Three Months Ended June 30,
(in millions)



Quarterly 2020 and 2019 Comparison

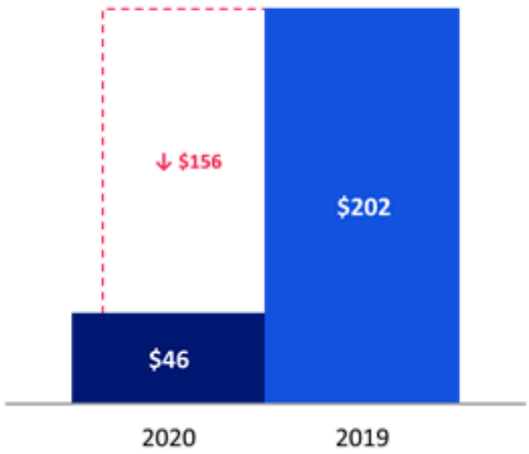
Adjusted pre-tax income decreased primarily due to:

- lower net investment income, primarily due to lower investment returns in the alternative investment portfolio driven by prior year gains from a private equity initial public offering and lower gains on calls; and
- adverse mortality experience.

Partially offsetting these decreases were:

- prior year reinsurance valuation allowance.

Life Insurance Adjusted Pre-Tax Income
Six Months Ended June 30,
(in millions)



Year-to-Date 2020 and 2019 Comparison

Adjusted pre-tax income decreased primarily due to:

- higher mortality; and
- lower net investment income, primarily from lower gains on the alternative investment portfolio driven by lower private equity returns due to prior year gains from a private equity initial public offering, lower hedge fund returns and lower gains on calls.
- Partially offsetting these decreases were:
- prior year unfavorable reinsurance valuation allowance.

LIFE INSURANCE GAAP PREMIUMS AND PREMIUMS AND DEPOSITS

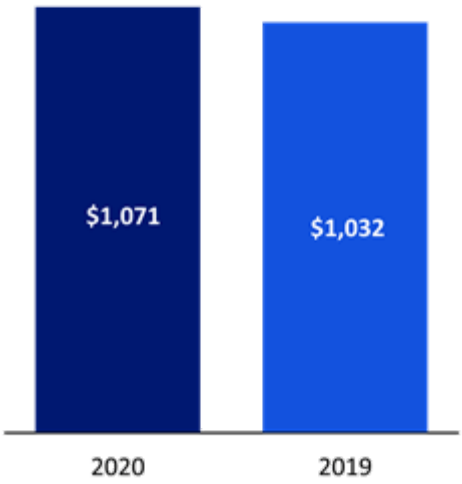
Premiums for Life Insurance represent amounts received on traditional life insurance policies, primarily term life and international life and health. Premiums, excluding the effect of foreign exchange, increased in the three- and six-month periods ended June 30, 2020 compared to the same periods in the 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 June 30,		Six Months Ended June 30,	
(in millions)	**2020**	2019	**2020**	2019
Premiums	**$ 447**	$ 425	**$ 866**	$ 820
Deposits	**420**	413	**822**	819
Other	**204**	194	**398**	388
Premiums and deposits	**$ 1,071**	$ 1,032	**$ 2,086**	$ 2,027

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

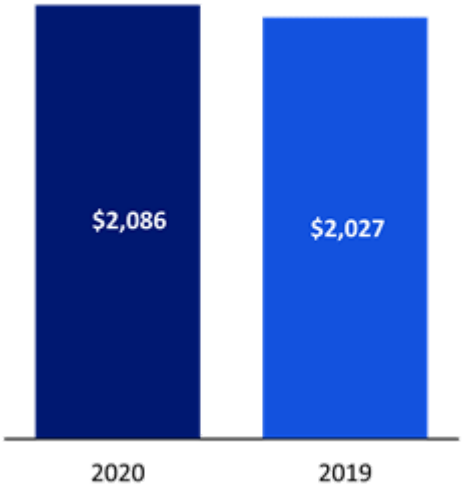
Life Insurance Premiums and Deposits
Three Months Ended June 30,
(in millions)



Quarterly 2020 and 2019 Comparison

Premiums and deposits, excluding the effect of foreign exchange, increased primarily due to growth in international life and group premiums.

Life Insurance Premiums and Deposits
Six Months Ended June 30,
(in millions)



Year-to-Date 2020 and 2019 Comparison

Premiums and deposits, excluding the effect of foreign exchange, increased primarily due to growth in international life and group premiums.

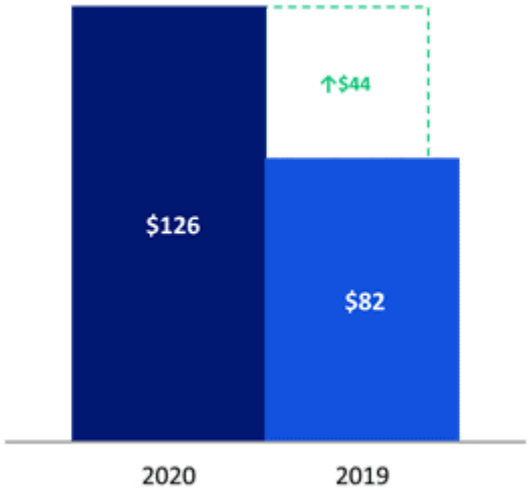
INSTITUTIONAL MARKETS RESULTS

(in millions)	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Percentage Change	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019	Percentage Change
Revenues:						
Premiums	$ 1,089	$ 152	NM%	$ 1,846	$ 971	90 %
Policy fees	40	43	(7)	80	84	(5)
Net investment income	262	223	17	482	434	11
Benefits and expenses:						
Policyholder benefits and losses incurred	1,155	222	420	1,995	1,109	80
Interest credited to policyholder account balances	80	87	(8)	160	176	(9)
Amortization of deferred policy acquisition costs	1	1	-	2	2	-
Non deferrable insurance commissions	7	7	-	14	15	(7)
General operating expenses	19	16	19	35	31	13
Interest expense	3	3	-	6	6	-
Adjusted pre-tax income	$ 126	$ 82	54 %	$ 196	$ 150	31 %

Business and Financial Highlights

Institutional Markets continued to opportunistically grow its portfolio, which partially drove the increase in net investment income including higher yield enhancement income. Product distribution continues to be strong and the business is focused on maintaining pricing discipline.

Institutional Markets Adjusted Pre-Tax Income
Three Months Ended June 30,
(in millions)



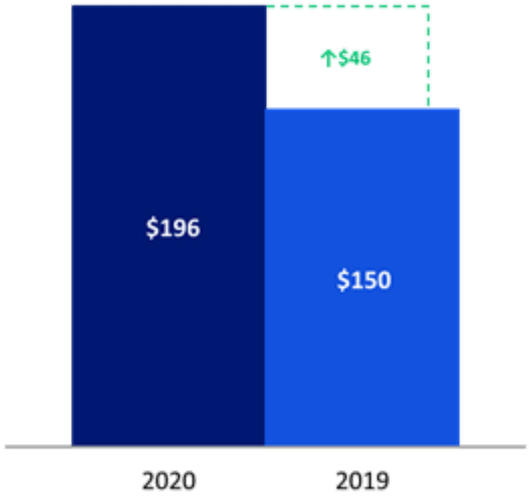
Quarterly 2020 and 2019 Comparison

Increases in premiums and policyholder benefits were primarily due to pension risk transfer business written in 2020 compared to 2019.

Adjusted pre-tax income increased primarily due to:

- higher net investment income from higher yield enhancement income partially offset by lower alternative investment returns including prior year gains from a private equity initial public offering; and
- decrease in interest crediting resulting from impact of low interest rates on floating-rate GICs and related hedging.

Institutional Markets Adjusted Pre-Tax Income
Six Months Ended June 30,
(in millions)



Year-to-Date 2020 and 2019 Comparison

Increases in premiums and policyholder benefits were primarily due to pension risk transfer business written in 2020 compared to 2019.

Adjusted pre-tax income increased primarily due to:

- higher net investment income from a higher level of yield enhancement income and growth in reserves partially offset by lower alternative investment returns including prior year gains from a private equity initial public offering;
- decrease in interest crediting results from impact of lower interest rates on floating-rate GICs and related hedging; and
- favorable mortality experience.

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 three- and six-month periods ended June 30, 2020 compared to the same periods in the prior year primarily driven by the pension risk transfer business (direct and assumed reinsurance) written in 2020.

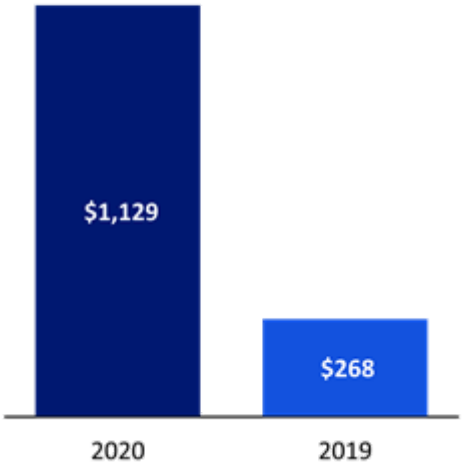
Premiums and deposits for Institutional Markets is a non-GAAP financial measure that includes direct premiums as well as deposits received on investment-type annuity contracts, including GICs. Deposits also include FHLB funding agreements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2020**	2019	**2020**	2019
Premiums	**$ 1,089**	$ 152	**$ 1,846**	$ 971
Deposits	**33**	108	**185**	394
Other	**7**	8	**15**	15
Premiums and deposits	**$ 1,129**	$ 268	**$ 2,046**	$ 1,380

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

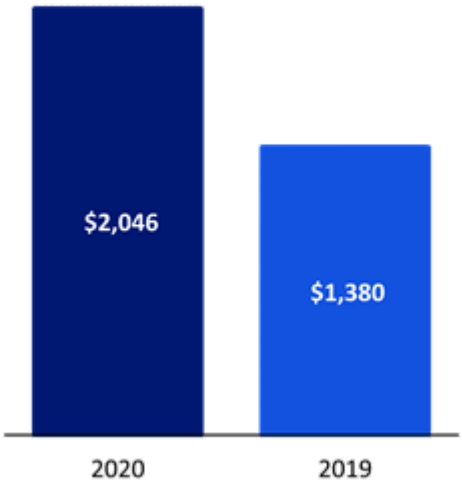
Institutional Markets Premiums and Deposits
Three Months Ended June 30,
(in millions)



Quarterly 2020 and 2019 Comparison

Premiums and deposits increased due to higher pension risk transfer (direct and assumed reinsurance) sales partially offset by lower deposits on GICs.

Institutional Markets Premiums and Deposits
Six Months Ended June 30,
(in millions)



Year-to-Date 2020 and 2019 Comparison

Premiums and deposits increased due to higher pension risk transfer (direct and assumed reinsurance) sales partially offset by lower deposits on GICs.

Other Operations

Other Operations consists of income from assets held by AIG Parent and other corporate subsidiaries, general operating expenses not attributable to AIG reporting segments, certain compensation expenses attributable to Other Operations and reporting segments, amortization of value of distribution network acquired related to the Validus and Glatfelter acquisitions, and interest expense attributable to AIG long-term debt as well as debt associated with consolidated investment entities. Other Operations also includes Blackboard – a subsidiary focused on delivering commercial insurance solutions using digital technology, data analytics and automation. At the end of March 2020, Blackboard was placed into run-off.

OTHER OPERATIONS RESULTS

(in millions)	Three Months Ended June 30, 2020	2019	Percentage Change	Six Months Ended June 30, 2020	2019	Percentage Change
Revenues:						
Premiums	$ 18	$ 13	38 %	$ 33	$ 25	32 %
Net investment income:						
Interest and dividends - available for sale securities	(4)	30	NM	22	57	(61)
Interest and dividends - fair value option securities	6	(1)	NM	(2)	3	NM
Other investment income - consolidated investment entities	(40)	42	NM	54	95	(43)
Other investment income	17	36	(53)	33	55	(40)
Total net investment income	(21)	107	NM	107	210	(49)
Other income	18	24	(25)	37	48	(23)
Total adjusted revenues	15	144	(90)	177	283	(37)
Benefits, losses and expenses:						
Policyholder benefits and losses incurred	18	10	80	29	14	107
Acquisition expenses - amortization of deferred policy acquisition costs	5	4	25	9	9	-
General operating expenses	222	225	(1)	502	439	14
Interest expense:						
Interest - corporate	269	264	2	528	524	1
Interest - other (primarily consolidated investment entities)*	60	56	7	119	99	20
Total interest expense	329	320	3	647	623	4
Total benefits, losses and expenses	574	559	3	1,187	1,085	9
Adjusted pre-tax loss before consolidation and eliminations	(559)	(415)	(35)	(1,010)	(802)	(26)
Consolidation, eliminations and other adjustments	49	(56)	NM	(35)	(126)	72
Adjusted pre-tax loss	$ (510)	$ (471)	(8)%	$ (1,045)	$ (928)	(13)%

Adjusted pre-tax income (loss) by activities:						
Corporate (Parent and Service Companies):						
General operating expenses	$ (194)	$ (195)	1 %	$ (438)	$ (376)	(16)%
Interest expense	(269)	(264)	(2)	(528)	(524)	(1)
All other income (expense), net	(1)	62	NM	19	103	(82)
Total Corporate (Parent and Service Companies)	(464)	(397)	(17)	(947)	(797)	(19)
Consolidated investment portfolio	(81)	(1)	NM	(33)	21	NM
Blackboard	(14)	(17)	18	(30)	(26)	(15)
Consolidation, eliminations and other adjustments:						
Consolidation, eliminations and other adjustments - consolidated investment entities	63	(56)	NM	(41)	(148)	72
Consolidation, eliminations and other adjustments - other	(14)	-	NM	6	22	(73)
Total consolidation, eliminations and other adjustments	49	(56)	NM	(35)	(126)	72
Adjusted pre-tax loss	$ (510)	$ (471)	(8)%	$ (1,045)	$ (928)	(13)%

* Interest expense-other primarily represents interest expense on consolidated investment entities of $41 million and $43 million in the three-month periods ended June 30, 2020 and 2019, respectively, and $87 million and $74 million in the six-month periods ended June 30, 2020 and 2019, respectively, and costs of derivatives used to economically hedge foreign denominated debt of $9 million and $10 million in the three-month periods ended June 30, 2020 and 2019, respectively, and $21 million and $19 million in the six-month periods ended June 30, 2020 and 2019, respectively.

QUARTERLY 2020 AND 2019 COMPARISON

Adjusted pre-tax loss increased primarily due to:

- lower net investment income associated with consolidated investment entities.

YEAR-TO-DATE 2020 AND 2019 COMPARISON

Adjusted pre-tax loss increased primarily due to:

- lower net investment income associated with consolidated investment entities.
- higher corporate general operating expenses due to higher employee related costs and professional fees; and
- higher interest expenses driven by debt associated with consolidated investment entities.

Legacy Portfolio

Legacy Portfolio represents exited or discontinued product lines, policy forms or distribution channels. On June 2, 2020, we completed the sale of a controlling interest in Fortitude Holdings, which from February 2018 through the sale date was included in our Legacy Portfolio results.

- **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. As of June 30, 2020, we have established reinsurance assets associated with the ceded reserves and the corresponding funds withheld liability.
- **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. As of June 30, 2020, we have established reinsurance assets associated with the ceded reserves and the corresponding funds withheld liability.
- **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.
- Enhanced 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 FORTITUDE HOLDINGS

On June 2, 2020, we completed the Majority Interest Fortitude Sale. AIG established Fortitude Re, a wholly owned subsidiary of Fortitude Holdings, in 2018 in a series of reinsurance transactions related to AIG's Legacy Portfolio. As of June 30, 2020, approximately $30.5 billion of reserves from AIG's Legacy Life and Retirement Run-Off Lines and approximately $4.1 billion of reserves from AIG's Legacy General Insurance Run-Off Lines, related to business written by multiple wholly-owned AIG subsidiaries had been ceded to Fortitude Re under these reinsurance transactions. As of closing of the Majority Interest Fortitude Sale, these reinsurance transactions are no longer considered affiliated transactions and Fortitude Re is the reinsurer of the majority of AIG's Legacy Portfolio. As these reinsurance transactions are structured as modified coinsurance and loss portfolio transfers with funds withheld, following the closing of the Majority Interest Fortitude Sale, AIG continues to reflect the invested assets, which consist mostly of available for sale securities, supporting Fortitude Re's obligations, in AIG's financial statements.

AIG sold a 19.9 percent ownership interest in Fortitude Holdings to TCG, an affiliate of Carlyle, in the 2018 Fortitude Sale. As a result of completion of the Majority Interest Fortitude Sale, Carlyle FRL purchased from AIG a 51.6 percent ownership interest in Fortitude Holdings and T&D purchased from AIG a 25 percent ownership interest in Fortitude Holdings; AIG retained a 3.5 percent ownership interest in Fortitude Holdings and one seat on its Board of Managers. The $2.2 billion of proceeds received by AIG at closing include (i) the $1.8 billion under the Majority Interest Fortitude Sale, which is subject to a post-closing purchase price adjustment pursuant to which AIG will pay Fortitude Re for certain adverse development in property casualty related reserves, based on an agreed methodology, that may occur on or prior to December 31, 2023, up to a maximum payment of $500 million; and (ii) a $383 million purchase price adjustment from Carlyle FRL and T&D, corresponding to their respective portions of a proposed $500 million non-pro rata distribution from Fortitude Holdings that was not received by AIG prior to the closing.

AIG recorded a total after-tax reduction to total AIG shareholders' equity of $4.3 billion related to the sale of the majority interest in and deconsolidation of Fortitude Holdings. The impact to equity is primarily due to a $6.7 billion after-tax loss partially offset by a $2.4 billion increase in accumulated other comprehensive income (AOCI) due to the release of shadow adjustments primarily related to future policy benefits. The $6.7 billion after-tax loss is comprised of (i) a $2.7 billion loss related to the write-off of prepaid insurance assets and DAC upon deconsolidation of Fortitude Holdings and (ii) $4.0 billion related to the loss on the sale primarily as a result of increases in Fortitude Holdings' equity principally related to mark to market movements since the December 31, 2018 date as of which Fortitude Holdings' equity was calculated for purposes of the purchase price determination.

In connection with the Majority Interest Fortitude Sale, AIG, Fortitude Holdings, and TCG have agreed that, effective as of the closing, (i) AIG's investment commitment targets under the 2018 Fortitude Sale (whereby AIG had agreed to invest certain amounts into various Carlyle strategies and to make certain minimum investment management fee payments by November 2021) have been assumed by Fortitude Holdings and AIG has been released therefrom, (ii) the purchase price adjustment that AIG had agreed to provide TCG in the 2018 Fortitude Sale (whereby AIG had agreed to reimburse TCG for adverse development in property casualty related reserves, based on an agreed methodology, that may occur on or prior to December 31, 2023, up to the value of TCG's investment in Fortitude Holdings) has been terminated, and (iii) TCG remains obligated to pay AIG $115 million of deferred consideration upon settlement of the post-closing purchase price adjustment referred to above. This latter amount is composed of $95 million of deferred consideration contemplated as part of the 2018 Fortitude Sale, together with $19.9 million in respect of TCG's 19.9 percent share of the unpaid portion of the $500 million non-pro rata dividend to be paid to AIG under the 2018 Fortitude Sale (TCG paid $79.6 million to AIG on May 26, 2020). In addition, the 2018 Capital Maintenance Agreement between AIG and Fortitude Re and the letters of credit issued in support of Fortitude Re and subject to reimbursement by AIG in the event of a drawdown were terminated as of the closing of the Majority Interest Fortitude Sale. Upon closing of the Majority Interest Fortitude Sale, AIG entered into a transition services agreement with Fortitude Holdings for the provision of transition services for a period after closing, and letter of credit agreements with certain financial institutions, which issued letters of credit in support of certain General Insurance subsidiaries that have reinsurance agreements in place with Fortitude Re in the amount of $600 million. These letters of credit are subject to reimbursement by AIG in the event of a drawdown by these insurance subsidiaries.

Following closing, AIG contributed $700 million of the proceeds of the Majority Interest Fortitude Sale to certain of its General Insurance subsidiaries and $135 million of the proceeds of the Majority Interest Fortitude Sale to certain of its Life and Retirement subsidiaries.

Legacy results include the impact of Fortitude Re through the date of deconsolidation on June 2, 2020, representing two and five months of operational results, respectively, for the three- and six-month periods ended June 30, 2020 subsequent to deconsolidation.

For further discussion on the sale of Fortitude Holdings see Note 7 to the Condensed Consolidated Financial Statements.

LEGACY PORTFOLIO RESULTS

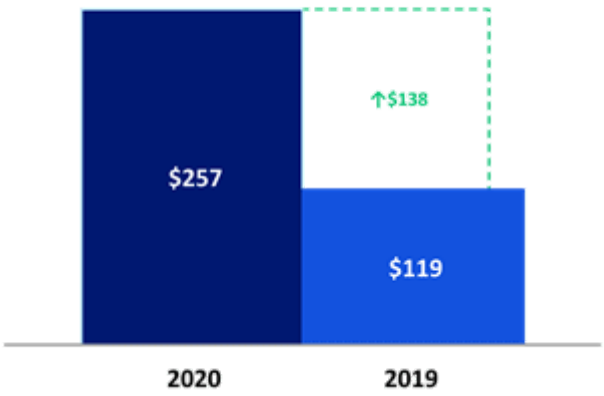
(in millions)	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Percentage Change	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019	Percentage Change
Revenues:						
Premiums	$ 76	$ 127	(40)%	$ 200	$ 245	(18)%
Policy fees	29	32	(9)	58	62	(6)
Net investment income	631	603	5	758	1,178	(36)
Other income (loss)	(17)	(22)	23	(33)	(39)	15
Total adjusted revenues	719	740	(3)	983	1,446	(32)
Benefits, losses and expenses:						
Policyholder benefits and losses and loss adjustment expenses incurred	341	474	(28)	848	906	(6)
Interest credited to policyholder account balances	45	54	(17)	96	108	(11)
Amortization of deferred policy acquisition costs	11	14	(21)	29	32	(9)
General operating and other expenses	61	74	(18)	113	159	(29)
Interest expense	4	5	(20)	8	10	(20)
Total benefits, losses and expenses	462	621	(26)	1,094	1,215	(10)
Adjusted pre-tax income (loss)	$ 257	$ 119	116 %	$ (111)	$ 231	NM%
Adjusted pre-tax income (loss) by type:						
General Insurance Run-Off Lines	$ 10	$ 43	(77)%	$ 46	$ 58	(21)%
Life and Retirement Run-Off Lines	13	38	(66)	(120)	125	NM
Legacy Investments	234	38	NM	(37)	48	NM
Adjusted pre-tax income (loss)	$ 257	$ 119	116 %	$ (111)	$ 231	NM%

(in millions)	June 30, 2020	December 31, 2019
Selected Balance Sheet Data		
Legacy Investments, net of related debt	$ 1,021	$ 2,002
Legacy General Insurance run-off reserves	1,403	5,409
Legacy Life and Retirement run-off reserves	7,739	38,728

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 $1.0 billion at June 30, 2020. 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 June 30,
(in millions)



Quarterly 2020 and 2019 Comparison

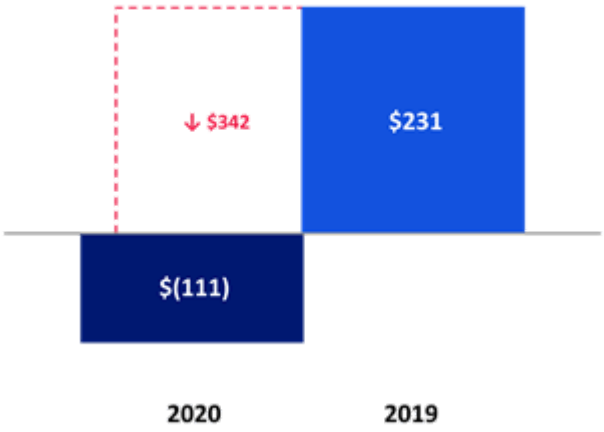
Adjusted pre-tax income increased due to:

- Increase in Legacy Investment earnings due to higher gains on fair value option portfolios.

This increase was partially offset by:

- Lower Legacy General Insurance earnings due to a decrease in favorable prior year development; and
- Lower Legacy Life and Retirement earnings due to lower net investment income, primarily from lower returns from private equity funds and unfavorable mortality experience.

Legacy Portfolio Adjusted Pre-Tax Income
Six Months Ended June 30,
(in millions)



Year-to-Date 2020 and 2019 Comparison

Legacy Portfolio recorded an adjusted pre-tax loss in the six months ended June 30, 2020 compared to income in the prior-year period due to:

- Lower Legacy Life and Retirement earnings due to lower net investment income, primarily from lower returns from hedge funds and unfavorable mortality experience.
- Lower Legacy Investment earnings due to losses on fair value option portfolios compared to gains in the same period in the prior year; and
- Lower Legacy General Insurance earnings due to a decrease in favorable prior year development.

Investments

OVERVIEW

Our investment strategies are tailored to the specific business needs of each operating unit by targeting an asset allocation mix that provides diversification from an asset class, sector, issuer, and geographic perspective. The primary objectives are generation of investment income, preservation of capital, liquidity management and growth of surplus. The majority of assets backing our insurance liabilities consist of fixed maturity securities.

The impact of COVID-19 is evolving rapidly and will depend upon the scope, severity and duration of the crisis as well as the actions taken by governments, legislative bodies or regulators and other third parties in response, all of which are continuing to evolve and are subject to continuing uncertainty. Adverse changes and developments affecting the global economy, including a significant global economic slowdown, and increased financial market volatility have had near-term and long-term negative effects on our overall investment portfolio. Within our diversified investment portfolio, there has been exposures to certain segments of the economy significantly affected by the crisis, which has resulted in the recognition of credit losses and increases in our allowance for credit losses, and further recognition of credit losses and increases in our allowances for credit losses could result if businesses remain closed (or are closed again due to a second wave of infections) and the impact of the crisis on the global economy worsens.

INVESTMENT HIGHLIGHTS IN THE SIX MONTHS ENDED JUNE 30, 2020

- A drop in interest rates was partially offset by a widening of credit spreads that resulted in a net unrealized gain movement in our investment portfolio. Net unrealized gains in our available for sale portfolio increased to approximately $21.4 billion as of June 30, 2020 from approximately $17.9 billion as of December 31, 2019.
- We continued to make investments in structured securities and other fixed maturity securities with favorable risk compared to return characteristics to improve yields and increase net investment income.
- We experienced lower investment returns due to losses in our alternative investments and fair value option equity security holdings due to significant volatility and declines in equity markets in the six-month period ended June 30, 2020, and lower income from fixed maturity securities for which the fair value option was elected due to a widening of credit spreads in the current period. This compares to the same period in the prior year where we experienced gains in our alternative investments, which included income from an initial public offering of a holding in the private equity portfolio, and gains on fair value options equity security holdings as a result of robust equity market returns, and higher gains in our fixed maturities securities portfolio for which we elected the fair value option due to a drop in rates and narrowing credit spreads.
- Blended investment yields on new investments were lower than blended rates on investments that were sold, matured or called.
- Implemented (CECL) Current Expected Credit Losses, the new credit loss accounting standard, in the first quarter of 2020.

Investment Strategies

Investment strategies are assessed at the business segment level and involve considerations that include local and general market conditions, duration and cash flow management, risk appetite and volatility constraints, rating agency and regulatory capital considerations, and tax and legal investment limitations.

Some of our key investment strategies are as follows:

- Our fundamental strategy across the portfolios is to seek investments with similar characteristics to the associated insurance liabilities to the extent practicable. AIG embeds Environmental, Social and Governance (ESG) considerations in its fundamental investment analysis of the companies or projects we invest in to ensure that they have sustainable earnings over the full term of our investment. AIG considers internal and external factors and evaluates changes in consumer behavior, industry trends related to ESG factors as well as the ability of the management of companies to respond appropriately to these changes in order to maintain their competitive advantage.
- We seek to originate investments that offer enhanced yield through illiquidity premiums, such as private placements and commercial mortgage loans, which also add portfolio diversification. These assets typically afford credit protections through covenants, ability to customize structures that meet our insurance liability needs, and deeper due diligence given information access.

- Given our global presence, we have access to assets that provide diversification from local markets. To the extent we purchase these investments, we generally hedge the currency risk using derivatives, which could provide opportunities to earn higher risk adjusted returns compared to assets in the functional currency.
- 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 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.
- Within the U.S., the Life and Retirement and General Insurance investments are generally split between reserve backing and surplus portfolios.
  - Insurance reserves are backed by mainly investment grade fixed maturity securities that meet our duration, current risk-return, tax, liquidity, credit quality and diversification objectives. We assess asset classes based on their fundamental risk, including credit (public and private), commercial real estate and residential real estate regardless of whether such investments are bonds, loans, or structured products.
  - Surplus investments seek to enhance portfolio returns and are generally comprised of a mix of fixed maturity investment grade and below investment grade securities and various alternative asset classes, including private equity, real estate equity, and hedge funds. Over the past few years, hedge fund investments have been reduced with more emphasis given to private equity, real estate and below investment grade credit.
- Outside of the U.S., fixed maturity securities held by insurance companies consist primarily of high-grade securities generally denominated in the currencies of the countries in which we operate.

Asset Liability Management

The investment strategy within the General Insurance companies focuses on growth of surplus, maintenance of sufficient liquidity for unanticipated insurance claims, and preservation of capital. General Insurance invests 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. Fixed maturity securities of the General Insurance companies' North America operations have an average duration of 3.3 years. Fixed maturity securities of the General Insurance companies' international operations have an average duration of 4.3 years.

While invested assets backing reserves of the General Insurance companies are primarily invested in conventional liquid fixed maturity securities, we have continued to allocate to asset classes that offer higher yields through structural and illiquidity premiums, particularly in our North America operations. In addition, we continue to invest in both fixed rate and floating rate asset-backed investments to manage our exposure to potential changes in interest rates and inflation. We seek to diversify the portfolio across asset classes, sectors, and issuers to mitigate idiosyncratic portfolio risks.

In addition, a portion of the surplus of General Insurance is invested in a diversified portfolio of alternative investments that seek to balance liquidity, volatility and growth of surplus. There is a higher allocation to equity-oriented investments in General Insurance surplus relative to other AIG portfolios given the underlying inflation risks inherent in that business. Although these alternative investments are subject to periodic earnings fluctuations, they have historically achieved yields in excess of the fixed maturity portfolio yields and have provided added diversification to the broader portfolio.

The investment strategy of the Life and Retirement companies is to provide net investment income to back liabilities that result in stable distributable earnings and enhance portfolio value, subject to asset liability management, capital, and regulatory constraints.

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 maintain a diversified, high- to-medium quality portfolio of 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 that, to the extent practicable, match the duration characteristics of the liabilities. The investment portfolio of each product line is tailored to the specific characteristics of its insurance liabilities, and as a result, duration varies between distinct portfolios. The interest rate environment has a direct impact on the asset liability management profile of the businesses, and 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. A further lengthening of the portfolio will be assessed in the context of available market opportunities as longer duration markets may not provide similar diversification benefits as shorter duration markets.

Fixed maturity securities of the Life and Retirement companies' domestic operations have an average duration of 8.5 years. We seek to diversify the portfolio across asset classes, sectors, and issuers to mitigate idiosyncratic portfolio risks.

In addition, the Life and Retirement companies seek to enhance surplus portfolio 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.

NAIC Designations of Fixed Maturity Securities

The Securities Valuation Office (SVO) of the 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 AIG subsidiaries 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:

June 30, 2020 *(in millions)*									
NAIC Designation	1	2	**Total Investment Grade**	3	4	5	6	**Total Below Investment Grade**	**Total**
Other fixed maturity securities	$ 98,732	$ 78,427	**$ 177,159**	$ 8,769	$ 6,450	$ 1,591	$ 109	**$ 16,919**	**$ 194,078**
Mortgage-backed, asset-backed and collateralized	63,279	3,827	**67,106**	311	62	123	2,246	**2,742**	**69,848**
Total*	$ 162,011	$ 82,254	**$ 244,265**	$ 9,080	$ 6,512	$ 1,714	$ 2,355	**$ 19,661**	**$ 263,926**

* Excludes $16 million of fixed maturity securities for which no NAIC Designation is available.

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

June 30, 2020 *(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	$ 101,519	$ 75,163	**$ 176,682**	$ 8,599	$ 6,652	$ 2,145	**$ 17,396**	**$ 194,078**
Mortgage-backed, asset-backed and collateralized	53,561	4,215	**57,776**	727	349	10,996	**12,072**	**69,848**
Total*	$ 155,080	$ 79,378	**$ 234,458**	$ 9,326	$ 7,001	$ 13,141	**$ 29,468**	**$ 263,926**

* Excludes $16 million of fixed maturity securities for which no NAIC Designation is available.

Credit Ratings

At June 30, 2020, 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 12 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 June 30, 2020, 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 5 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: (i) 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 (99 percent of total fixed maturity securities), or (ii) 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)	**June 30, 2020**	December 31, 2019	**June 30, 2020**	December 31, 2019	**June 30, 2020**	December 31, 2019
Rating:						
Other fixed maturity securities						
AAA	**$ 11,080**	$ 11,821	**$ 1,870**	$ 2,121	**$ 12,950**	$ 13,942
AA	**32,828**	31,141	**42**	-	**32,870**	31,141
A	**55,688**	49,437	**11**	11	**55,699**	49,448
BBB	**75,162**	75,598	**-**	-	**75,162**	75,598
Below investment grade	**16,530**	15,905	**-**	7	**16,530**	15,912
Non-rated	**883**	1,301	**-**	-	**883**	1,301
Total	**$ 192,171**	$ 185,203	**$ 1,923**	$ 2,139	**$ 194,094**	$ 187,342
Mortgage-backed, asset-backed and collateralized						
AAA	**$ 30,989**	$ 29,419	**$ 381**	$ 365	**$ 31,370**	$ 29,784
AA	**15,103**	14,816	**202**	201	**15,305**	15,017
A	**6,745**	6,861	**142**	165	**6,887**	7,026
BBB	**3,870**	4,154	**346**	98	**4,216**	4,252
Below investment grade	**9,578**	10,575	**2,209**	3,630	**11,787**	14,205
Non-rated	**49**	58	**234**	84	**283**	142
Total	**$ 66,334**	$ 65,883	**$ 3,514**	$ 4,543	**$ 69,848**	$ 70,426
Total						
AAA	**$ 42,069**	$ 41,240	**$ 2,251**	$ 2,486	**$ 44,320**	$ 43,726
AA	**47,931**	45,957	**244**	201	**48,175**	46,158
A	**62,433**	56,298	**153**	176	**62,586**	56,474
BBB	**79,032**	79,752	**346**	98	**79,378**	79,850
Below investment grade	**26,108**	26,480	**2,209**	3,637	**28,317**	30,117
Non-rated	**932**	1,359	**234**	84	**1,166**	1,443
Total	**$ 258,505**	$ 251,086	**$ 5,437**	$ 6,682	**$ 263,942**	$ 257,768

Available-for-Sale Investments

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

(in millions)		**Fair Value at June 30, 2020**		Fair Value at December 31, 2019
Bonds available for sale:				
U.S. government and government sponsored entities	**$**	**4,802**	$	5,380
Obligations of states, municipalities and political subdivisions		**15,996**		15,318
Non-U.S. governments		**14,608**		14,869
Corporate debt		**156,765**		149,636
Mortgage-backed, asset-backed and collateralized:				
RMBS		**33,112**		32,805
CMBS		**14,999**		14,430
CDO/ABS		**18,223**		18,648
Total mortgage-backed, asset-backed and collateralized		**66,334**		65,883
Total bonds available for sale*	**$**	**258,505**	$	251,086

* At June 30, 2020 and December 31, 2019, the fair value of bonds available for sale held by us that were below investment grade or not rated totaled $27.0 billion and $27.8 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)		**June 30, 2020**		December 31, 2019
Japan	**$**	**1,628**	$	1,651
Canada		**909**		989
France		**852**		1,013
United Kingdom		**757**		638
Germany		**634**		593
Indonesia		**536**		589
United Arab Emirates		**489**		494
Israel		**477**		399
Norway		**391**		410
Qatar		**369**		353
Other		**7,566**		7,740
Total	**$**	**14,608**	$	14,869

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

	June 30, 2020					
(in millions)	Sovereign	Financial Institution	Non-Financial Corporates	Structured Products	**Total**	December 31, 2019 Total
Euro-Zone countries:						
France	$ 852	$ 1,796	$ 1,601	$ -	$ 4,249	$ 4,304
Germany	634	161	2,626	-	3,421	3,329
Netherlands	282	1,020	1,144	101	2,547	2,626
Ireland	44	131	424	1,360	1,959	2,132
Belgium	162	237	1,081	-	1,480	1,254
Spain	24	280	706	-	1,010	1,122
Luxembourg	91	239	347	-	677	381
Italy	2	104	364	-	470	482
Austria	159	3	-	-	162	164
Finland	79	43	39	-	161	192
Other Euro-Zone	476	69	233	-	778	826
Total Euro-Zone	$ 2,805	$ 4,083	$ 8,565	$ 1,461	$ 16,914	$ 16,812
Remainder of Europe:						
United Kingdom	$ 757	$ 4,199	$ 8,983	$ 2,350	$ 16,289	$ 15,798
Switzerland	35	1,090	652	-	1,777	1,879
Sweden	139	299	123	-	561	582
Norway	391	44	91	-	526	549
Russian Federation	186	38	197	-	421	425
Other - Remainder of Europe	61	32	116	-	209	262
Total - Remainder of Europe	$ 1,569	$ 5,702	$ 10,162	$ 2,350	$ 19,783	$ 19,495
Total	$ 4,374	$ 9,785	$ 18,727	$ 3,811	$ 36,697	$ 36,307

Investments in Municipal Bonds

At June 30, 2020, 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:

	June 30, 2020				
(in millions)	State General Obligation	Local General Obligation	Revenue	Total Fair Value	December 31, 2019 Total Fair Value
State:					
California	$ 781	$ 400	$ 2,076	$ 3,257	$ 2,928
New York	8	365	2,801	3,174	3,059
Texas	98	533	905	1,536	1,512
Illinois	85	126	857	1,068	1,072
Massachusetts	457	-	333	790	745
Ohio	36	-	499	535	482
Georgia	108	71	291	470	459
Virginia	9	-	430	439	493
Washington	171	-	255	426	405
Florida	6	-	406	412	355
Pennsylvania	45	1	352	398	395
Washington, D.C.	12	-	319	331	316
Missouri	-	-	306	306	277
All other states[(a)]	356	287	2,211	2,854	2,820
Total[(b)(c)]	$ 2,172	$ 1,783	$ 12,041	$ 15,996	$ 15,318

(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 $423 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 June 30, 2020**	Fair Value at December 31, 2019
Financial institutions:		
Money center/Global bank groups	$ 10,368	$ 10,701
Regional banks — other	674	659
Life insurance	3,065	3,166
Securities firms and other finance companies	263	334
Insurance non-life	6,339	5,492
Regional banks — North America	7,038	6,825
Other financial institutions	13,934	13,608
Utilities	21,576	19,424
Communications	10,788	9,939
Consumer noncyclical	22,493	19,997
Capital goods	7,910	8,006
Energy	12,056	13,379
Consumer cyclical	11,389	10,989
Basic	5,506	5,617
Other	23,366	21,500
Total*	$ 156,765	$ 149,636

* At June 30, 2020 and December 31, 2019, respectively, approximately 90 and 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, were 4.7 percent and 5.3 percent at June 30, 2020 and December 31, 2019, 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 June 30, 2020**		Fair Value at December 31, 2019
Agency RMBS	**$**	**16,866**	$	15,721
Alt-A RMBS		**7,673**		8,484
Subprime RMBS		**2,544**		2,654
Prime non-agency		**4,330**		4,451
Other housing related		**1,699**		1,495
Total RMBS[(a)(b)]	**$**	**33,112**	$	32,805

(a) Includes approximately $8.0 billion and $8.7 billion at June 30, 2020 and December 31, 2019, respectively, of certain RMBS that had experienced deterioration in credit quality since their origination. *For additional discussion on Purchased Credit Impaired Securities see Note 5 to the Condensed Consolidated Financial Statements.*

(b) The weighted average expected life was five years at June 30, 2020 and six years at December 31 2019.

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 June 30, 2020**		Fair Value at December 31, 2019
CMBS (traditional)	**$**	**11,779**	$	11,250
Agency		**2,198**		2,051
Other		**1,022**		1,129
Total	**$**	**14,999**	$	14,430

The fair value of CMBS holdings remained stable during the second quarter of 2020. 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 ABS/CDOs

The following table presents our ABS/CDO available for sale securities by collateral type:

(in millions)		**Fair value at June 30, 2020**		Fair value at December 31, 2019
Collateral Type:				
ABS	**$**	**9,054**	$	9,274
Bank loans (collateralized loan obligation)		**9,137**		9,330
Other		**32**		44
Total	**$**	**18,223**	$	18,648

Commercial Mortgage Loans

At June 30, 2020, we had direct commercial mortgage loan exposure of $36.5 billion.

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: Apartments	Offices	Retail	Industrial	Hotel	Others	Total	Percent of Total
June 30, 2020									
State:									
New York	103	$ 2,550	$ 5,159	$ 463	$ 375	$ 98	$ -	$ 8,645	24 %
California	69	847	1,342	245	541	807	33	3,815	10
New Jersey	47	1,670	31	413	85	12	32	2,243	6
Texas	52	584	1,165	172	139	144	-	2,204	6
Florida	71	446	158	501	217	217	-	1,539	4
Massachusetts	12	538	230	546	25	-	-	1,339	4
Illinois	19	504	438	10	18	-	22	992	3
Washington, D.C.	14	512	297	-	-	17	-	826	2
Pennsylvania	21	80	17	520	46	25	-	688	2
Ohio	22	170	10	186	265	-	-	631	2
Other states	194	2,089	731	1,222	722	400	7	5,171	14
Foreign	90	4,274	1,218	935	1,145	529	341	8,442	23
Total*	714	$ 14,264	$ 10,796	$ 5,213	$ 3,578	$ 2,249	$ 435	$ 36,535	100 %
December 31, 2019									
State:									
New York	99	$ 2,377	$ 4,913	$ 457	$ 376	$ 98	$ -	$ 8,221	23 %
California	74	736	1,341	249	572	817	41	3,756	10
New Jersey	48	1,635	44	370	81	27	33	2,190	6
Texas	52	501	1,163	174	141	145	-	2,124	6
Florida	74	393	234	544	218	217	10	1,616	3
Massachusetts	13	540	245	549	25	-	-	1,359	4
Illinois	19	505	441	10	18	-	22	996	3
Washington, D.C.	13	447	302	-	-	18	-	767	2
Pennsylvania	23	81	20	528	46	25	-	700	2
Ohio	25	174	10	188	269	-	5	646	2
Other states	215	2,073	740	1,276	740	401	44	5,274	15
Foreign	85	4,237	1,189	987	1,177	564	367	8,521	24
Total*	740	$ 13,699	$ 10,642	$ 5,332	$ 3,663	$ 2,312	$ 522	$ 36,170	100 %

* Does not reflect allowance for credit losses.

For additional discussion on commercial mortgage loans see Note 8 to the Consolidated Financial Statements in the 2019 Annual Report.

Credit Impairments

The following table presents a rollforward of the changes in allowance for credit losses on available for sale fixed maturity securities by major investment category:

	Three Months Ended June 30, 2020			Six Months Ended June 30, 2020		
(in millions)	Structured	Non-Structured	Total	Structured	Non-Structured	Total
Balance, beginning of period*	$ 37	$ 174	**$ 211**	$ 7	$ -	**$ 7**
Additions:						
Securities for which allowance for credit losses were not previously recorded	11	82	**93**	35	256	**291**
Purchases of available for sale debt securities accounted for as purchased credit deteriorated assets	20	-	**20**	26	-	**26**
Accretion of available for sale debt securities accounted for as purchased credit deteriorated assets	1	-	**1**	1	-	**1**
Reductions:						
Securities sold during the period	(1)	(5)	**(6)**	(1)	(5)	**(6)**
Intent to sell security or more likely than not will be required to sell the security before recovery of its amortized cost basis	-	-	**-**	-	-	**-**
Additional net increases or decreases to the allowance for credit losses on securities that had an allowance recorded in a previous period, for which there was no intent to sell before recovery amortized cost basis	(31)	(33)	**(64)**	(31)	(33)	**(64)**
Write-offs charged against the allowance	-	(57)	**(57)**	-	(57)	**(57)**
Recoveries of amounts previously written off	-	-	**-**	-	-	**-**
Other	-	-	**-**	-	-	**-**
Balance, end of period	$ 37	$ 161	**$ 198**	$ 37	$ 161	**$ 198**

* The beginning balance incorporates the Day 1 gross up on PCD assets held as of January 1, 2020.

Prior to the CECL adoption date of January 1, 2020, we recorded other-than-temporary impairment charges of $30 million and $113 million in the three- and six-month periods ended June 30, 2019, respectively.

For a discussion of our allowance for credit losses on available for sale securities accounting policy see Note 5 to the Condensed Consolidated Financial Statements.

The following table shows the aging of the 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:

June 30, 2020	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	$ 27,316	$ 873	3,678	$ 265	$ 75	31	$ -	$ -	1	**$ 27,581**	**$ 948**	**3,710**
7-11 months	2,444	84	326	-	-	-	-	-	-	**2,444**	**84**	**326**
12 months or more	4,290	230	690	215	55	15	8	5	3	**4,513**	**290**	**708**
Total	$ 34,050	$ 1,187	4,694	$ 480	$ 130	46	$ 8	$ 5	4	**$ 34,538**	**$ 1,322**	**4,744**
Below investment grade bonds												
0-6 months	$ 12,141	$ 630	3,420	$ 546	$ 162	136	$ 2	$ 2	1	**$ 12,689**	**$ 794**	**3,557**
7-11 months	458	32	166	59	14	31	3	2	1	**520**	**48**	**198**
12 months or more	721	63	268	412	119	71	129	82	28	**1,262**	**264**	**367**
Total	$ 13,320	$ 725	3,854	$ 1,017	$ 295	238	$ 134	$ 86	30	**$ 14,471**	**$ 1,106**	**4,122**
Total bonds												
0-6 months	$ 39,457	$ 1,503	7,098	$ 811	$ 237	167	$ 2	$ 2	2	**$ 40,270**	**$ 1,742**	**7,267**
7-11 months	2,902	116	492	59	14	31	3	2	1	**2,964**	**132**	**524**
12 months or more	5,011	293	958	627	174	86	137	87	31	**5,775**	**554**	**1,075**
Total[e]	$ 47,370	$ 1,912	8,548	$ 1,497	$ 425	284	$ 142	$ 91	34	**$ 49,009**	**$ 2,428**	**8,866**

(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 June 30, 2020.

(c) For bonds, represents amortized cost net of allowance.

(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.

The allowance for credit losses was $18 million for investment grade bonds, and $180 million for below investment grade bonds as of June 30, 2020.

Change in Unrealized Gains and Losses on Investments

The change in net unrealized gains and losses on investments in the three- and six-month periods ended June 30, 2020 was primarily attributable to increases in the fair value of fixed maturity securities. For the six-month period ended June 30, 2020, net unrealized gains related to fixed maturity securities increased by $3.5 billion due primarily to lower rates partially offset by a widening of credit spreads.

The change in net unrealized gains and losses on investments in the three- and six-month periods ended June 30, 2019 was primarily attributable to increases in the fair value of fixed maturity securities. For the six-month period ended June 30, 2019, net unrealized gains related to fixed maturity securities increased by $11.9 billion due primarily to a decrease in rates and a narrowing of credit spreads.

For further discussion of our investment portfolio see Note 5 to the Condensed Consolidated Financial Statements.

Net Realized Capital Gains and Losses

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

(in millions)	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Sales of fixed maturity securities	$ 27	$ 87	$ 241	$ 56
Other-than-temporary impairments	-	(30)	-	(113)
Change in intent[a]	(3)	-	(3)	-
Change in allowance for credit losses on fixed maturity securities[b]	(24)	-	(222)	-
Change in allowance for credit losses on loans[b]	(22)	14	(60)	(10)
Foreign exchange transactions	44	(2)	(210)	(39)
Variable annuity embedded derivatives, net of related hedges	(1,010)	(40)	1,182	(301)
All other derivatives and hedge accounting	(568)	207	991	135
Fortitude Re funds withheld assets[b]	(741)	-	(741)	-
Other	(35)	168	9	230
Net realized capital gains (losses)	**$ (2,332)**	$ 404	**$ 1,187**	$ (42)

(a) For the three- and six-month periods ended June 30, 2019, the change in intent was included in Other-than-temporary impairments

(b) The change in allowance for credit losses on fixed maturity securities excludes increases in the allowance of $5 million for the three- and six-month periods ended June 30, 2020, and the change in allowance for credit losses on loans excludes decreases in the allowance of $3 million for the three- and six-month periods ended June 30, 2020, which are reported in the Fortitude Re funds withheld assets line as these changes in the allowance relate to Fortitude Re funds withheld assets. *For additional information on the Fortitude Re transaction, see Note 7 to the Condensed Consolidated Financial Statements.*

Net realized capital losses in the three-month period ended June 30, 2020 were due primarily to derivatives losses compared to net realized capital gains in the same period in the prior year due primarily to derivatives gains. Higher net realized capital gains in the six-month period ended June 30, 2020 compared to the same period in the prior year were due primarily to derivative gains in the current period compared to derivative losses in the same period in the prior year.

Net realized capital gains (losses) in the in the three- and six-month periods ended June 30, 2019 were primarily due to derivative gains (losses).

Variable annuity embedded derivatives, net of related hedges, reflected gains in three- and six-month periods ended June 30, 2020 compared to losses in the same periods 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.

Fortitude Re funds withheld assets primarily reflect increases in the valuation of the modco and funds withheld assets. Increases in the valuation of these assets result in losses to AIG as the appreciation on the assets must under those reinsurance arrangements be transferred to Fortitude Re.

For additional discussion of market risk management related to these product features see Part II, Item 7. MD&A – Enterprise Risk Management – Insurance Risks – Life and Retirement Companies’ Key Risks – Variable Annuity, Index Annuity and Universal Life Risk Management and Hedging Programs in the 2019 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 Note 5 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*:

	June 30, 2020			December 31, 2019		
(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)	$ 4,225	$ 5,548	$ 9,773	$ 4,330	$ 5,494	$ 9,824
U.S. Excess Casualty	3,956	5,103	9,059	4,285	5,073	9,358
U.S. Other Casualty	3,828	4,748	8,576	4,064	4,695	8,759
U.S. Financial Lines	4,803	2,300	7,103	5,154	2,221	7,375
U.S. Property and Special risks	5,858	2,745	8,603	4,950	2,807	7,757
U.S. Personal Insurance	1,167	1,107	2,274	1,287	988	2,275
UK/Europe Casualty and Financial Lines	6,032	1,424	7,456	6,234	1,268	7,502
UK/Europe Property and Special risks	2,624	1,280	3,904	2,573	1,191	3,764
UK/Europe and Japan Personal Insurance	1,884	568	2,452	1,962	519	2,481
Other product lines	5,965	2,122	8,087	6,238	2,053	8,291
Unallocated loss adjustment expenses	1,545	898	2,443	1,824	882	2,706
Total General Insurance	41,887	27,843	69,730	42,901	27,191	70,092
Legacy Portfolio - Run-Off Lines:						
U.S. Run-Off Long Tail Insurance Lines (net of discount)	195	7,028	7,223	3,769	3,587	7,356
Other run-off product lines	187	67	254	164	66	230
Unallocated loss adjustment expenses	67	416	483	377	115	492
Total Legacy Portfolio - Run-Off Lines	449	7,511	7,960	4,310	3,768	8,078
Other Operations (Blackboard)	59	104	163	48	110	158
Total	$ 42,395	$ 35,458	$ 77,853	$ 47,259	$ 31,069	$ 78,328

* Includes loss reserve discount of $887 million and $1.5 billion as of June 30, 2020 and December 31, 2019 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 June 30,		Six Months Ended June 30,	
(in millions)	**2020**	2019	**2020**	2019
General Insurance:				
North America*	$ (39)	$ (61)	$ (52)	$ (121)
International	(35)	(5)	(82)	(17)
Total General Insurance	$ (74)	$ (66)	$ (134)	$ (138)
Legacy Portfolio - Run-Off Lines	(2)	3	(2)	1
Total prior year (favorable) unfavorable development	$ (76)	$ (63)	$ (136)	$ (137)

* Includes the amortization attributed to the deferred gain at inception from the National Indemnity Company (NICO) adverse development reinsurance agreement of $53 million and $58 million for the three-month periods ended June 30, 2020 and 2019, respectively, and $106 million and $116 million for the six-month periods ended June 30, 2020 and 2019, 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 $(2) million and $(126) million for the three-month periods ended June 30, 2020 and 2019, respectively, and $4 million and $(124) million for the six-month periods ended June 30, 2020 and 2019, respectively. The related changes in amortization of the deferred gain were $23 million and $(2) million for the three-month periods ended June 30, 2020 and 2019, respectively, and $45 million and $26 million for the six-month periods ended June 30, 2020 and 2019, respectively.

Net Loss Development

In the three-month period ended June 30, 2020, we recognized favorable prior year loss reserve development of $(76) million.

The key components of this development were as follows:

North America

- amortization of the deferred gain from the adverse development reinsurance agreement with NICO; and
- favorable development on North American Property;
- partially offset by adverse development in the Programs business driven by discontinued programs.

International

- favorable development in International Property and Special Risks businesses, largely driven by UK/Europe

In the six-month period ended June 30, 2020, we recognized favorable prior year loss reserve development of $(136) million.

The key components of this development were as follows:

North America

- amortization of the deferred gain from the adverse development reinsurance agreement with NICO; and
- favorable development on North American Property;
- partially offset by adverse development in the Programs business driven by discontinued programs, and in Personal Insurance.

International

- favorable development in International Casualty recoveries; and
- favorable development in International Property and Special Risks businesses, largely driven by UK/Europe.

In the three-and six -month periods ended June 30, 2019, we recognized favorable prior year loss reserve development of $63 million and $137 million, respectively.

The development in the three-month period ending June 30, 2019 was primarily driven by:

North America

- amortization of the deferred gain from the adverse development reinsurance agreement with NICO for accident years 2015 and prior;
- favorable development on Commercial lines; and
- adverse development from Personal Insurance.

International

- favorable development on Europe and Japan Personal Insurance;
- favorable development on Other product lines; and
- adverse development in Europe Property and Special Risks, Europe Casualty and Financial Lines.

The development in the six month-period ended June 30, 2019 was primarily driven by:

North America

- amortization of the deferred gain from the adverse development reinsurance agreement with NICO in accident years 2015 and prior;
- favorable development on Commercial lines; and
- adverse development from Personal Insurance.

International

- favorable development on Europe and Japan Personal Insurance;
- favorable development on Europe Property and Special Risks; and
- adverse development in Europe Casualty and Financial Lines driven by large excess casualty claims.

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 June 30, 2020 *(in millions)*		Total		2019		2018 & Prior
General Insurance North America:						
U.S. Workers' Compensation	$	(28)	$	20	$	(48)
U.S. Excess casualty		(13)		-		(13)
U.S. Other casualty		(36)		(20)		(16)
U.S. Financial lines		(7)		-		(7)
U.S. Property and special risks		59		19		40
U.S. Personal insurance		6		1		5
Other product lines		(20)		(10)		(10)
Total General Insurance North America	$	(39)	$	10	$	(49)
General Insurance International:						
UK/Europe casualty and financial lines	$	-	$	-	$	-
UK/Europe property and special risks		(22)		(8)		(14)
UK/Europe and Japan Personal insurance		11		14		(3)
Other product lines		(24)		(6)		(18)
Total General Insurance International	$	(35)	$	-	$	(35)
Legacy Portfolio - Run-off Lines		(2)		(2)		-
Total prior year (favorable) unfavorable development	$	(76)	$	8	$	(84)

Three Months Ended June 30, 2019 *(in millions)*		Total		2018		2017 & Prior
General Insurance North America:						
U.S. Workers' Compensation	$	(157)	$	(2)	$	(155)
U.S. Excess casualty		38		41		(3)
U.S. Other casualty		79		18		61
U.S. Financial lines		(10)		-		(10)
U.S. Property and special risks		(30)		(11)		(19)
U.S. Personal insurance		9		6		3
Other product lines		10		(1)		11
Total General Insurance North America	$	(61)	$	51	$	(112)
General Insurance International:						
UK/Europe casualty and financial lines	$	3	$	-	$	3
UK/Europe property and special risks		5		19		(14)
UK/Europe and Japan Personal insurance		(7)		(2)		(5)
Other product lines		(6)		16		(22)
Total General Insurance International	$	(5)	$	33	$	(38)
Legacy Portfolio - Run-off Lines		3		47		(44)
Total prior year (favorable) unfavorable development	$	(63)	$	131	$	(194)

Six Months Ended June 30, 2020 *(in millions)*	Total	2019	2018 & Prior
General Insurance North America:			
U.S. Workers' Compensation	$ (56)	$ 22	$ (78)
U.S. Excess casualty	(26)	-	(26)
U.S. Other casualty	(47)	(20)	(27)
U.S. Financial lines	(15)	-	(15)
U.S. Property and special risks	57	14	43
U.S. Personal insurance	46	48	(2)
Other product lines	(11)	(24)	13
Total General Insurance North America	$ (52)	$ 40	$ (92)
General Insurance International:			
UK/Europe casualty and financial lines	$ -	$ -	$ -
UK/Europe property and special risks	(31)	(21)	(10)
UK/Europe and Japan Personal insurance	(1)	2	(3)
Other product lines	(50)	(2)	(48)
Total General Insurance International	$ (82)	$ (21)	$ (61)
Legacy Portfolio - Run-Off Lines	(2)	(2)	-
Total prior year (favorable) unfavorable development	$ (136)	$ 17	$ (153)

Six Months Ended June 30, 2019 *(in millions)*	Total	2018	2017 & Prior
General Insurance North America:			
U.S. Workers' Compensation	$ (176)	$ -	$ (176)
U.S. Excess casualty	55	41	14
U.S. Other casualty	70	18	52
U.S. Financial lines	(20)	-	(20)
U.S. Property and special risks	(76)	(5)	(71)
U.S. Personal insurance	18	(6)	24
Other product lines	8	(1)	9
Total General Insurance North America	$ (121)	$ 47	$ (168)
General Insurance International:			
UK/Europe casualty and financial lines	$ 54	$ 3	$ 51
UK/Europe property and special risks	(28)	17	(45)
UK/Europe and Japan Personal insurance	(51)	(45)	(6)
Other product lines	8	(16)	24
Total General Insurance International	$ (17)	$ (41)	$ 24
Legacy Portfolio - Run-off Lines	1	49	(48)
Total prior year (favorable) unfavorable development	$ (137)	$ 55	$ (192)

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 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 2020, see Part II, Item 7. MD&A – Enterprise Risk Management – Insurance Risks – General Insurance Companies' – Key Risks – Natural Catastrophe Risk in our 2019 Annual Report.

The table below shows the calculation of the deferred gain on the adverse development reinsurance agreement as of June 30, 2020 and as of December 31, 2019, showing the effect of discounting of loss reserves and amortization of the deferred gain.

(in millions)	June 30, 2020	December 31, 2019
Gross Covered Losses		
Covered reserves before discount	$ 17,927	$ 19,064
Inception to date losses paid	24,095	22,954
Attachment point	(25,000)	(25,000)
Covered losses above attachment point	$ 17,022	$ 17,018
Deferred Gain Development		
Covered losses above attachment ceded to NICO (80%)	$ 13,618	$ 13,614
Consideration paid including interest	(10,188)	(10,188)
Pre-tax deferred gain before discount and amortization	3,430	3,426
Discount on ceded losses[(a)]	(1,193)	(1,251)
Pre-tax deferred gain before amortization	2,237	2,175
Inception to date amortization of deferred gain at inception	(799)	(693)
Inception to date amortization attributed to changes in deferred gain[(b)]	(127)	(101)
Deferred gain liability reflected in AIG's balance sheet	$ 1,311	$ 1,381

(a) For the period from inception to June 30, 2020, 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:

(in millions)	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Balance at beginning of year, net of discount	$ 1,392	$ 1,613	$ 1,381	$ 1,382
(Favorable) unfavorable prior year reserve development ceded to NICO[(a)]	(2)	(126)	4	(124)
Amortization attributed to deferred gain at inception[(b)]	(53)	(58)	(106)	(116)
Amortization attributed to changes in deferred gain[(c)]	(12)	8	(26)	(12)
Changes in discount on ceded loss reserves	(14)	125	58	432
Balance at end of period, net of discount	$ 1,311	$ 1,562	$ 1,311	$ 1,562

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

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

(c) Excluded from APTI and included in 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.

Fortitude Re was established during the first quarter of 2018 in a series of 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 June 30, 2020, approximately $30.5 billion of reserves from our Legacy Life and Retirement Run-Off Lines and approximately $4.1 billion of reserves from our Legacy General Insurance Run-Off Lines related to business written by multiple wholly-owned AIG subsidiaries, had been ceded to Fortitude Re under these reinsurance transactions.

Of the Fortitude Re reinsurance agreements, the largest is the Amended and Restated Combination Coinsurance and Modified Coinsurance Agreement by and between our subsidiary American General Life Insurance Company (AGL) and Fortitude Re. Under this treaty, AGL ceded approximately $23.2 billion of reserves as of June 30, 2020 to Fortitude Re representing a mix of life and annuity risks. Fortitude Re provides 100 percent reinsurance of the ceded risks. AGL continues to administer the policies, including handling claims, although it is anticipated that much of the administration will move to a Fortitude Re administrative subsidiary over time, subject to regulatory approvals being obtained and the satisfaction of other conditions. Until such time, Fortitude Re has certain rights to consult on and participate in such administration, and AGL retains the risk of collection of any third party reinsurance covering the ceded business. At effectiveness of the treaty, an amount equal to the aggregate ceded reserves was deposited by AGL

into a modified coinsurance account of AGL to secure the obligations of Fortitude Re. Fortitude Re receives or makes quarterly payments that represent the net gain or loss under the treaty for the relevant quarter, including any net investment gain or loss on the assets in the modified coinsurance account. An AIG affiliate will serve as portfolio manager of assets in the modified coinsurance account for a minimum of three years after the June 2, 2020 closing of the Majority Interest Fortitude Sale.

For a summary of significant reinsurers see Item 7. MD&A – Enterprise Risk Management – Insurance Risks – Reinsurance Activities – Reinsurance Recoverable in our 2019 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, Index Annuity and Universal Life Risk Management and Hedging Programs in our 2019 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 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 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 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 GAAP valuation, which reflects a market participant's view of our claims-paying ability by incorporating a different spread (the NPA spread) to the curve used to discount projected benefit cash flows.

Because the discount rate includes the NPA spread and other explicit risk margins, the 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 4 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 GAAP embedded derivatives and the value of our economic hedge target:

(in millions)	June 30, 2020	December 31, 2019
Reconciliation of embedded derivatives and economic hedge target:		
Embedded derivative liability	$ 4,257	$ 2,474
Exclude non-performance risk adjustment	(5,267)	(2,504)
Embedded derivative liability, excluding NPA	9,524	4,978
Adjustments for risk margins and differences in valuation	(4,891)	(2,394)
Economic hedge target liability	$ 4,633	$ 2,584

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 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 June 30,		Six Months Ended June 30,	
(in millions)	2020	2019	2020	2019
Change in fair value of embedded derivatives, excluding NPA	$ 1,298	$ (675)	$ (4,303)	$ (460)
Change in fair value of variable annuity hedging portfolio:				
Fixed maturity securities*	11	76	18	172
Interest rate derivative contracts	35	542	2,229	835
Equity derivative contracts	(891)	(179)	493	(772)
Change in fair value of variable annuity hedging portfolio	(845)	439	2,740	235
Change in fair value of embedded derivatives excluding NPA, net of hedging portfolio	453	(236)	(1,563)	(225)
Change in fair value of embedded derivatives due to NPA spread	(1,094)	37	1,552	(126)
Change in fair value of embedded derivatives due to change in NPA volume	(358)	235	1,211	222
Total change due to NPA	(1,452)	272	2,763	96
Net impact on pre-tax income (loss)	$ (999)	$ 36	$ 1,200	$ (129)
By Consolidated Income Statement line				
Net investment income, net of related interest credited to policyholder account balances	$ 11	$ 76	$ 18	$ 172
Net realized capital gains (losses)	(1,010)	(40)	1,182	(301)
Net impact on pre-tax income (loss)	$ (999)	$ 36	$ 1,200	$ (129)

* Beginning in July 2019, the fixed maturity securities portfolio used in the hedging program was rebalanced to reposition the portfolio from a duration, sector, and issuer perspective. As part of this rebalancing, fixed maturity securities where we elected the fair value option were sold. Later in the quarter, as new fixed maturity securities were purchased, they were classified as available for sale. The change in fair value of available-for-sale fixed maturity securities recognized as a component of other comprehensive income was $142 million and $129 million for the three- and six-month periods ended June 30, 2020, respectively.

The net impact on pre-tax loss of $999 million from the GMWB embedded derivatives and related hedges in the three-month period ended June 30, 2020 (excluding related DAC amortization) was driven by tightening of credit spreads on the economic hedge target and NPA spread, and NPA volume losses from lower expected GMWB payments, partially offset by the impact of higher equity markets on the change in the fair value of embedded derivatives excluding NPA, net of the hedging portfolio. The net impact on pre-tax income of $1.2 billion from the GMWB embedded derivatives and related hedges in the six-month period ended June 30, 2020

(excluding related DAC amortization) was driven by widening of credits spreads on the economic hedge target and the NPA spread, and impact of lower interest rates that resulted in NPA volume gains from higher expected GMWB payments, partially offset by the impact of lower interest rates on the change in the fair value of embedded derivatives excluding NPA, net of the hedging portfolio. The net impact on pre-tax income of $36 million in the three-month period ended June 30, 2019 was driven by gains from the impact on NPA volume that was offset by the change in the fair value of embedded derivatives excluding NPA, net of the hedging portfolio. The net impact on pre-tax loss of $129 million in the six-month period ended June 30, 2019 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 change in the fair value of the GMWB embedded derivatives, excluding NPA, in the three-month period ended June 30, 2020 reflected gains from higher equity markets, offset by tightening of credit spreads and lower interest rates. The change in the fair value of the GMWB embedded derivatives, excluding NPA, in the six-month period ended June 30, 2020 reflected losses from decreases in interest rates and lower equity markets, offset by widening of credit spreads. The change in the fair value of the GMWB embedded derivatives, excluding NPA and update of actuarial assumptions, in the three-month period ended June 30, 2019 reflected losses from decreases in interest rates, tightening of credit spreads, offset by gains from higher equity markets. The change in the fair value of the GMWB embedded derivatives, excluding NPA and update of actuarial assumptions, in the six-month period ended June 30, 2019 reflected losses from decreases in interest rates, tightening of credit spreads, and lower equity volatility, offset by gains from higher equity markets.

Fair value gains or losses in the hedging portfolio are typically not fully offset by increases or decreases in liabilities on a GAAP basis, due to the NPA and other risk margins used for 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 increase in the economic hedge target, as discussed below. In the three-month period ended June 30, 2020, we estimated a net mark to market loss of approximately $704 million from our hedging activities related to our economic hedge target primarily driven by higher equity markets, offset by tightening credit spreads. In the six-month period ended June 30, 2020, we estimated a net mark to market gain of approximately $2.9 billion, from our hedging activities related to our economic hedge target primarily driven by lower interest rates and equity markets, offset by widening credit spreads. In the three- and six-month periods ended June 30, 2019, we estimated a net mark to market gain of approximately $439 million and $235 million, respectively, from our hedging activities related to our economic hedge target primarily driven by lower interest rates partially offset by higher equity markets.

Change in Economic Hedge Target

The increase in the economic hedge target liability in the three-month period ended June 30, 2020 was primarily due to tightening credit spreads and lower interest rates, offset by higher equity markets. The increase in the economic hedge target liability in the six-month period ended June 30, 2020 was primarily due to lower interest rates and lower equity markets, offset by widening 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 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 interest rate derivative contracts, which included swaps, swaptions and futures, resulted in gains driven by lower interest rates in the three- and six-month periods ended June 30, 2020 and 2019.
- Changes in the fair value of equity derivative contracts, which included futures and options, which resulted in losses in the three-month period ended June 30, 2020 and gains in the six-month period ended June 30, 2020 compared to losses in the same periods in the prior year, which varied based on the relative change in equity market returns in the respective periods.
- Changes in the fair value of fixed maturity securities, primarily corporate bonds, are used as a capital-efficient way to economically hedge interest rate and credit spread-related risk. Beginning in July 2019, the change in the fair value of available-for-sale hedging bonds is reported as a component of comprehensive income in the Condensed Consolidated Statements of Comprehensive Income (Loss). Prior to July 2019, the change in the fair value of the hedging bonds, which was excluded from the adjusted pre-tax income of the Individual Retirement and Group Retirement segments, was reported in net investment income on the Consolidated Statements of Income (Loss). The change in the fair value of the corporate bond hedging program in the three -month period ended June 30, 2020 reflected gains due to decreases in interest rates and tightening of credit spreads, while in the six-month period ended June 30, 2020 reflected gains due to decreases in interest rates offset by widening credit spreads. The change in the fair value of the corporate bond hedging program in the three- and six-month periods ended June 30, 2019 reflected gains due to decreases in interest rates, and tightening of credit spreads.

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:

Six Months Ended June 30, *(in millions)*		**2020**		2019
Balance, beginning of year	**$**	**7,901**	$	9,046
Initial allowance upon CECL adoption		**15**		-
Acquisition costs deferred		**455**		613
Amortization expense:				
Related to realized capital gains and losses		**(287)**		25
All other operating amortization		**(437)**		(400)
Increase (decrease) in DAC due to foreign exchange		**(34)**		(4)
Change related to unrealized depreciation (appreciation) of investments		**(330)**		(1,441)
Balance, end of period*	**$**	**7,283**	$	7,839

* DAC balance excluding the amount related to unrealized depreciation (appreciation) of investments was $9.6 billion at both June 30, 2020 and 2019, 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 conditions in the six-month period ended June 30, 2020 drove a $3.8 billion increase in the unrealized appreciation of fixed maturity securities held to support businesses in the Life and Retirement companies at June 30, 2020 compared to December 31, 2019. At June 30, 2020, the shadow Investment-Oriented Adjustments reflected decreases in amortized balances including DAC and Unearned Revenue Reserves, while accrued liabilities such as policyholder benefit liabilities increased compared to December 31, 2019. Accrued shadow loss recognition reserves decreased from December 31, 2019, primarily due to the discontinuation of recognizing shadow loss recognition reserves related to Fortitude Re funds withheld assets. Although these assets remain on AIG's balance sheet, subsequent to the June 2, 2020 deconsolidation of Fortitude Re, AIG is no longer exposed to the returns on these assets and corresponding shadow adjustments because the assets economically belong to Fortitude Re as a result of the funds withheld arrangements with Fortitude Holdings.

For further discussion on the sale of Fortitude Holdings see Part II, Item 7 MD&A – Consolidated Results of Operation.

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 June 30,		Six Months Ended June 30,	
(in millions)	**2020**	2019	**2020**	2019
Individual Retirement				
Balance at beginning of period, gross	**$ 136,059**	$ 139,083	**$ 144,928**	$ 132,729
Premiums and deposits	**1,794**	3,865	**4,910**	8,051
Surrenders and withdrawals	**(2,554)**	(3,353)	**(6,441)**	(6,575)
Death and other contract benefits	**(744)**	(818)	**(1,567)**	(1,649)
Subtotal	**(1,504)**	(306)	**(3,098)**	(173)
Change in fair value of underlying assets and reserve accretion, net of policy fees	**7,002**	2,227	**(417)**	7,990
Cost of funds*	**420**	414	**832**	817
Other reserve changes	**239**	103	**(29)**	158
Balance at end of period	**142,216**	141,521	**142,216**	141,521
Reinsurance ceded	**(310)**	(315)	**(310)**	(315)
Total Individual Retirement insurance reserves and mutual fund assets	**$ 141,906**	$ 141,206	**$ 141,906**	$ 141,206
Group Retirement				
Balance at beginning of period, gross	**$ 90,947**	$ 96,906	**$ 102,049**	$ 91,685
Premiums and deposits	**1,670**	2,047	**3,525**	4,110
Surrenders and withdrawals	**(1,734)**	(2,061)	**(3,994)**	(4,842)
Death and other contract benefits	**(179)**	(160)	**(361)**	(317)
Subtotal	**(243)**	(174)	**(830)**	(1,049)
Change in fair value of underlying assets and reserve accretion, net of policy fees	**8,552**	1,919	**(2,153)**	7,726
Cost of funds*	**277**	280	**555**	558
Other reserve changes	**(10)**	(8)	**(98)**	3
Balance at end of period	**99,523**	98,923	**99,523**	98,923
Total Group Retirement insurance reserves and mutual fund assets	**$ 99,523**	$ 98,923	**$ 99,523**	$ 98,923
Life Insurance				
Balance at beginning of period, gross	**$ 21,256**	$ 20,211	**$ 22,096**	$ 19,719
Premiums and deposits	**977**	942	**1,903**	1,850
Surrenders and withdrawals	**(80)**	(119)	**(227)**	(292)
Death and other contract benefits	**(147)**	(121)	**(284)**	(264)
Subtotal	**750**	702	**1,392**	1,294
Change in fair value of underlying assets and reserve accretion, net of policy fees	**(275)**	(289)	**(658)**	(551)
Cost of funds*	**92**	92	**184**	185
Other reserve changes	**13**	(17)	**(1,178)**	52
Balance at end of period	**21,836**	20,699	**21,836**	20,699
Reinsurance ceded	**(1,163)**	(1,223)	**(1,163)**	(1,223)
Total Life Insurance reserves	**$ 20,673**	$ 19,476	**$ 20,673**	$ 19,476

Institutional Markets				
Balance at beginning of period, gross	$ 22,296	$ 20,833	$ 21,588	$ 19,839
Premiums and deposits	1,129	268	2,046	1,380
Surrenders and withdrawals	(106)	(150)	(211)	(396)
Death and other contract benefits	(235)	(166)	(529)	(324)
Subtotal	788	(48)	1,306	660
Change in fair value of underlying assets and reserve accretion, net of policy fees	231	122	324	327
Cost of funds*	80	87	160	176
Other reserve changes	89	28	106	20
Balance at end of period	23,484	21,022	23,484	21,022
Reinsurance ceded	(45)	(45)	(45)	(45)
Total Institutional Markets reserves	$ 23,439	$ 20,977	$ 23,439	$ 20,977
Total insurance reserves and mutual fund assets				
Balance at beginning of period, gross	$ 270,558	$ 277,033	$ 290,661	$ 263,972
Premiums and deposits	5,570	7,122	12,384	15,391
Surrenders and withdrawals	(4,474)	(5,683)	(10,873)	(12,105)
Death and other contract benefits	(1,305)	(1,265)	(2,741)	(2,554)
Subtotal	(209)	174	(1,230)	732
Change in fair value of underlying assets and reserve accretion, net of policy fees	15,510	3,979	(2,904)	15,492
Cost of funds*	869	873	1,731	1,736
Other reserve changes	331	106	(1,199)	233
Balance at end of period	287,059	282,165	287,059	282,165
Reinsurance ceded	(1,518)	(1,583)	(1,518)	(1,583)
Total insurance reserves and mutual fund assets	$ 285,541	$ 280,582	$ 285,541	$ 280,582

* 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)	June 30, 2020	December 31, 2019
Future policy benefits	$ 19,261	$ 17,963
Policyholder contract deposits	151,638	147,545
Other policy funds	279	271
Separate account liabilities	86,757	91,222
Total insurance reserves*	257,935	257,001
Mutual fund assets	29,124	33,660
Total insurance reserves and mutual fund assets	$ 287,059	$ 290,661

* 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 2019 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 on the AIG Common Stock, par value $2.50 per share (AIG Common Stock), paying dividends to the holders of our Series A Preferred Stock, and repurchases of AIG Common Stock and/or warrant repurchases.

LIQUIDITY AND CAPITAL RESOURCES HIGHLIGHTS

SOURCES

AIG Parent Funding from Subsidiaries

During the six-month period ended June 30, 2020, AIG Parent received $600 million in dividends and loan repayments from subsidiaries. Of this amount, $418 million consisted of dividends in the form of cash and fixed maturity securities from our General Insurance companies and $182 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 $699 million in tax sharing payments in the form of cash from our insurance businesses in the six-month period ended June 30, 2020, including $240 million of such payments in the second quarter of 2020. The tax sharing payments may be subject to further adjustment in future periods.

Revolving Credit Facility

On March 20, 2020, AIG Parent borrowed $1.3 billion under its $4.5 billion committed, revolving syndicated credit facility, which amount was repaid in full with interest on June 9, 2020.

Debt Issuance

In May 2020, we issued $1.5 billion aggregate principal amount of 2.500% Notes Due 2025; $1.6 billion aggregate principal amount of 3.400% Notes Due 2030; and $1.0 billion aggregate principal amount of 4.375% Notes Due 2050.

Majority Interest Fortitude Sale

In June 2020, AIG completed the Majority Interest Fortitude Sale for $2.2 billion. AIG Parent contributed $700 million of the proceeds of the Majority Interest Fortitude Sale to certain of its General Insurance subsidiaries and $135 million of the proceeds of the Majority Interest Fortitude Sale to certain of its Life and Retirement subsidiaries.

USES

Debt Reduction

In March 2020, we redeemed $350 million aggregate principal amount of our 4.35% Callable Notes Due 2045.

We also made other repurchases of and repayments on debt instruments of approximately $1.6 billion during the six-month period ended June 30, 2020. We made interest payments on our debt instruments totaling $503 million during the six-month period ended June 30, 2020.

Revolving Credit Facility

On June 9, 2020, AIG Parent repaid in full with interest the $1.3 billion borrowed under its $4.5 billion committed, revolving syndicated credit facility.

Dividend

We paid a cash dividend of $365.625 per share on AIG's Series A 5.85% Non-Cumulative Perpetual Preferred Stock (Series A Preferred Stock) during each of the first and second quarters of 2020 totaling $15 million.

We paid a cash dividend of $0.32 per share on AIG Common Stock during each of the first and second quarters of 2020 totaling $551 million.

Repurchase of Common Stock

We repurchased approximately 12 million shares of AIG Common Stock during the first quarter of 2020, for an aggregate purchase price of $500 million, under an accelerated stock repurchase (ASR) agreement executed in February 2020.

Majority Interest Fortitude Sale

In June 2020, AIG completed the Majority Interest Fortitude Sale for $2.2 billion. AIG Parent contributed $700 million of the proceeds of the Majority Interest Fortitude Sale to certain of its General Insurance subsidiaries and $135 million of the proceeds of the Majority Interest Fortitude Sale to certain of its Life and Retirement subsidiaries.

IRS Tax Prepayment

In June 2020, AIG Parent made a prepayment of approximately $548 million to the U.S. Treasury in connection with certain settlement agreements described in Tax Matters below.

ANALYSIS OF SOURCES AND USES OF CASH

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

Six Months Ended June 30, *(in millions)*		**2020**		2019
Sources:				
Net cash provided by operating activities	**$**	**1,325**	$	-
Changes in policyholder contract balances		**-**		3,112
Issuance of long-term debt and debt of consolidated investment entities		**5,509**		2,199
Issuance of preferred stock, net of issuance costs		**-**		485
Net cash provided by other financing activities		**-**		896
Total sources		**6,834**		6,692
Uses:				
Net cash used in operating activities		**-**		(1,272)
Net cash used in other investing activities		**(2,903)**		(4,147)
Change in policyholder contract balances		**(157)**		-
Repayments of long-term debt and debt of consolidated investment entities		**(1,877)**		(910)
Purchase of common stock		**(500)**		-
Dividends paid on preferred stock		**(15)**		(7)
Dividends paid on common stock		**(551)**		(557)
Net cash used in other financing activities		**(269)**		-
Total uses		**(6,272)**		(6,893)
Effect of exchange rate changes on cash and restricted cash		**3**		28
Increase (decrease) in cash and restricted cash	**$**	**565**	$	(173)

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

Six Months Ended June 30, *(in millions)*		**2020**		2019
Summary:				
Net cash provided by (used in) operating activities	**$**	**1,325**	$	(1,272)
Net cash used in investing activities		**(2,903)**		(4,147)
Net cash provided by financing activities		**2,140**		5,218
Effect of exchange rate changes on cash and restricted cash		**3**		28
Net Increase (decrease) in cash and restricted cash		**565**		(173)
Cash and restricted cash at beginning of year		**3,287**		3,358
Cash and restricted cash at end of period	**$**	**3,852**	$	3,185

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 $581 million in the six-month period ended June 30, 2020 compared to $684 million in the same period in the prior year. Excluding interest payments, AIG had operating cash inflows of $1.9 billion in the six-month period ended June 30, 2020 compared to operating cash outflows of $588 million in the same period in the prior year.

Investing Cash Flow Activities

Net cash used in investing activities in the six-month period ended June 30, 2020 was $2.9 billion compared to net cash used in investing activities of $4.1 billion in the same period in the prior year. Net cash provided by investing activities in 2020 included $2.2 billion of net cash proceeds from the sale of Fortitude Holdings.

Financing Cash Flow Activities

Net cash provided by financing activities in the six-month period ended June 30, 2020 reflected:

- approximately $551 million in the aggregate to pay a dividend of $0.32 per share on AIG Common Stock in each of the first and second quarters of 2020;
- approximately $15 million to pay a dividend of $365.625 per share on AIG's Series A Preferred Stock in each of the first and second quarters of 2020;
- $500 million to repurchase approximately 12 million shares of AIG Common Stock; and
- approximately $3.6 billion in net inflows from the issuance and repayment of long-term debt and debt of consolidated investment entities.

Net cash provided by financing activities in the six-month period ended June 30, 2019 reflected:

- approximately $557 million in the aggregate to pay a dividend of $0.32 per share on AIG Common Stock in each of the first and second quarters of 2019;
- approximately $7 million to pay a dividend of $369.6875 per share on AIG's Series A Preferred Stock in the second quarter of 2019;
- approximately $1.3 billion in net inflows from the issuance and repayment of long-term debt; and
- approximately $485 million inflow from the issuance of preferred stock.

LIQUIDITY AND CAPITAL RESOURCES OF AIG PARENT AND SUBSIDIARIES

AIG Parent

As of June 30, 2020, AIG Parent had approximately $15.2 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 and also include a committed, revolving syndicated credit facility. 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 June 30, 2020	As of December 31, 2019
Cash and short-term investments[a]	$ 7,654	$ 2,804
Unencumbered fixed maturity securities[b]	3,002	4,777
Total AIG Parent liquidity	10,656	7,581
Available capacity under committed, syndicated credit facility[c]	4,500	4,500
Total AIG Parent liquidity sources	$ 15,156	$ 12,081

(a) Cash and short-term investments include reverse repurchase agreements totaling $4.9 billion and $2.1 billion as of June 30, 2020 and December 31, 2019, 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.

For a discussion regarding risks associated with COVID-19, see Part II Item 1A – Risk Factors – COVID-19 is adversely affecting, and is expected to continue to adversely affect, our global business, financial condition and results of operations, and its ultimate impact will depend on future developments that are uncertain and cannot be predicted, including the scope, severity and duration of the crisis, and the governmental, legislative and regulatory actions taken and court decisions rendered in response thereto.

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 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 both June 30, 2020 and December 31, 2019. Our U.S. Life and Retirement companies had $3.6 billion and $3.5 billion which were due to FHLBs in their respective districts at June 30, 2020 and December 31, 2019, respectively, under funding agreements issued through our Individual Retirement, Group Retirement and Institutional Markets operating segments, which were reported in Policyholder contract deposits. Proceeds from funding agreements are generally invested in fixed income securities and other investments intended to generate spread income. These investment contracts do not have mortality or morbidity risk and are similar to GICs. In addition, our U.S. Life and Retirement companies had no outstanding borrowings in the form of cash advances from FHLBs at both June 30, 2020 and December 31, 2019.

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 $2.8 billion of securities subject to these agreements at both June 30, 2020 and December 31, 2019, respectively, and $2.9 billion of liabilities to borrowers for collateral received at both June 30, 2020 and December 31, 2019, 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. Upon closing of the Majority Interest Fortitude Sale, the CMA between AIG Parent and Fortitude Re was terminated.

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. These letters of credit are subject to reimbursement by AIG Parent and/or certain subsidiaries in the event of a drawdown by our insurance companies. Letters of credit issued in support of the General Insurance companies totaled approximately $4.0 billion at June 30, 2020. Letters of credit issued in support of the Life and Retirement companies totaled approximately $852 million at June 30, 2020. Upon closing of the Majority Interest Fortitude Sale, the $550 million of letters of credit issued in support of Fortitude Re and subject to reimbursement by AIG in the event of a drawdown were terminated.

In the six-month period ended June 30, 2020, our General Insurance companies collectively paid a total of approximately $418 million in dividends in the form of cash and fixed maturity securities to AIG Parent. The fixed maturity securities primarily included U.S. treasuries and securities issued by other U.S. agencies. Upon closing of the Majority Interest Fortitude Sale, AIG contributed $700 million of the proceeds of the Majority Interest Fortitude Sale to certain of its General Insurance subsidiaries.

In the six-month period ended June 30, 2020, our Life and Retirement companies collectively paid a total of approximately $182 million in dividends and loan repayments in the form of cash to AIG Parent. Upon closing of the Majority Interest Fortitude Sale, AIG contributed $135 million of the proceeds of the Majority Interest Fortitude Sale to certain of its Life and Retirement subsidiaries.

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 $1.2 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, including a prepayment of approximately $548 million that AIG made to the U.S. Treasury in June 2020. The amount also includes interest that will become due on finalization of the settlements but does not reflect benefits from the potential application of interest netting which AIG has requested. 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 additional payments, which could be made as early as the fourth quarter of 2020. AIG has waived assessment on certain amounts and the IRS will seek payment through a Notice and Demand for Payment once their administrative steps are completed.

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.

On March 20, 2020, we borrowed $1.3 billion under the Facility to further increase AIG Parent liquidity. On June 9, 2020, we repaid the $1.3 billion borrowed under the Facility in full with interest. As of June 30, 2020, 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:

June 30, 2020		Payments due by Period					
(in millions)	Total Payments	Remainder of 2020	2021 - 2022	2023 - 2024	2025	Thereafter
Insurance operations						
Loss reserves[a]	$ 79,933	$ 10,641	$ 21,867	$ 11,498	$ 3,732	$ 32,195
Insurance and investment contract liabilities	281,391	11,226	31,307	29,601	13,755	195,502
Borrowings	1,343	-	229	-	120	994
Interest payments on borrowings	778	25	99	99	50	505
Other long-term obligations	-	-	-	-	-	-
Total	$ 363,445	$ 21,892	$ 53,502	$ 41,198	$ 17,657	$ 229,196
Other						
Borrowings	$ 27,900	$ 1,375	$ 3,218	$ 2,843	$ 3,339	$ 17,125
Interest payments on borrowings	15,352	574	2,062	1,843	841	10,032
Other long-term obligations	354	47	200	96	-	11
Total	$ 43,606	$ 1,996	$ 5,480	$ 4,782	$ 4,180	$ 27,168
Consolidated						
Loss reserves[a]	$ 79,933	$ 10,641	$ 21,867	$ 11,498	$ 3,732	$ 32,195
Insurance and investment contract liabilities	281,391	11,226	31,307	29,601	13,755	195,502
Borrowings	29,243	1,375	3,447	2,843	3,459	18,119
Interest payments on borrowings	16,130	599	2,161	1,942	891	10,537
Other long-term obligations[b]	354	47	200	96	-	11
Total[c]	$ 407,051	$ 23,888	$ 58,982	$ 45,980	$ 21,837	$ 256,364

(a) Represents loss reserves, undiscounted and gross of reinsurance.

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

(c) Does not reflect unrecognized tax benefits of $4.8 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:

June 30, 2020		Amount of Commitment Expiring				
(in millions)	Total Amounts Committed	Remainder of 2020	2021 - 2022	2023 - 2024	2025	Thereafter
Insurance operations						
Guarantees:						
Standby letters of credit	$ 158	$ 143	$ 8	$ -	$ -	$ 7
Guarantees of indebtedness	58	57	1	-	-	-
All other guarantees[a]	16	-	16	-	-	-
Commitments:						
Investment commitments[b]	6,702	2,156	3,254	1,174	92	26
Commitments to extend credit	3,802	1,124	1,545	852	148	133
Letters of credit	3	-	3	-	-	-
Other commercial commitments	9	1	5	3	-	-
Total[c]	$ 10,748	$ 3,481	$ 4,832	$ 2,029	$ 240	$ 166
Other						
Guarantees:						
Liquidity facilities[d]	$ 74	$ -	$ -	$ -	$ -	$ 74
Standby letters of credit	79	79	-	-	-	-
All other guarantees	408	408	-	-	-	-
Commitments:						
Investment commitments[b]	69	11	29	4	25	-
Commitments to extend credit	-	-	-	-	-	-
Letters of credit	197	11	-	186	-	-
Other commercial commitments	-	-	-	-	-	-
Total[c][e]	$ 827	$ 509	$ 29	$ 190	$ 25	$ 74
Consolidated						
Guarantees:						
Liquidity facilities[d]	$ 74	$ -	$ -	$ -	$ -	$ 74
Standby letters of credit	237	222	8	-	-	7
Guarantees of indebtedness	58	57	1	-	-	-
All other guarantees[a]	424	408	16	-	-	-
Commitments:						
Investment commitments[b]	6,771	2,167	3,283	1,178	117	26
Commitments to extend credit	3,802	1,124	1,545	852	148	133
Letters of credit	200	11	3	186	-	-
Other commercial commitments	9	1	5	3	-	-
Total[c][e]	$ 11,575	$ 3,990	$ 4,861	$ 2,219	$ 265	$ 240

(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 2020 is expected to be approximately $32 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:

Six Months Ended June 30, 2020 *(in millions)*	Balance at December 31, 2019	Issuances	Maturities and Repayments	Effect of Foreign Exchange	Other Changes	**Balance at June 30, 2020**
Debt issued or guaranteed by AIG:						
AIG general borrowings:						
Notes and bonds payable	$ 20,467	$ 4,067	$ (350)	$ (42)	$ 19	**$ 24,161**
Junior subordinated debt	1,542	-	-	(5)	-	**1,537**
AIG Japan Holdings Kabushiki Kaisha	344	-	-	5	-	**349**
AIGLH notes and bonds payable	282	-	-	-	-	**282**
AIGLH junior subordinated debt	361	-	-	-	-	**361**
Validus notes and bonds payable	353	-	-	-	(2)	**351**
Total AIG general borrowings	23,349	4,067	(350)	(42)	17	**27,041**
AIG borrowings supported by assets:[a]						
Series AIGFP matched notes and bonds payable	21	-	-	-	-	**21**
GIAs, at fair value	2,003	66	(155)	-	202 [b]	**2,116**
Notes and bonds payable, at fair value	59	1	(2)	-	7 [b]	**65**
Total AIG borrowings supported by assets	2,083	67	(157)	-	209	**2,202**
Total debt issued or guaranteed by AIG	25,432	4,134	(507)	(42)	226	**29,243**
Other subsidiaries' notes, bonds, loans and mortgages payable - not guaranteed by AIG	47	5	(47)	-	-	**5**
Total long-term debt	25,479	4,139	(554)	(42)	226	**29,248**
Debt of consolidated investment entities - not guaranteed by AIG[c]	9,871	1,370	(1,364)	(28)	183 [d]	**10,032**
Total debt	$ 35,350	$ 5,509	$ (1,918)	$ (70)	$ 409	**$ 39,280**

(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 $1.4 billion and $1.5 billion at June 30, 2020 and December 31, 2019, 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.

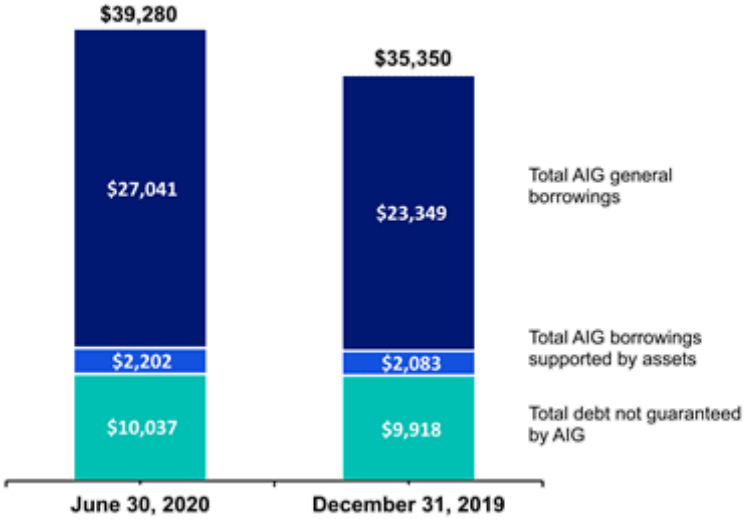
(b) Primarily represents adjustments to the fair value of debt.

(c) At June 30, 2020, includes debt of consolidated investment entities related to real estate investments of $3.1 billion, affordable housing partnership investments of $2.2 billion and other securitization vehicles of $4.7 billion. At December 31, 2019, includes debt of consolidated investment entities related to real estate investments of $3.2 billion, affordable housing partnership investments of $2.1 billion and other securitization vehicles of $4.6 billion.

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

TOTAL DEBT OUTSTANDING

(in millions)



Debt Maturities

The following table summarizes maturing long-term debt at June 30, 2020 of AIG for the next four quarters:

(in millions)	Third Quarter 2020	Fourth Quarter 2020	First Quarter 2021	Second Quarter 2021	Total
AIG general borrowings	$ 638	$ 708	$ 1,499	$ -	**$ 2,845**
AIG borrowings supported by assets	25	4	2	64	**95**
Other subsidiaries' notes, bonds, loans and mortgages payable	1	-	-	-	**1**
Total	$ 664	$ 712	$ 1,501	$ 64	**$ 2,941**

The following table presents maturities of long-term debt (including unamortized original issue discount, hedge accounting valuation adjustments and fair value adjustments, when applicable):

June 30, 2020		Remainder	Year Ending					
(in millions)	Total	of 2020	2021	2022	2023	2024	2025	Thereafter
Debt issued or guaranteed by AIG:								
AIG general borrowings:								
Notes and bonds payable	$ 24,161	$ 1,346	$ 1,499	$ 1,512	$ 1,568	$ 998	$ 2,750	$ 14,488
Junior subordinated debt	1,537	-	-	-	-	-	-	1,537
AIG Japan Holdings Kabushiki Kaisha	349	-	229	-	-	-	120	-
AIGLH notes and bonds payable	282	-	-	-	-	-	-	282
AIGLH junior subordinated debt	361	-	-	-	-	-	-	361
Validus notes and bonds payable	351	-	-	-	-	-	-	351
Total AIG general borrowings	**27,041**	**1,346**	**1,728**	**1,512**	**1,568**	**998**	**2,870**	**17,019**
AIG borrowings supported by assets:								
Series AIGFP matched notes and bonds payable	21	-	-	-	-	-	-	21
GIAs, at fair value	2,116	29	155	52	128	149	589	1,014
Notes and bonds payable, at fair value	65	-	-	-	-	-	-	65
Total AIG borrowings supported by assets	**2,202**	**29**	**155**	**52**	**128**	**149**	**589**	**1,100**
Total debt issued or guaranteed by AIG	**29,243**	**1,375**	**1,883**	**1,564**	**1,696**	**1,147**	**3,459**	**18,119**
Debt not guaranteed by AIG:								
Other subsidiaries notes, bonds, loans and mortgages payable	5	1	2	1	1	-	-	-
Total debt not guaranteed by AIG	5	1	2	1	1	-	-	-
Total	**$ 29,248**	**$ 1,376**	**$ 1,885**	**$ 1,565**	**$ 1,697**	**$ 1,147**	**$ 3,459**	**$ 18,119**

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 the date of this filing. 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)** ***Stable Outlook***	**BBB+ (4th of 9)** ***Negative Outlook***
AIG Financial Products Corp.[d]	**P-2** ***Stable Outlook***	**A-2**	**Baa 1** ***Stable Outlook***	**BBB+** ***Stable 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 and Part I, Item 1A. Risk Factors – Liquidity, Capital and Credit in our 2019 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 the date of this filing.

	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	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	NR	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 in this Quarterly Report on Form 10-Q and Part I, Item 1A. Risk Factors – Liquidity, Capital and Credit in our 2019 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 2019 Annual Report, and Regulatory Environment below in this Quarterly Report on Form 10-Q.

DIVIDENDS

On February 12, 2020, our Board of Directors declared a cash dividend on AIG Common Stock of $0.32 per share, payable on March 30, 2020 to shareholders of record on March 16, 2020. On May 4, 2020, our Board of Directors declared a cash dividend on AIG Common Stock of $0.32 per share, payable on June 29, 2020 to shareholders of record on June 15, 2020. On August 3, 2020, our Board of Directors declared a cash dividend on AIG Common Stock of $0.32 per share, payable on September 30, 2020 to shareholders of record on September 17, 2020.

On February 12, 2020, our Board of Directors declared a cash dividend on AIG's Series A Preferred Stock of $365.625 per share, payable on March 16, 2020 to holders of record on February 28, 2020. On May 4, 2020, our Board of Directors declared a cash dividend on AIG's Series A Preferred Stock of $365.625 per share, payable on June 15, 2020 to holders of record on May 29, 2020. On August 3, 2020, our Board of Directors declared a cash dividend on AIG's Series A Preferred Stock of $365.625 per share, payable on September 15, 2020 to holders of record on August 31, 2020.

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.

REPURCHASES 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 to its previous repurchase authorization of AIG Common Stock of approximately $1.5 billion. As of August 3, 2020, $1.5 billion remained under the authorization.

During the first quarter of 2020, we repurchased approximately 12 million shares of AIG Common Stock for an aggregate purchase price of $500 million under an ASR agreement executed in February 2020 with a third-party financial institution. We did not repurchase any shares of AIG Common Stock during the three-month period ended June 30, 2020.

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.

DIVIDEND RESTRICTIONS

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 20 to the Consolidated Financial Statements in the 2019 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 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, 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.

AIG employs a Three Lines of Defense model. AIG's business leaders assume full accountability for the risks and controls in their operating units, and ERM performs a review, challenge and oversight function. The third line consists of our Internal Audit Group that provides independent assurance for AIG's Board.

For a further discussion of AIG's risk management program see Part II, Item 7. MD&A — Enterprise Risk Management in the 2019 Annual Report.

MARKET RISK MANAGEMENT

Overview

Market risk is defined as the risk of adverse impact due to systemic movements in one or more of the following market risk drivers: equity and commodity prices, residential and commercial real estate values, interest rates, credit spreads, foreign exchange, inflation, and their respective levels of volatility.

We are engaged in a variety of insurance, investment and other financial services businesses that expose us to market risk, directly and indirectly. We are exposed to market risks primarily within our insurance and capital markets activities, on both the asset and the liability sides of our balance sheet through on- and off-balance sheet exposures. Within each business, the Risk Officer is responsible for creating a framework for proper identification of market risks, and ensuring that the risks are appropriately measured, monitored and managed, and are in accordance with the risk governance framework established by the Chief Market Risk Officer (CMRO).

The scope and magnitude of our market risk exposures is managed under a robust framework that contains defined risk limits and minimum standards for managing market risk in a manner consistent with our risk appetite statement. Our market risk management framework focuses on quantifying the financial repercussions of changes in the above mentioned market risk drivers.

Many of our market risk exposures, including exposures to changes in levels of interest rates and equity prices, are associated with the asset and liability exposures of our Life and Retirement companies. These exposures are generally long-term in nature. Examples of liability-related exposures include interest rate sensitive surrenders in our fixed deferred annuity product portfolio. Also, we have equity market risk sensitive surrenders in our variable annuity product portfolio. These interactive asset-liability types of risk exposures are regularly monitored in accordance with the risk governance framework noted above.

Risk Identification

Market risk focuses on quantifying the financial repercussions of changes in broad, external, predominantly market-observable variables. Financial repercussions can include an adverse impact on results of operations, financial condition, liquidity and capital of AIG.

Each of the following systemic risks is considered a market risk:

Equity prices	We are exposed to changes in equity market prices affecting a variety of instruments. Changes in equity prices can affect the valuation of publicly traded equity shares, investments in private equity, hedge funds, mutual funds, exchange-traded funds, alternative risk premia investment strategies, and other equity-linked capital market instruments as well as equity-linked insurance products, including but not limited to index annuities, variable annuities, indexed universal life insurance and variable universal life insurance.
Residential and commercial real estate values	Our investment portfolios are exposed to the risk of changing values in a variety of residential and commercial real estate investments. Changes in residential/commercial real estate prices can affect the valuation of residential/commercial mortgages, residential/commercial mortgage-backed securities and other structured securities with underlying assets that include residential/commercial mortgages, trusts that include residential/commercial real estate and/or mortgages, residential mortgage insurance and reinsurance contracts and commercial real estate investments.
Interest rates	Interest rate risk can arise from a mismatch in the interest rate exposure of assets versus liabilities. Lower interest rates generally result in lower investment income and make some of our product offerings less attractive to investors. Conversely, higher interest rates are typically beneficial for the opposite reasons. However, when rates rise quickly, there can be an asymmetric GAAP accounting effect where the existing securities lose market value, which is largely reported through Other comprehensive income, and the offsetting decrease in the value of certain liabilities may not be recognized. Changes in interest rates can affect the valuation of fixed maturity securities, financial liabilities, insurance contracts including but not limited to universal life, fixed rate annuities, variable annuities and derivative contracts. Additionally, for Variable Annuity, Index Annuity, and Equity Indexed Universal Life products, deviations in actual versus expected policyholder behavior can be driven by fluctuations in various market variables, including interest rates. Policies with guaranteed living benefit options or riders are also subject to the risk of actual benefit utilization being different than expected.
Credit spreads	Credit spreads measure an instrument's risk premium or yield relative to that of a comparable duration, default-free instrument. Changes in credit spreads can affect the valuation of fixed maturity securities, including but not limited to corporate bonds, asset backed securities, mortgage-backed securities, AIG-issued debt obligations, credit derivatives, derivative credit valuation adjustments and economic valuation of insurance liabilities. Much like higher interest rates, wider credit spreads paired with unchanged expectations about default losses imply higher investment income in the long term. In the short term, quickly rising spreads will cause a loss in the value of existing fixed maturity securities, which is largely reported through Other comprehensive income. A precipitous widening of credit spreads may also signal a fundamental weakness in the credit worthiness of bond obligors, potentially resulting in default losses.
Foreign exchange (FX) rates	We are a globally diversified enterprise with income, assets and liabilities denominated in, and capital deployed in, a variety of currencies. Changes in FX rates can affect the valuation of a broad range of balance sheet and income statement items as well as the settlement of cash flows exchanged in specific transactions.
Commodity prices	Changes in commodity prices (the value of commodities) can affect the valuation of publicly-traded commodities, commodity indices, derivatives on commodities and commodity indices, and other commodity-linked investments and insurance contracts. We are exposed to commodity prices primarily through their impact on the prices and credit quality of commodity producers' debt and equity securities in our investment portfolio.
Inflation	Changes in inflation can affect the valuation of fixed maturity securities, including AIG-issued debt obligations, derivatives and other contracts explicitly linked to inflation indices, and insurance contracts where the claims are linked to inflation either explicitly, via indexing, or implicitly, through medical costs or wage levels.

Risk Measurement

Our market risk measurement framework was developed with the main objective of communicating the range and scale of our market risk exposures. At the firm-wide level, market risk is measured in a manner that is consistent with AIG's risk appetite statement. This is designed to ensure that we remain within our stated risk tolerance levels and can determine how much additional market risk taking capacity is available within our framework. The framework measures our overall exposure to change in each of the systemic market risk factors on an economic basis.

In addition, we monitor risks through multiple lenses that include economic, GAAP and statutory reporting frameworks at various levels of business consolidation. This process aims to establish a comprehensive coverage of potential implications from adverse market risk developments.

We use a number of approaches to measure our market risk exposure, including:

		Examples include:
Sensitivity analysis	measures the impact from a unit change in a market risk input	• a one basis point increase in yield on fixed maturity securities, • a one basis point increase in credit spreads of fixed maturity securities, and • a one percent increase in prices of equity securities.
Scenario analysis	uses historical, hypothetical, or forward-looking macroeconomic scenarios to assess and report exposures	• a 100 basis point parallel shift in the yield curve, or • a 20 percent immediate and simultaneous decrease in world-wide equity markets. Scenarios may also utilize a stochastic framework to arrive at a probability distribution of losses.
Stress testing	a special form of scenario analysis in which the scenarios are designed to lead to a material adverse outcome	• the stock market crash of October 1987 or the widening of yields or spreads of RMBS or CMBS during 2008.

Market Risk Sensitivities

The following table provides estimates of sensitivity to changes in yield curves, equity prices and foreign currency exchange rates on our financial instruments and excludes approximately $173.6 billion and $169.4 billion as of June 30, 2020 and December 31, 2019, respectively, of insurance liabilities. AIG believes that the interest rate sensitivities of these insurance and other liabilities serve as an offset to the net interest rate risk of the financial assets presented in the table below. In addition, the table excludes $38.9 billion of interest rate sensitive assets and $1.4 billion of equity and alternative investments supporting the Fortitude Re funds withheld arrangements as the contractual returns related to the assets are transferred to Fortitude Re, as well as $42.0 billion of related funds withheld payable.

	Balance Sheet Exposure		Economic Effect	
(dollars in millions)	**June 30, 2020**	December 31, 2019	**June 30, 2020**	December 31, 2019
Sensitivity factor			**100 bps parallel increase in all yield curves**	
Interest rate sensitive assets:				
Fixed maturity securities	**$ 226,815**	$ 255,743	**$ (13,890)**	$ (16,644)
Mortgage and other loans receivable[a]	**39,915**	43,441	**(1,934)**	(2,385)
Derivatives:				
Interest rate contracts	**1,065**	451	**(2,074)**	(1,530)
Equity contracts	**821**	630	**(338)**	(360)
Other contracts	**1,238**	(64)	**(72)**	28
Total interest rate sensitive assets	**$ 269,854** [b]	$ 300,201 [b]	**$ (18,308)**	$ (20,891)
Interest rate sensitive liabilities:				
Policyholder contract deposits:				
Investment-type contracts[a]	**$ (125,026)**	$ (126,137)	**$ 9,873**	$ 8,553
Variable annuity and other embedded derivatives	**(9,233)**	(6,909)	**2,163**	2,118
Long-term debt[a] [c]	**(27,900)**	(24,092)	**2,448**	2,127
Total interest rate sensitive liabilities	**$ (162,159)**	$ (157,138)	**$ 14,484**	$ 12,798
Sensitivity factor			**20% decline in stock prices and alternative investments**	
Derivatives:				
Equity contracts[d]	**$ 821**	$ 630	**$ 429**	$ 426
Equity and alternative investments:				
Real estate investments	**7,779**	8,491	**(1,556)**	(1,698)
Private equity	**5,007**	5,531	**(1,001)**	(1,106)
Hedge funds	**2,002**	3,314	**(400)**	(663)
Common equity	**666**	827	**(133)**	(165)
Other investments	**979**	913	**(196)**	(183)
Total derivatives, equity and alternative investments	**$ 17,254**	$ 19,706	**$ (2,857)**	$ (3,389)
Policyholder contract deposits:				
Variable annuity and other embedded derivatives[d]	**$ (9,233)**	$ (6,909)	**$ (302)**	$ (215)
Total liability	**$ (9,233)**	$ (6,909)	**$ (302)**	$ (215)
Sensitivity factor			**10% depreciation of all foreign currency exchange rates against the U.S. dollar**	
Foreign currency-denominated net asset position:				
Great Britain pound	**$ 721**	$ 1,812	**$ (72)**	$ (181)
Japanese yen	**476**	(46)	**(48)**	5
South Korea won	**341**	331	**(34)**	(33)
All other foreign currencies	**1,090**	1,832	**(109)**	(184)
Total foreign currency-denominated net asset position[e]	**$ 2,628**	$ 3,929	**$ (263)**	$ (393)

(a) The economic effect is the difference between the estimated fair value and the effect of a 100 bps parallel increase in all yield curves on the estimated fair value. The estimated fair values for Mortgage and other loans receivable, Policyholder contract deposits (Investment-type contracts) and Long-term debt were $45,561 million, $140,039 million and $30,847 million at June 30, 2020, respectively. The estimated fair values for Mortgage and other loans receivable, Policyholder contract deposits (Investment-type contracts) and Long-term debt were $43,783 million, $133,246 million and $26,427 million at December 31, 2019, respectively.

(b) At June 30, 2020, the analysis covered $269.9 billion of $314.2 billion interest-rate sensitive assets. As indicated above, excluded were $35.4 billion and $3.5 billion of fixed maturity securities and loans, respectively, supporting the Fortitude Re funds withheld arrangements. In addition, $3.2 billion of loans and $2.2 billion of assets across various asset categories were excluded due to modeling limitations. At December 31, 2019, the analysis covered $300.2 billion of $306.3 billion interest-rate sensitive assets. Excluded were $3.5 billion of loans. In addition, $2.6 billion of assets across various asset categories were excluded due to modeling limitations.

(c) At June 30, 2020, the analysis excluded $643 million of AIGLH borrowings, $351 million of Validus borrowings, $5 million of borrowings from Glatfelter and $349 million of AIG Japan Holdings loans. At December 31, 2019, the analysis excluded $643 million of AIGLH borrowings, $353 million of Validus borrowings, $47 million of borrowings from Glatfelter and $344 million of AIG Japan Holdings loans.

(d) The balance sheet exposures for equity contracts and variable annuity and other embedded derivatives are also reflected under “Interest rate sensitive liabilities” above, and are not additive.

(e) The majority of the foreign currency exposure is reported on a one quarter lag.

The sensitivity analysis is an estimate and should not be viewed as predictive of our future financial performance. We cannot ensure that actual financial impacts in any particular period will not exceed the amounts indicated above.

Interest rate sensitivity is defined as change in value with respect to a 100 basis point parallel shift up in the interest rate environment, calculated as: scenario value minus base value, where base value is the value under the yield curves as of the period end and scenario value is the value reflecting a 100 basis point parallel increase in all yield curves.

We evaluate our interest rate risk without considering effects of correlation of changes in levels of interest rate with other key market risks or other assumptions used for calculating the values of our financial assets and liabilities. This scenario does not measure changes in values resulting from non-parallel shifts in the yield curves, which could produce different results.

We evaluate our equity price risk without considering effects of correlation of changes in equity prices with other key market risks or other assumptions used for calculating the values of our financial assets and liabilities. The stress scenario does not reflect the impact of basis risk, such as projections about the future performance of the underlying contract holder funds and actual fund returns, which we use as a basis for developing our hedging strategy.

Foreign currency-denominated net asset position reflects our aggregated non-U.S. dollar assets less our aggregated non-U.S. dollar liabilities on a GAAP basis, with certain adjustments. We use a bottom-up approach in managing our foreign currency exchange rate exposures with the objective of protecting statutory surplus at the regulated insurance entity level. At the AIG consolidated level, we monitor our foreign currency exposures against single currency and aggregate currency portfolio limits.

Our foreign currency-denominated net asset position at June 30, 2020, decreased by $1.3 billion compared to December 31, 2019. The decrease was primarily due to a $1.1 billion decrease in our British pound position primarily due to: (i) the unwinding of debt hedges and (ii) the depreciation in market value of bonds primarily driven by widening credit spreads.

For illustrative purposes, we modeled our sensitivities based on a 100 basis point parallel increase in yield curves, a 20 percent decline in equity prices and prices of alternative assets, and a 10 percent depreciation of all foreign currency exchange rates against the U.S. dollar. The estimated results presented in the table above should not be taken as a prediction, but only as a demonstration of the potential effects of such events.

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 particular, significant legislative and regulatory activity has occurred at both the U.S. federal and state levels, as well as globally, in response to COVID-19 and its impact on insurance consumers. For example, many state jurisdictions have issued regulations and guidance advising or requiring insurers to offer accommodations to policyholders adversely impacted by COVID-19, including requirements to defer payment of, or refund, premiums, postpone policy lapses, and have sought information and data from insurers on a number of topics, including operational preparedness, policyholder data, and other matters. A number of U.S. states have also passed legislation or issued other guidance that creates a presumption of coverage under workers' compensation insurance for certain people impacted by COVID-19. In most cases, the presumption applies to first responders and medical professionals, but some states, including California and Illinois, apply the scope of the presumption more broadly, and efforts are underway in other states to further expand the scope of the presumption. Members of the U.S. Congress have held discussions and sought information with respect to business interruption, travel and other insurance lines impacted by the COVID-19 crisis and legislators both in the U.S. and overseas are discussing a number of potential loss-sharing programs, some of which contemplate participation by insurers, including a proposed pandemic risk insurance bill relating to business interruption and event cancellation insurance. In the EU and UK, insurance regulators have issued recommendations or requirements for insurance groups subject to their jurisdiction to temporarily suspend discretionary dividend payments and share buybacks for the benefit of shareholders, and variable remuneration policies such as cash bonuses. We cannot predict what form legal and regulatory responses to concerns about COVID-19 and related public health issues will take, or how such responses will impact our business. We continue to actively monitor these developments and to cooperate fully with all government authorities as they develop their responses.

In addition to the information set forth in this Quarterly Report on Form 10-Q, our regulatory status is also discussed in Part II, Item 1A. Risk Factors —COVID-19 is adversely affecting, and is expected to continue to adversely affect, our global business, financial condition and results of operations, and its ultimate impact will depend on future developments that are uncertain and cannot be predicted, including the scope, severity and duration of the crisis, and the governmental, legislative and regulatory actions taken and court decisions rendered in response thereto.

ERISA

We provide products and services to certain employee benefit plans that are subject to the Employee Retirement Income Security Act of 1974, as amended (ERISA), and/or the Internal Revenue Code of 1986, as amended (the Internal Revenue Code). Plans subject to ERISA include certain pension and profit sharing plans and welfare plans, including health, life and disability plans. As a result, our activities are subject to the restrictions imposed by ERISA and the Internal Revenue Code, including the requirement under ERISA that fiduciaries must perform their duties solely in the interests of ERISA plan participants and beneficiaries, and that fiduciaries may not cause a covered plan to engage in certain prohibited transactions. The applicable provisions of ERISA and the Internal Revenue Code are subject to enforcement by the DOL, the Internal Revenue Service (IRS) and the Pension Benefit Guaranty Corporation.

Standard of Care Developments

In our Life and Retirement business, we and our distributors are subject to laws and regulations regarding the standard of care applicable to sales of our products and the provision of advice to our customers. In recent years, many of these laws and regulations have been revised or reexamined while others have been newly adopted. We continue to closely follow these legislative and regulatory activities. Changes in standard of care requirements or new standards issued by governmental authorities, such as the DOL, the SEC, the NAIC or state regulators and/or legislators, may affect our businesses, results of operations and financial condition.

DOL Fiduciary Rule

In June 2020, the DOL issued final guidance consistent with the June 2018 decision of the Fifth Circuit Court of Appeals which vacated the DOL's Fiduciary Rule that redefined who would be considered a "fiduciary" for purposes of transactions with ERISA qualified plans, related plan participants and Individual Retirement Accounts. The DOL's final guidance formally reinstated the

previous five-part test for determining who is an investment advice fiduciary, and also reinstated related exemptions which had been modified by the vacated guidance. At the same time, the DOL proposed a new prohibited transaction exemption, for parties that qualify as investment advice fiduciaries, which is intended to align with the SEC's Best Interest Regulation (see below) as well as other relevant standards of care requirements. The DOL's proposed exemption would impose impartial conduct standards (including a best interest standard), as well as:

- disclosure obligations,
- a duty to establish, maintain, and follow policies and procedures intended to comply with the exemption, and
- a duty to perform an annual retrospective review for compliance with the exemption.

We are currently reviewing the DOL's guidance, both for applicability and for the impact the exemption requirements, if applicable, may have on our businesses and operations. At this time, we believe that many of the processes and procedures we implemented for the SEC's best interest regulation will satisfy some or all of the corresponding provisions in the DOL guidance, but implementation may still result in increased compliance costs for certain of our Life and Retirement businesses.

SEC Best Interest Regulation

On June 30, 2020, Regulation BI, which establishes new rules regarding the standard of care a broker must meet when making a recommendation to a retail customer in connection with the sale of a security or other covered recommendation, and Form CRS, which requires enhanced disclosure by broker-dealers and investment advisors regarding client relationships and certain conflicts of interest issues, became effective. Both had been adopted by the SEC in June 2019 as part of a package of final rulemakings and interpretations, at the same time as the SEC issued two interpretations under the Investment Advisers Act of 1940. The first interpretation addressed the standard of conduct applicable to SEC-registered investment advisors, including details regarding the fiduciary duty owed to clients, required disclosures and the advisor's continuous monitoring obligations. The second interpretation clarified when investment advice would be considered "solely incidental" to brokerage activity for purposes of the broker-dealer exclusion from SEC investment advisor registration. These two SEC interpretations became final upon publication. The SEC has also issued multiple sets of FAQs on certain aspects of Regulation BI and Form CRS, and the SEC could provide additional guidance regarding these final rules and further clarify its interpretations through the issuance of additional FAQs and other publications.

We have evaluated the impact of the package of final rulemakings and interpretations on us and our customers, distribution partners and financial advisors, and have implemented and enhanced processes and procedures, where needed, to comply with the final rules and interpretations. These efforts and enhancements have resulted in increased compliance costs for Group Retirement.

State Developments

In February 2020, the NAIC adopted revisions to its Suitability in Annuity Transactions Model Regulation (#275) (NAIC Model) implementing a best interest standard of care applicable to sales and recommendations of annuities. The new NAIC Model conforms in large part to Regulation BI, providing that all recommendations by agents and insurers must be in the best interest of the consumer under known circumstances at the time an annuity recommendation is made, without placing their financial interests ahead of the consumers' interest in making a recommendation. Specifically, the model requires agents and carriers to act with "reasonable diligence, care and skill" in making recommendations. The revisions also include enhancements to the current model's supervision system to assist in compliance. Certain states have already adopted amendments to their suitability rules based on the NAIC Model revisions, and we expect that additional states will do so.

In addition, certain state insurance and/or securities regulators and legislatures have adopted, or are considering adoption of, their own best interest or fiduciary standards, some of which are broader in scope than the NAIC Model. For example, in July 2018, the NYDFS 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 was August 1, 2019 for annuity products and was 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 have implemented and enhanced processes and procedures, where needed, designed to comply with this regulation.

Besides New York, other states have also adopted, or are considering adopting, legislative and/or regulatory proposals involving best interest or fiduciary duty standards with applicability to insurance producers, agents, financial advisors, investment advisers, broker-dealers and/or insurance companies. While many of them generally impose (or would impose) a best interest standard, not unlike the standard in Regulation BI and the NAIC Model, the proposals also reflect a variation of fiduciary and non-fiduciary standards, and they vary in scope, applicability and timing of implementation. We are closely monitoring these developments and evaluating their potential impacts on our products and services, our customers, distribution partners and financial advisors, and the life and retirement industry overall in the U.S.

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). Adjusted revenues is a GAAP measure for our operating segments.

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) adjusted for the cumulative unrealized gains and losses related to Fortitude Re's Funds Withheld Assets and Book value per common share, excluding AOCI adjusted for the cumulative unrealized gains and losses related to Fortitude Re's Funds Withheld Assets 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-common share basis. Book value per common share, excluding AOCI adjusted for the cumulative unrealized gains and losses related to Fortitude Re's Funds Withheld Assets, is derived by dividing total AIG common shareholders' equity, excluding AOCI adjusted for the cumulative unrealized gains and losses related to Fortitude Re's Funds Withheld Assets, by total common shares outstanding. Adjusted book value per common share is derived by dividing total AIG common shareholders' equity, excluding AOCI adjusted for the cumulative unrealized gains and losses related to Fortitude Re's Funds Withheld Assets and DTA (Adjusted Common 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.

Loan-to-Value Ratio Principal amount of loan amount divided by appraised value of collateral securing the loan.

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.

Master netting agreement An agreement between two counterparties who have multiple derivative contracts with each other that provides for the net settlement of all contracts covered by such agreement, as well as pledged collateral, through a single payment, in a single currency, in the event of default on or upon termination of any one such contract.

Natural catastrophe losses are generally weather or seismic events having a net impact on AIG in excess of $10 million each and man-made catastrophe losses, 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 interests 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 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, 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 contracts.

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 common equity – Adjusted after-tax income excluding AOCI adjusted for the cumulative unrealized gains and losses related to Fortitude Re's Funds Withheld Assets and DTA (Adjusted return on common equity) is a non-GAAP measure and is used to show the rate of return on common shareholders' equity. Adjusted return on common equity is derived by dividing actual or annualized adjusted after-tax income attributable to AIG common shareholders by average Adjusted Common 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.

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

AUM Assets Under Management

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

ORR Obligor Risk Ratings

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 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 June 30, 2020. Based on this evaluation, AIG's Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2020.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

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 June 30, 2020 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 following risk factor as well as the other risk factors discussed in Part I, Item 1A. Risk Factors in our 2019 Annual Report.

COVID-19 is adversely affecting, and is expected to continue to adversely affect, our global business, financial condition and results of operations, and its ultimate impact will depend on future developments that are uncertain and cannot be predicted, including the scope, severity and duration of the crisis, and the governmental, legislative and regulatory actions taken and court decisions rendered in response thereto.

The COVID-19 crisis, and the governmental and regulatory responses thereto, are causing ongoing and severe economic and societal disruption accompanied by significant market volatility. We are continually assessing the impact and, due to the evolving and uncertain nature of the COVID-19 crisis, cannot estimate its ultimate impact on our business, financial condition and results of operations or the full extent to which the crisis has caused and will continue to cause certain risks to our global business, including those discussed in our Form 10-K for the fiscal year ended December 31, 2019 (2019 10-K), to be heightened or realized.

Adverse changes and developments affecting the global economy, including the significant global economic downturn, increased financial and capital markets volatility and widening credit spreads, individually and in the aggregate, have had and may continue to have negative effects on our overall investment portfolio. Within our investment portfolio, there is concentrated exposure to certain segments of the economy, including real estate and real estate-related securities, which exposes us to negative impacts from the deferral of mortgage payments, renegotiated commercial mortgage loans or outright mortgage defaults, as well as significant exposures to certain industries negatively impacted by the recent economic downturn, such as energy and utilities. Moreover, continued low interest rates or the slowdown in the U.S. or global economy, which may continue or increase in severity, have affected and may continue to adversely affect the values of, and cash flows derived from, the investment assets we hold. These circumstances may also lead to increased defaults or distressed situations among the investments in our investment portfolio. Finally, market volatility has created and may continue to create dislocations, decreases or variations in observable market activity or availability of information used in the valuation of our assets and liabilities, which could negatively impair the estimates and assumptions used to run our business or result in greater variability and subjectivity in our investment decisions.

Furthermore, market disruptions and uncertainty may negatively affect our credit ratings or ratings outlook or our ability to generate or access liquidity we may need to operate our business and meet our obligations, including to pay interest on our debt, discharge or refinance our maturing debt obligations, meet capital needs of our subsidiaries, and to satisfy our regulatory capital and liquidity ratios. If the economic downturn persists or worsens, or economic recovery is prolonged, an increased number of clients and policyholders may face difficulty paying insurance premiums and global regulators may seek to implement new or renew existing premium relief measures to alleviate such difficulties, especially as certain industries, such as travel, are dislocated, which could impair our cash flows. As a holding company, AIG Parent depends on dividends, distributions and other payments from its subsidiaries for its liquidity needs; these subsidiaries' ability to pay dividends, make distributions or otherwise generate parent liquidity may, depending on the scope, severity and duration of the COVID-19 crisis, be reduced to the extent they are unable to generate sufficient distributable income or in the event regulators suspend or otherwise restrict dividends or other payments from subsidiaries to parent companies. We also depend on access to capital markets and other financing sources, including our $4.5 billion revolving syndicated credit facility, and access to these funding sources may become restricted or unavailable, and the terms on which additional financing is available may be adversely affected or limited, if the COVID-19 crisis continues to impair the global economy.

Our insurance businesses have and may continue to experience increased claim volume under our Life and Retirement Insurance products, which are offered primarily in the U.S., the jurisdiction that currently has the highest number of COVID-19 cases and deaths worldwide, and our General Insurance policies, which are offered both in the U.S. and internationally, including commercial property (business interruption), travel, trade credit, accident and health, workers' compensation, directors and officers, event cancellation and

liability insurance. Beginning in March 2020 and continuing through the second quarter of 2020, we experienced an increase in mortality, which we expect to continue until the COVID-19 crisis subsides, and decreased demand for certain of our insurance product lines, such as travel insurance, and it is unclear when such demand will return. In addition, COVID-19 adversely affected our premiums and deposits in some of our insurance lines, including our Life and Retirement annuities. If the economic contraction continues or increases in severity, or the economic recovery is prolonged, we expect these impacts will continue in the third quarter of 2020 and possibly for the remainder of 2020 and beyond. Further, our policies with premium adjustment features tied to exposure levels, as is the case in certain specialty and casualty lines, may be triggered, resulting in premium reductions. In response to the COVID-19 crisis, we may also determine to make changes to underwriting guidelines or product design. We may also incur higher expenses in our insurance businesses and higher legal costs as a result of coverage disputes, including class actions and other proceedings that have been or may in the future be filed in the United States, the UK or other jurisdictions seeking coverage for COVID 19-related losses or alleging bad-faith denials of coverage for such losses.

While we seek to mitigate our exposure to loss through reinsurance, the availability of reinsurance relief will typically depend on several factors, including the timing and nature of how individual claims manifest, which may not be immediately known. Furthermore, due to the scope, severity and uncertain duration of the COVID-19 crisis, reinsurance may not be available or, if available, may be more difficult or costly to obtain in general or for certain types of coverage, such as natural catastrophes, going forward. In addition, reinsurance terms and conditions may change whereby, even if reinsurance is available, the coverage provided may not be the same or similar to the reinsurance terms and conditions currently available in the reinsurance market.

Increased economic uncertainty or increased unemployment resulting from the economic impacts of the COVID-19 crisis have and may continue to result in policyholders cancelling insurance policies or may result in policyholders seeking sources of liquidity such as policy loans and withdrawals at rates greater than expected. If policyholder behavior, including lapse and surrender rates, significantly exceed or vary from our expectations, it could have a material adverse effect on our business, requiring our subsidiaries to accelerate the amortization of deferred policy acquisition costs and record additional liabilities for future policy benefits.

Government officials have recommended or mandated precautions to mitigate the spread of COVID-19, including prohibitions on congregating in heavily populated areas, social distancing requirements, stay-at-home orders and similar measures. As a result, we implemented work-from-home business continuity plans for non-essential staff globally. Our results may be adversely impacted by these and other actions taken to contain or reduce the impact of COVID-19, and the extent of such impact will depend on future developments, which are highly uncertain and cannot be predicted. Moreover, the extended remote work environment puts stress on our business continuity plans and may prove them to be less effective than expected. Our business operations may also be significantly disrupted if our critical workforce, key vendors, third-party providers or other counterparties we transact business with, are unable to work effectively, including because of illness, quarantines, government and regulatory actions in response to COVID-19 or other reasons, or if the technology on which our remote business operations rely, some of which is developed and maintained by third parties, is disrupted or impaired or becomes unavailable. Certain pre-existing operational risks have been and may continue to be exacerbated, notably with respect to potential phishing or other cybersecurity-related events and our increased reliance on technology, including technology of our employees and service providers. Other pre-existing operational risks, such as privacy risk incidents, fraud, operational resilience and risks related to the operations and resiliency of our vendors, third-party providers and other counterparties, may also be exacerbated. Further, significant disruption to our businesses could adversely affect the timing or terms of, or our ability to execute, key business strategies, transactions and initiatives, such as AIG 200, resulting in higher costs or reduced savings or lower profit than was expected.

As we have noted in the past, legislative and regulatory initiatives and court decisions following major catastrophes (such as pandemics) could require us to pay insureds beyond the provisions of their original insurance policies and may prohibit the application of a deductible, resulting in inflated and unanticipated catastrophe claims; or impose other restrictions after the occurrence thereof, which would reduce our ability to mitigate exposure. For example, COVID-19 has given rise to the enactment or proposal of global regulatory measures intended to encourage or require insurers to assist policyholders adversely impacted by COVID-19 (in some cases with retroactive effect), including lapse, payment or rate increase moratoriums, premium refunds, contributions to relief funds and similar measures. The initiatives could impair our cash flows and, without regulatory relief, could reduce our subsidiaries' capital ratios. In addition, in certain jurisdictions legislative initiatives have emerged requiring contribution to relief funds or threatening to require insurers to provide insurance coverage beyond the scope of the original contract by re-writing contracts on a retroactive basis, including with respect to the availability of business interruption coverage in commercial property policies, or creating insurance solutions prospectively. Such initiatives could result in requirements or restrictions that negatively impact our business operations or require us to pay beyond the provisions of original insurance policies and assumed reinsurance contracts.

Due to the evolving and uncertain nature of the COVID-19 crisis, we cannot estimate its ultimate impact at this time. Depending on the scope, severity and duration of the COVID-19 crisis, including the potential for a "second-wave" or subsequent resurgence of the virus, the events described above have and may continue to have an adverse effect, which could be material, on our business, results of operations and financial condition. In addition, we could experience other potential impacts as a result of COVID-19, including, but not limited to, potential impairment charges to the carrying amounts of goodwill, deferred tax assets, and increased reserve builds to levels that are difficult to accurately estimate. Further, new and potentially unforeseen risks beyond those described above and in our

2019 10-K may arise as a result of the COVID-19 crisis and the actions taken by governmental and regulatory authorities to mitigate its impact. Even after the crisis subsides, it is possible that the U.S. and other major economies will experience a prolonged recession or a prolonged economic recovery, in which event our businesses, results of operations and financial condition could be materially and adversely affected.

See also "Our consolidated results of operations, liquidity, financial condition and ratings are subject to the effects of natural and man-made catastrophic events" Part I, Item 1A. Risk Factors in the 2019 10-K.

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 June 30, 2020, 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 June 30, 2020, approximately $1.5 billion remained under the authorization. We did not repurchase any shares of AIG Common Stock or any warrants to purchase shares of AIG Common Stock from July 1, 2020 to August 3, 2020. 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 and warrants to purchase shares of AIG Common Stock is also subject to the terms of AIG's Series A 5.85% Non-Cumulative Preferred Stock (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.

ITEM 5 | Other Information

In light of the COVID-19 crisis, including the significant global economic slowdown, our 2020 executive compensation program is designed to reflect the critical areas of focus that will define success in managing AIG through the current business environment.

Our 2020 short-term incentive (STI) program for the Executive Leadership Team (ELT) will capture results against three strategic priorities for AIG: liquidity, capital preservation and de-risking. Individual STI scores will continue to take into account each ELT member's individual performance during the year, which will include specific business unit financial metrics.

The performance share units (PSUs) issued to the ELT in connection with our 2020 long-term incentive (LTI) program will be earned based on performance on two primary metrics over a 3-year performance period: relative tangible book value per share growth; and success in executing AIG 200, our global, multi-year and enterprise-wide program involving transformational change across AIG. Additionally, the 2020 PSUs include a relative total shareholder return metric that will adjust the payout up or down 10% if our total shareholder return for the performance period is in the top or bottom quartile, respectively, of our peers.

We were not required to disclose the information reported under this Item 5 in a report on Form 8-K during the period covered by this Form 10-Q. The information reported by us under this Item 5 is provided because we deem it to be of importance to our shareholders and would have otherwise reported such information under Item 7.01 of Form 8-K, "Regulation FD."

ITEM 6 | Exhibits

Exhibit Index

Exhibit Number	Description	Location
3	Amended and Restated Certificate of Incorporation of American International Group, Inc.	Incorporated by reference to Exhibit 3.1 to AIG's Current Report on Form 8-K, filed with the SEC on May 15, 2020 (File No. 1-8787).
10	(1) Amended and Restated Combination Coinsurance and Modified Coinsurance Agreement by and between American General Life Insurance Company and Fortitude Reinsurance Company, Ltd., effective as of June 1, 2020**	Filed herewith.
	(2) Amended and Restated Non-Qualified Pension Plan (as amended July 2020)	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 formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets as of June 30, 2020 and December 31, 2019, (ii) the Condensed Consolidated Statements of Income for the three and six months ended June 30, 2020 and 2019, (iii) the Condensed Consolidated Statements of Equity for the three and six months ended June 30, 2020 and 2019, (iv) the Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2020 and 2019, (v) the Condensed Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2020 and 2019 and (vi) the Notes to the Condensed Consolidated Financial Statements	Filed herewith.
104	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101)	Filed herewith.

* 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.

** Portions of this exhibit (indicated by asterisks) have been omitted as such information is (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

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/ ELIAS F. HABAYEB

Elias F. Habayeb
Senior Vice President
Deputy Chief Financial Officer and
Chief Accounting Officer
(Principal Accounting Officer)

Dated: August 4, 2020