UAL CORP /DE/
Form SC 13G
November 13, 2001

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 13G

Under the Securities Exchange Act of 1934

(Amendment No. 2)*

UAL Corp.

(Name of Issuer)

Common

(Title of Class of Securities)

902549500

(CUSIP Number)

Check the following box if a fee is being paid with this statement / /. (A fee is not required only if the filing person: (1) has a previous statement on file reporting beneficial ownership of more than five percent of the class of securities described in Item 1; and (2) has filed no amendment subsequent thereto reporting beneficial ownership of five percent or less of such class.) (See Rule 13d-7).

*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

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CUSIP No. 902549500

(1) Name of Reporting Person
S.S. or I.R.S. Identification No. of above person

PRIMECAP Management Company 95-3868081

(2) Check the Appropriate Box if a Member of a Group* (a) / / (b) / /

(3) SEC Use Only

(4) Citizenship or Place of Organization

225 South Lake Avenue #400, Pasadena, CA 91101

Number of Shares Beneficially Owned by Each Reporting Person With	(5)	Sole Voting Power -0-
	(6)	Shared Voting Power -0-
	(7)	Sole Dispositive Power -0-
	(8)	Shared Dispositive Power -0-

(9) Aggregate Amount Beneficially Owned by Each Reporting Person

-0-

(10) Check if the Aggregate Amount in Row (9) Excludes Certain Shares* / /

(11) Percent of Class Represented by Amount in Row (9)

-0-

(12) Type of Reporting Person*

IA

*SEE INSTRUCTION BEFORE FILLING OUT!

ITEM 1.

(a) Name of Issuer

(b) Address of Issuer's Principal Executive Offices

ITEM 2.

(a) Name of Person Filing

(b) Address of Principal Business Office or, if none, Residence

(c) Citizenship

(d) Title of Class of Securities

(e) CUSIP Number

ITEM 3. IF THIS STATEMENT IS FILED PURSUANT TO SECTIONS 240.13d-1(b) OR 240.13d-2(b) OR (c), CHECK WHETHER THE PERSON FILING IS A:

(a) / / Broker or dealer registered under section 15 of the Act (15 U.S.C. 78o).

(b) / / Bank as defined in section 3(a)(6) of the Act (15 U.S.C. 78c).

(c) / / Insurance company as defined in section 3(a)(19) of the Act (15 U.S.C. 78c).

(d) / / Investment company registered under section 8 of the Investment Company Act of 1940 (15 U.S.C. 80a-8).

(e) / / An investment adviser in accordance with section 240.13d-1(b)(1)(ii)(E).

(f) / / An employee benefit plan or endowment fund in accordance with section 240.13d-1(b)(1)(ii)(F).

(g) / / A parent holding company or control person in accordance with section 240.13d-1(b)(1)(ii)(G).

(h) / / A savings association as defined in section 3(b) of the Federal Deposit Insurance Act (12 U.S.C. 1813).

(i) / / A church plan that is excluded from the definition of an investment company under section 3(c)(14) of the Investment Company Act of 1940 (15 U.S.C. 80a-3).

(j) / / Group, in accordance with section 240.13d-1(b)(1)(ii)(J).

ITEM 4. OWNERSHIP

Provide the following information regarding the aggregate number and percentage of the class of securities of the issuer identified in Item 1.

(a) Amount beneficially owned:

(b) Percent of class:

(c) Number of shares as to which the person has:

(i) sole power to vote or to direct the vote

(ii) shared power to vote or to direct the vote

(iii) sole power to dispose or to direct the disposition of

(iv) shared power to dispose or to direct the disposition of

Instruction: For computations regarding securities which represent a right to acquire an underlying security see Rule 13d-3(d)(1).

ITEM 5. OWNERSHIP OF FIVE PERCENT OR LESS OF A CLASS

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following. /x/

Instruction: Dissolution of a group requires a response to this item.

ITEM 6. OWNERSHIP OF MORE THAN FIVE PERCENT ON BEHALF OF ANOTHER PERSON

If any other person is known to have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, such securities, a statement to that effect should be included in response to this item and, if such interest relates to more than five percent of the class, such person should be identified. A listing of the shareholders of an investment company registered under the Investment Company Act of 1940 or the beneficiaries of employee benefit plan, pension fund or endowment fund is not required.

ITEM 7. IDENTIFICATION AND CLASSIFICATION OF THE SUBSIDIARY WHICH ACQUIRED THE SECURITY BEING REPORTED ON BY THE PARENT HOLDING COMPANY

If a parent holding company has filed this schedule, pursuant to Rule 13d-1(b)(ii)(G), so indicate under Item 3(g) and attach an exhibit stating the identity and the Item 3 classification of the relevant subsidiary. If a parent holding company has filed this schedule pursuant to Rule 13d-1(c), attach an exhibit stating the identification of the relevant subsidiary.

ITEM 8. IDENTIFICATION AND CLASSIFICATION OF MEMBERS OF THE GROUP

If a group has filed this schedule pursuant to Rule 13d-1(b)(ii)(H), so indicate under Item 3(h) and attach an exhibit stating the identity and Item 3 classification of each member of the group. If a group has filed this schedule pursuant to Rule 13d-1(c), attach an exhibit stating the identity of each member of the group.

ITEM 9. NOTICE OF DISSOLUTION OF GROUP

Notice of dissolution of a group may be furnished as an exhibit stating the date of the dissolution and that all further filings with respect to transactions in the security reported on will be filed, if required, by members of the group, in their individual capacity. See Item 5.

ITEM 10. CERTIFICATION

The following certification shall be included if the statement is filed pursuant to Rule 13d-1(b):

> By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired in the ordinary course of business and were not acquired for the purpose of and do not have the effect of changing or influencing the control of the issuer of such securities and were not acquired in connection with or as a participant in any transaction having such purposes or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

October 31, 2001

Date

/s/ Theo A. Kolokotrones

Signature

Theo A. Kolokotrones, President

Name/Title

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23,729

$

16,048

Deposits	
	(23,903)
	(23,690)
	(16,203)
Other	
	167
	149
	275
Premiums	

$

287

$

188

$

120

Premiums increased in 2014 compared to 2013, and in 2013 compared to 2012, primarily due to higher immediate annuity premiums in the Fixed Annuities product line.

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Premiums and Deposits and Net Flows

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

Years Ended December 31,				Percentage Change	
(in millions)	**2014**	2013	2012	2014 vs. 2013	2013 vs. 2012
Fixed Annuities	**$ 3,578**	$ 2,914	$ 1,469	23%	98%
Retirement Income Solutions	**10,325**	8,608	4,828	20	78
Retail Mutual Funds	**3,377**	4,956	2,723	(32)	82
Group Retirement	**6,743**	7,251	7,028	(7)	3
Total Retirement premiums and deposits*	**$ 24,023**	$ 23,729	$ 16,048	1%	48%

Years Ended December 31,			
(in millions)	**2014**	2013	2012
Net flows			
Fixed Annuities	**$ (2,313)**	$ (2,820)	$ (4,252)
Retirement Income Solutions	**6,566**	5,092	1,598
Retail Mutual Funds	**(1)**	2,780	1,018
Group Retirement	**(3,797)**	(492)	302
Total Retirement net flows*	**$ 455**	$ 4,560	$ (1,334)

* Excludes activity related to closed blocks of fixed and variable annuities, which had reserves of approximately $5.4 billion and $6.0 billion at December 31, 2014 and 2013, respectively.

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

Premiums and deposits for Retirement increased in 2014 compared to 2013, primarily due to continued strong demand for variable and fixed index annuities in the Retirement Income Solutions product lines and improved sales in Fixed Annuities, partially offset by lower deposits in Retail Mutual Funds and Group Retirement. Premiums and deposits improved significantly in 2013 compared to 2012, primarily due to strong sales across all product lines. See below for additional discussion of each product line.

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

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Total net flows for Retirement decreased in 2014 compared to 2013, as higher surrenders and withdrawals in 2014, primarily in the Group Retirement and Retail Mutual Fund product lines, resulted in a significant decrease in net flows compared to 2013. Net flows for Retirement increased in 2013 compared to 2012, primarily due to the increase in premiums and deposits, partially offset by higher surrenders in Group Retirement and Retail Mutual Funds. See below for additional discussion of each product line.

Premiums and Deposits and Net Flows by Product Line

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

Fixed Annuities deposits increased in 2014 compared to 2013 due to modest increases in interest rates and steepening of the yield curve in the first half of 2014, compared to lower rates in the prior year, particularly in the first half of 2013. The increase in Fixed Annuities deposits in 2013 compared to 2012 was due to the increase in market interest rates in the second half of 2013. Fixed Annuities net flows continued to be negative, but improved slightly in 2014 compared to 2013, and improved significantly in 2013 compared to 2012, primarily due to the increased deposits.

Retirement Income Solutions premiums and deposits and net flows increased significantly in 2014 compared to 2013, and in 2013 compared to 2012, reflecting a continued high volume of variable and index annuity sales, which have benefitted from consumer demand for retirement products with guaranteed benefit features, product enhancements, expanded distribution and a more favorable competitive environment. The improvement in the surrender rate (see Surrender Rates below) was primarily due to the significant growth in account value driven by the high volume of sales, which has increased the proportion of business that is within the surrender charge period.

Retail Mutual Fund deposits and net flows decreased in 2014 compared to 2013 and increased in 2013 compared to 2012. These variances were primarily driven by activity in the Focused Dividend Strategy Fund, which had record sales in 2013. In 2014, the relative performance of the fund declined, putting pressure on sales and withdrawal activity.

Group Retirement net flows decreased in 2014 compared to 2013, primarily due to higher group surrender activity, as well as lower premiums and deposits. The increase in surrenders and surrender rate for 2014 compared to 2013 included large group surrenders of approximately $2.7 billion, but reserves of this product line grew in 2014 compared to 2013, and the 2014 surrender activity is not expected to have a significant impact on pre-tax operating income in 2015. The large group market has become increasingly competitive and has been impacted by the consolidation of healthcare providers and other employers in our target markets. This trend of heightened competition is expected to continue in 2015 as plan sponsors perform reviews of existing retirement plan relationships. The decrease in Group Retirement net flows in 2013 compared to 2012 was primarily a result of higher surrenders of individual participants as well as large group surrenders.

Surrender Rates

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

At December 31,	**2014**			2013		
(in millions)	Group Retirement Products[a]	Fixed Annuities	Retirement Income Solutions	Group Retirement Products[a]	Fixed Annuities	Retirement Income Solutions
No surrender charge[b]	**$ 61,751**	**$ 34,396**	**$ 1,871**	$ 60,962	$ 30,906	$ 2,065
0% - 2%	**1,648**	**2,736**	**17,070**	1,508	2,261	16,839
Greater than 2% - 4%	**1,657**	**2,842**	**4,254**	1,967	4,349	2,734
Greater than 4%	**5,793**	**12,754**	**26,165**	5,719	16,895	19,039
Non-surrenderable	**770**	**3,464**	**151**	315	2,758	67
Total reserves	**$ 71,619**	**$ 56,192**	**$ 49,511**	$ 70,471	$ 57,169	$ 40,744

(a) Excludes mutual fund assets under management of $14.6 billion and $15.1 billion at December 31, 2014 and 2013, respectively.

(b) Group Retirement Products in this category include reserves of approximately $6.2 billion at both December 31, 2014 and 2013 that are subject to 20 percent annual withdrawal limitations.

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

Years Ended December 31,	2014	2013	2012
Surrenders as a percentage of average account value			
Fixed Annuities	7.0 %	6.6 %	6.3%
Retirement Income Solutions	7.1	8.7	10.3
Group Retirement	11.6	9.0	8.7

Life Results

The following table presents Life results:

Years Ended December 31, (in millions)	2014	2013	2012	Percentage Change 2014 vs. 2013	Percentage Change 2013 vs. 2012
Revenues:					
Premiums	$ 2,679	$ 2,737	$ 2,804	(2)%	(2)%
Policy fees	1,443	1,391	1,370	4	2
Net investment income	2,199	2,269	2,283	(3)	(1)
Benefits and expenses:					
Policyholder benefits and losses incurred	3,771	3,568	3,601	6	(1)
Interest credited to policyholder account balances	507	542	511	(6)	6
Amortization of deferred policy acquisition costs	321	360	400	(11)	(10)
Non deferrable insurance commissions	257	272	314	(6)	(13)
General operating expenses	885	849	895	4	(5)
Pre-tax operating income	$ 580	$ 806	$ 736	(28)	10

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

2014 and 2013 Comparison

Pre-tax operating income decreased in 2014 compared to 2013, primarily due to increases in policyholder benefit reserves, lower net investment income and higher general operating expenses. Updates of actuarial assumptions also decreased pre-tax operating income by $119 million in 2014 compared to $80 million in 2013. The assumption updates in 2014 included $87 million of loss recognition expense to increase reserves for certain long-term care business. These decreases were partially offset by a $28 million increase in pre-tax operating income in 2014 compared to 2013, due to a 2013 increase in equity-indexed universal life reserves, which was reflected in Interest credited to policyholder account balances.

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Overall, mortality experience for 2014 was similar to 2013 and within pricing assumptions. Policyholder benefit expense in 2014 included an increase of approximately $104 million to the estimated reserves for IBNR death claims, which reflected continuing efforts to identify deceased insureds and their beneficiaries who have not presented a valid claim, pursuant to the 2012 resolution of a multi-state audit and market conduct examination. The 2014 increase in the IBNR reserve was related primarily to a legacy block of in-force and lapsed small face amount policies, for which the personal data elements to effect a match against the Social Security Death Master File are unavailable or incomplete, such as full legal name, date of birth or Social Security number. In 2014, in the process of reviewing these policies as required under the terms of the regulatory agreement, we have refined our estimate of the ultimate cost of these claims. The $104 million reserve increase in 2014 was in addition to amounts previously provided for IBNR claims in 2011 and 2012, which totaled $259 million. While we believe that we are adequately reserved for such claims, there can be no assurance that the ultimate cost will not vary from the current estimate.

Net investment income decreased in 2014 compared to 2013, primarily due to lower income from alternative investments and lower yields on the base portfolio due to investment of portfolio cash flows at rates below the weighted average yield of the existing portfolio. See Investments – Life Insurance Companies for additional discussion of the investment strategy, asset-liability management process and invested assets of our Life Insurance Companies, which include the invested assets of the Life business.

General operating expenses increased in 2014 compared to 2013 primarily due to strategic investments in technology and service platforms in the U.S. and Japan.

2013 and 2012 Comparison

Pre-tax operating income increased in 2013 compared to 2012, primarily due to additional expenses recorded in 2012, which included $67 million of loss recognition reserves for long-term care products, $57 million of additional IBNR claim reserves and an $11 million regulatory assessment related to the resolution of multi-state regulatory examinations of death claims practices, and an accrual of $20 million from consolidation of certain life operations and administrative systems. The increase in pre-tax operating income in 2013 due to the absence of these prior year expenses was partially offset by a $28 million increase in equity indexed universal life reserves in 2013, as well as a higher net negative adjustment of $80 million in 2013, compared to $43 million in 2012, to update certain gross profit assumptions used to amortize DAC and related items for universal life products.

Net investment income in 2013 decreased slightly compared to 2012, due to the absence of ML II fair value gains recognized in 2012 and reinvestment of investment proceeds at lower rates, partially offset by higher income from alternative investments.

General operating expenses decreased in 2013 compared to 2012 primarily due to operational efficiencies driven by technology improvements and process consolidation efforts.

Spread Management

Disciplined pricing on new business is used to continue to pursue new sales of life products at targeted net investment spreads in a low interest rate environment. Life has a dynamic product management process to ensure that new business offerings appropriately reflect the current interest rate environment. To the extent that Life cannot achieve targeted net investment spreads on new business, products are re-priced or no longer sold. Additionally, where appropriate, existing products with higher minimum rate guarantees have been re-filed with lower crediting rates as permitted under state insurance laws for new sales. Universal life insurance interest rate guarantees are generally 2 to 3 percent on new non-indexed products and zero to 2 percent on new indexed products, and are designed to be sufficiently low to meet targeted net investment spreads.

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

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

December 31, 2014 Contractual Minimum Guaranteed Interest Rate *(in millions)*	At Contractual Minimum Guarantee	Current Crediting Rates 1-50 Basis Points Above Minimum Guarantee	More than 50 Basis Points Above Minimum Guarantee	Total
Universal life insurance				
1%	$ 83	$ -	$ 6	$ 89
> 1% - 2%	34	112	211	357
> 2% - 3%	516	416	1,372	2,304
> 3% - 4%	2,119	516	1,157	3,792
> 4% - 5%	4,039	189	-	4,228
> 5% - 5.5%	331	-	-	331
Total	$ 7,122	$ 1,233	$ 2,746	$ 11,101
Percentage of total	64%	11%	25%	100%

Life Premiums and Deposits

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

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

Years Ended December 31, *(in millions)*	**2014**	2013	2012
Premiums and deposits	**$ 4,806**	$ 4,862	$ 4,864
Deposits	**(1,532)**	(1,541)	(1,531)
Other	**(595)**	(584)	(529)
Premiums	**$ 2,679**	$ 2,737	$ 2,804

The decrease in Life premiums in 2014 compared to 2013 was primarily due to the non-renewal of certain group benefit accounts and the strengthening of the U.S. dollar against the Japanese yen, partially offset by solid growth in Japan premiums excluding the effect of foreign exchange. The decrease in premiums for 2013 compared to 2012 was the result of the run-off of an older block of traditional life in the U.S. and the strengthening of the U.S. dollar against the Japanese yen, which exceeded the increase from new sales of traditional products.

Premiums and deposits decreased in 2014 compared to 2013, due to the decrease in premiums, and were consistent in 2013 with 2012.

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Personal Insurance Results

The following table presents Personal Insurance results:

Years Ended December 31,				Percentage Change	
(in millions)	**2014**	2013	2012	2014 vs. 2013	2013 vs. 2012
Underwriting results:					
Net premiums written	**$12,412**	$12,700	$13,302	(2)%	(5)%
Increase in unearned premiums	**(442)**	(323)	(199)	(37)	(62)
Net premiums earned	**11,970**	12,377	13,103	(3)	(6)
Losses and loss adjustment expenses incurred	**6,488**	7,025	7,764	(8)	(10)
Acquisition expenses:					
Amortization of deferred policy acquisition costs	**2,092**	2,203	2,047	(5)	8
Other acquisition expenses	**1,165**	1,044	1,273	12	(18)
Total acquisition expenses	**3,257**	3,247	3,320	-	(2)
General operating expenses	**2,220**	2,292	2,297	(3)	-
Underwriting income (loss)	**5**	(187)	(278)	NM	33
Net investment income	**394**	455	477	(13)	(5)
Pre-tax operating income	**$ 399**	$ 268	$ 199	49%	35%

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

2014 and 2013 Comparison

Pre tax operating income increased in 2014 compared to 2013, primarily due to a decrease in current accident year losses and lower general operating expenses, partially offset by higher catastrophe losses and lower net favorable prior year loss reserve development, higher acquisition expenses and a decrease in net investment income. Catastrophe losses were $126 million in 2014, compared to $77 million in 2013. The accident year losses include severe losses of approximately $54 million in 2014 compared to $17 million in 2013. Net favorable loss reserve development was $77 million in 2014 compared to $155 million in 2013, and included approximately $7 million of favorable loss reserve development from Storm Sandy compared to $41 million in 2013. Foreign exchange did not have a significant impact on the pre-tax operating income compared to 2013.

Acquisition expenses increased in 2014 compared to 2013, primarily due to the change in business mix and higher costs in growth-targeted lines of business, partially offset by the effect of foreign exchange as a result of the strengthening of the U.S. dollar against the Japanese yen. Direct marketing expenses, excluding commissions, for 2014 were $392 million, compared to

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$440 million in 2013. These expenses, while not deferrable, are expected to generate business that has an average expected overall persistency of approximately five years and, in Japan, where the majority of the expenses are incurred, approximately nine years. Excluding the impact of foreign exchange, direct marketing expenses decreased by approximately $24 million in 2014 compared to 2013. Direct marketing accounted for approximately 17 percent of net premiums written in both 2014 and 2013.

General operating expenses decreased in 2014 compared to 2013. Excluding the effect of foreign exchange, general operating expenses remained flat, as efficiencies from organizational realignment initiatives were offset by increased technology-related expenses.

Net investment income decreased in 2014 compared to 2013, primarily due to a decrease in interest rates during 2014, as yields on new purchases were lower than the weighted average yield of the overall portfolio, lower income on alternative investments, and lower income associated with investments accounted for under the fair value option method as an increase related to the PICC P&C rights offerings was more than offset by a decrease from fixed maturity investments accounted for under the fair value option. These were partially offset by the effect of continued portfolio diversification. Additionally, the decrease in allocated net investment income was also due to a reduction in net loss reserves.

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

2013 and 2012 Comparison

Pre tax operating income increased in 2013 compared to 2012, primarily due to a lower underwriting loss, partially offset by a decrease in net investment income. Underwriting results improved primarily due to lower catastrophe losses and higher net favorable loss reserve development, coupled with lower acquisition expenses. Catastrophe losses in 2013 were $77 million, compared to $382 million in 2012. Net favorable loss reserve development was $155 million in 2013, compared to $20 million in 2012. Additionally, 2013 included approximately $41 million of favorable loss reserve development from Storm Sandy. Foreign exchange did not have a significant impact on pre-tax operating income compared to 2012.

Acquisition expenses decreased in 2013 compared to 2012, primarily due to the change in business mix, partially offset by increased costs in growth targeted lines of business. Direct marketing expenses, excluding commissions, for 2013 were $440 million, compared to $452 million in 2012. Excluding the effect of foreign exchange, direct marketing expenses increased by approximately $46 million in 2013 compared to 2012.

General operating expenses decreased slightly in 2013 compared to 2012, primarily due to reduced costs of strategic initiatives, technology-related and infrastructure expenses. These were largely offset by the increase in employee incentive plan expenses, which reflected the alignment of employee performance with the overall performance of the organization, including our stock performance, and accelerated vesting provisions for retirement-eligible individuals in the 2013 share-based plan, as well as the strategic expansion into growth economy nations.

Net investment income decreased in 2013 compared to 2012, primarily due to a change in allocated investment income as a result of lower net loss reserves from a change in the business mix.

Personal Insurance Net Premiums Written

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

Years Ended December 31,				Percentage Change	
(in millions)	**2014**	2013	2012	2014 vs. 2013	2013 vs. 2012
Accident & Health	**$ 5,441**	$ 5,714	$ 6,089	(5)%	(6)%
Personal Lines	**6,971**	6,986	7,213	-	(3)
Total Personal Insurance net premiums written	**$12,412**	$12,700	$13,302	(2)%	(5)%

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Personal Insurance *(in millions)*

2014 and 2013 Comparison

Personal Insurance net premiums written decreased in 2014, compared to 2013, primarily due to the impact of foreign exchange as the U.S. dollar strengthened against the Japanese yen. Excluding the effect of foreign exchange, net premiums written increased in 2014 compared to 2013 as the business continued to grow through multiple product and distribution channels, including direct marketing.

A&H net premiums written decreased in 2014 compared to 2013. The decrease was primarily due to our focus on maintaining underwriting discipline in certain classes of business in the U.S., partially offset by growth in Japan and Latin America.

Personal Lines net premiums written, excluding the effect of foreign exchange, increased in 2014 compared to 2013. The increase was primarily due to increased rates and improved retention in AIG Private Client Group and continued growth of automobile business outside of Japan, partially offset by declines in the U.S. warranty service programs.

2013 and 2012 Comparison

Personal Insurance net premiums written decreased in 2013, compared to 2012, primarily due to the impact of foreign exchange as the U.S. dollar strengthened against the Japanese yen. Excluding the impact of foreign exchange, net premiums written increased in 2013 compared to 2012 as the business continued to build momentum through multiple distribution channels.

A&H net premiums written, excluding the effect of foreign exchange, increased slightly in 2013 compared to 2012, primarily due to our focused strategy to grow sales through the direct marketing distribution channel, individual A&H in Asia Pacific, and the travel business which continued to increase in most geographies across the globe.

Personal Lines net premiums written, excluding the effects of foreign exchange, increased in 2013 compared to 2012. The increases were driven by growth in AIG Private Client Group and the warranty service programs, automobile products and the continued execution of our strategic initiative to grow higher value lines of business. In addition, the impact of excess of loss ceded premiums and of the catastrophe bond issuances reduced net premiums written by $58 million compared to 2012.

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Personal Insurance Net Premiums Written by Region

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

Years Ended December 31,				Percentage Change in U.S. dollars		Percentage Char Original Currer	
(in millions)	**2014**	2013	2012	2014 vs. 2013	2013 vs. 2012	2014 vs. 2013	2013
Americas	**$ 3,824**	$ 3,794	$ 3,779	1%	-%	4%	
Asia Pacific	**6,516**	6,893	7,714	(5)	(11)	1	
EMEA	**2,072**	2,013	1,809	3	11	2	
Total net premiums written	**$12,412**	$12,700	$13,302	(2)%	(5)%	2%	

Personal insurance NET PREMIUMS WRITTEN by Region

(in millions)

2014 and 2013 Comparison

Americas net premiums written increased in 2014 compared to 2013, primarily due to an increase in all product lines in our Latin America operations and growth in U.S. personal property and automobile businesses. These were partially offset by a decrease in U.S. A&H due to our continued focus on maintaining underwriting discipline.

Asia Pacific net premiums written decreased in 2014 compared to 2013, primarily due to the strengthening of the U.S. dollar against the Japanese yen. Excluding the effect of foreign exchange, net premiums written increased, primarily due to production increases in Japan A&H and in property and automobile business outside of Japan.

EMEA net premiums written increased in 2014 compared to 2013, due to growth in the automobile business and warranty service programs, partially offset by a decrease in the A&H business.

2013 and 2012 Comparison

Americas net premiums written increased in 2013 compared to 2012, primarily due to continued growth in property, the AIG Private Client Group and rate actions related to the warranty retail program. This was partially offset by the effect of the timing of catastrophe bond reinsurance transactions.

Asia Pacific net premiums written decreased in 2013 compared to 2012, primarily due to the strengthening of the U.S. dollar against the Japanese yen. Excluding the effect of foreign exchange, net premiums written increased primarily due to our focused strategy to grow sales through the direct marketing distribution channel. The expansion of business in Asia Pacific countries outside of Japan was driven by an increase in individual personal accident insurance and personal lines products.

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EMEA net premiums written increased in 2013 compared to 2012, due to growth in all lines of Personal Insurance.

Personal Insurance Underwriting Ratios

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

				Increase (Decrease)	
Years Ended December 31,	**2014**	2013	2012	2014 vs. 2013	2013 vs. 2012
Loss ratio	**54.2**	56.8	59.3	(2.6)	(2.5)
Catastrophe losses and reinstatement premiums	**(1.1)**	(0.7)	(3.0)	(0.4)	2.3
Prior year development net of premium adjustments	**0.7**	1.3	0.2	(0.6)	1.1
Net reserve discount benefit	**-**	-	-	-	-
Accident year loss ratio, as adjusted	**53.8**	57.4	56.5	(3.6)	0.9
Acquisition ratio	**27.2**	26.2	25.3	1.0	0.9
General operating expense ratio	**18.5**	18.5	17.5	-	1.0
Expense ratio	**45.7**	44.7	42.8	1.0	1.9
Combined ratio	**99.9**	101.5	102.1	(1.6)	(0.6)
Catastrophe losses and reinstatement premiums	**(1.1)**	(0.7)	(3.0)	(0.4)	2.3
Prior year development net of premium adjustments	**0.7**	1.3	0.2	(0.6)	1.1
Net reserve discount benefit	**-**	-	-	-	-
Accident year combined ratio, as adjusted	**99.5**	102.1	99.3	(2.6)	2.8

Personal Insurance ratios	

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

Catastrophes*

(in millions)	# of Events		Americas		Asia Pacific		EMEA		Total
Year Ended December 31, 2014									
Flooding	**-**	**$**	**-**	**$**	**-**	**$**	**-**	**$**	**-**
Windstorms and hailstorms	**14**		**51**		**46**		**-**		**97**
Tropical cyclone	**4**		**9**		**19**		**-**		**28**
Earthquakes	**1**		**1**		**-**		**-**		**1**
Reinstatement premiums			**-**		**-**		**-**		**-**
Total catastrophe-related charges	**19**	**$**	**61**	**$**	**65**	**$**	**-**	**$**	**126**
Year Ended December 31, 2013									
Flooding	7	$	26	$	-	$	2	$	28
Windstorms and hailstorms	2		11		-		5		16
Tropical cyclone	-		-		33		-		33
Total catastrophe-related charges	9	$	37	$	33	$	7	$	77
Year Ended December 31, 2012									
Flooding	-	$	-	$	-	$	-	$	-
Windstorms and hailstorms	9		12		18		-		30
Tropical cyclone	3		343		9		-		352
Drought	-		-		-		-		-
Reinstatement premiums			-		-		-		-
Total catastrophe-related charges	12	$	355	$	27	$	-	$	382

* Catastrophes are generally weather or seismic events having a net impact on Personal Insurance in excess of $10 million each.

Severe Losses*

Years Ended December 31, *(in millions)*	# of Events		Americas		Asia Pacific		EMEA		Total
2014	**4**	**$**	**50**	**$**	**4**	**$**	**-**	**$**	**54**
2013	1	$	17	$	-	$	-	$	17
2012	4	$	13	$	20	$	-	$	33

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

2014 and 2013 Comparison

The combined ratio decreased by 1.6 points in 2014 compared to 2013, primarily due to a lower loss ratio, partially offset by a higher acquisition ratio as discussed below.

The accident year combined ratio, as adjusted, decreased by 2.6 points in 2014 compared to 2013, primarily due to an improved accident year loss ratio, as adjusted.

The accident year loss ratio, as adjusted, decreased by 3.6 points in 2014 compared to 2013, as a result of improvements across all lines of business. The lower losses associated with a warranty retail program were largely offset by an increase in the related profit sharing arrangement, which increased the acquisition ratio in 2014 compared to 2013. The severe losses of $54 million, resulting largely from four fire claims, accounted for 0.5 points of the accident year loss ratio, as adjusted, in 2014.

The general operating expense ratio remained unchanged in 2014 compared to 2013, reflecting the impact of efficiencies from organizational realignment initiatives, offset by increased technology-related expenses.

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2013 and 2012 Comparison

The combined ratio decreased by 0.6 points in 2013 compared to 2012, primarily due to a lower loss ratio, partially offset by higher acquisition and expense ratios as discussed below.

The accident year combined ratio, as adjusted, increased by 2.8 points in 2013 compared to 2012.

The accident year loss ratio, as adjusted, increased by 0.9 points in 2013 compared to 2012, primarily due to the effect of higher losses associated with a warranty retail program, group accident, and travel business in the U.S. and Canada, which in the aggregate increased the loss ratio by 1.7 points. This was partially offset by improvements in automobile and personal property, as a result of rate and underwriting actions taken in 2013 and prior years. The higher losses associated with the warranty retail program were largely offset by a decrease in the related profit sharing arrangement reflected in acquisition costs.

The acquisition ratio increased by 0.9 points in 2013 compared to 2012, primarily due to the combined effect of lower net premiums earned base, change in business mix and higher costs in growth-targeted lines of business. This was partially offset by a decrease in a profit sharing arrangement associated with the warranty retail program noted above.

The general operating expense ratio increased by 1.0 point in 2013 compared to 2012, primarily due to the increase in employee incentive compensation expense, partially offset by lower infrastructure project costs.

Corporate and Other

Corporate and Other Results

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

Years Ended December 31,				Percentage Change	
(in millions)	**2014**	2013	2012	2014 vs. 2013	2013 vs. 2012
Corporate and Other pre-tax operating loss:					
Direct Investment book	**$ 1,241**	$ 1,448	$ 1,215	(14)%	19%
Global Capital Markets	**359**	625	557	(43)	12
Run-off insurance Lines	**(445)**	403	(135)	NM	NM
Other businesses	**236**	(97)	(87)	NM	