

AMERICAN INTERNATIONAL GROUP INC
Form 10-Q
August 03, 2017

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, 2017

Commission File Number 1-8787

American International Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

13-2592361

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

175 Water Street, New York, New York

(Address of principal executive offices)

10038

(Zip Code)

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

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

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

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

Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company	Emerging growth company
		(Do not check if a smaller reporting 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 31, 2017, there were 903,405,681 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, 2017

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Investments:

Fixed maturity securities:

Bonds available for sale, at fair value (amortized cost: 2017 - \$222,720; 2016 - \$232,241)

Other bond securities, at fair value (See Note 6)

Equity Securities:

Common and preferred stock available for sale, at fair value (cost: 2017 - \$1,181; 2016 - \$1,697)

Other common and preferred stock, at fair value (See Note 6)

Mortgage and other loans receivable, net of allowance (portion measured at fair value: 2017 - \$5; 2016 - \$11)

Other invested assets (portion measured at fair value: 2017 - \$6,600; 2016 - \$6,946)

Short-term investments (portion measured at fair value: 2017 - \$3,405; 2016 - \$3,341)

Total investments

Cash

Accrued investment income

Premiums and other receivables, net of allowance

Reinsurance assets, net of allowance

Deferred income taxes

Deferred policy acquisition costs

Other assets, including restricted cash of \$234 in 2017 and \$193 in 2016

(portion measured at fair value: 2017 - \$996; 2016 - \$1,809)

Separate account assets, at fair value

Assets held for sale

Total assets**Liabilities:**

Liability for unpaid losses and loss adjustment expenses

Unearned premiums

Future policy benefits for life and accident and health insurance contracts

Policyholder contract deposits (portion measured at fair value: 2017 - \$3,531; 2016 - \$3,058)

Other policyholder funds (portion measured at fair value: 2017 - \$0; 2016 - \$5)

Other liabilities (portion measured at fair value: 2017 - \$1,854; 2016 - \$2,016)

Long-term debt (portion measured at fair value: 2017 - \$3,085; 2016 - \$3,428)

Separate account liabilities

Liabilities held for sale

Total liabilities

Contingencies, commitments and guarantees (See Note 11)

AIG shareholders' equity:

Common stock, \$2.50 par value; 5,000,000,000 shares authorized; shares issued: 2017 - 1,906,671,492 and 2016 - 1,906,671,492

Treasury stock, at cost; 2017 - 1,003,278,872 shares; 2016 - 911,335,651 shares of common stock

Additional paid-in capital

Retained earnings

Accumulated other comprehensive income

Total AIG shareholders' equity

Non-redeemable noncontrolling interests

Total equity

Total liabilities and equity

\$

See accompanying Notes to Condensed Consolidated Financial Statements.

AIG | Second Quarter 2017 Form 10-Q

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American International Group, Inc.

Condensed Consolidated Statements of Income (unaudited)

	Three Months Ended June 30,	
<i>(dollars in millions, except per share data)</i>	2017	2016
Revenues:		
Premiums	\$ 7,614	\$ 8,751
Policy fees	725	696
Net investment income	3,613	3,683
Net realized capital gains (losses):		
Total other-than-temporary impairments on available for sale securities	(33)	(65)
Portion of other-than-temporary impairments on available for sale fixed maturity securities recognized in Other comprehensive income	(28)	(29)
Net other-than-temporary impairments on available for sale securities recognized in net income	(61)	(94)
Other realized capital gains (losses)	(8)	1,136
Total net realized capital gains (losses)	(69)	1,042
Other income	619	552
Total revenues	12,502	14,724
Benefits, losses and expenses:		
Policyholder benefits and losses incurred	6,284	6,872
Interest credited to policyholder account balances	906	961
Amortization of deferred policy acquisition costs	1,115	1,345
General operating and other expenses	2,182	2,586
Interest expense	292	320
(Gain) loss on extinguishment of debt	(4)	7
Net (gain) loss on sale of divested businesses	60	(225)
Total benefits, losses and expenses	10,835	11,866
Income from continuing operations before income tax expense	1,667	2,858
Income tax expense	557	924
Income from continuing operations	1,110	1,934
Income (loss) from discontinued operations, net of income tax expense	8	(10)
Net income	1,118	1,924
Less:		
Net income (loss) from continuing operations attributable to noncontrolling interests	(12)	11
Net income attributable to AIG	\$ 1,130	\$ 1,913
Income (loss) per common share attributable to AIG:		
Basic:		
Income from continuing operations	\$ 1.21	\$ 1.73
Income (loss) from discontinued operations	\$ 0.01	\$ (0.01)
Net income attributable to AIG	\$ 1.22	\$ 1.72
Diluted:		
Income from continuing operations	\$ 1.18	\$ 1.69
Income (loss) from discontinued operations	\$ 0.01	\$ (0.01)
Net income attributable to AIG	\$ 1.19	\$ 1.68

Weighted average shares outstanding:

Basic	925,751,084	1,113,587,927	99
Diluted	948,248,771	1,140,045,973	99
Dividends declared per common share	\$ 0.320	\$ 0.320	\$

See accompanying Notes to Condensed Consolidated Financial Statements.

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American International Group, Inc.

Condensed Consolidated Statements of Comprehensive Income *(unaudited)*

	Three Months Ended June 30,		Six Months Ended June 30,	
<i>(in millions)</i>	2017	2016	2017	2016
Net income	\$1,118	\$1,924	\$2,329	\$1,721
Other comprehensive income, net of tax				
Change in unrealized appreciation (depreciation) of fixed maturity securities on which other-than-temporary credit impairments were taken	119	22	233	(327)
Change in unrealized appreciation of all other investments	653	2,409	1,348	5,836
Change in foreign currency translation adjustments	398	313	122	221
Change in retirement plan liabilities adjustment	11	(10)	29	(8)
Other comprehensive income	1,181	2,734	1,732	5,722
Comprehensive income	2,299	4,658	4,061	7,443
Comprehensive income (loss) attributable to noncontrolling interests	(12)	11	14	(9)
Comprehensive income attributable to AIG	\$2,311	\$4,647	\$4,047	\$7,452

See accompanying Notes to Condensed Consolidated Financial Statements.

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American International Group, Inc.

Condensed Consolidated Statements of Equity (unaudited)

<i>(in millions)</i>	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income
Six Months Ended June 30, 2017					
Balance, beginning of year	\$ 4,766	\$ (41,471)	\$ 81,064	\$ 28,711	\$ 3,230
Common stock issued under stock plans	-	140	(304)	-	-
Purchase of common stock	-	(6,000)	-	-	-
Net income attributable to AIG or noncontrolling interests	-	-	-	2,315	-
Dividends	-	-	-	(597)	-
Other comprehensive income	-	-	-	-	1,732
Current and deferred income taxes	-	-	(4)	-	-
Net increase due to acquisitions and consolidations	-	-	-	-	-
Contributions from noncontrolling interests	-	-	-	-	-
Distributions to noncontrolling interests	-	-	-	-	-
Other	-	2	157	(9)	-
Balance, end of period	\$ 4,766	\$ (47,329)	\$ 80,913	\$ 30,420	\$ 4,962
Six Months Ended June 30, 2016					
Balance, beginning of year	\$ 4,766	\$ (30,098)	\$ 81,510	\$ 30,943	\$ 2,537
Common stock issued under stock plans	-	84	(172)	-	-
Purchase of common stock	-	(6,248)	-	-	-
Net income (loss) attributable to AIG or noncontrolling interests	-	-	-	1,730	-
Dividends	-	-	-	(713)	-
Other comprehensive income (loss)	-	-	-	-	5,722
Current and deferred income taxes	-	-	19	-	-
Net increase due to acquisitions and consolidations	-	-	-	-	-
Contributions from noncontrolling interests	-	-	-	-	-
Distributions to noncontrolling interests	-	-	-	-	-
Other	-	-	(125)	(9)	-
Balance, end of period	\$ 4,766	\$ (36,262)	\$ 81,232	\$ 31,951	\$ 8,259

See accompanying Notes to Condensed Consolidated Financial Statements.

American International Group, Inc.

Condensed Consolidated Statements of Cash Flows *(unaudited)*

	Six Months E June 30, 2017
<i>(in millions)</i>	
Cash flows from operating activities:	
Net income	\$ 2,329
(Income) loss from discontinued operations	(8)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:	
Noncash revenues, expenses, gains and losses included in income:	
Net gains on sales of securities available for sale and other assets	(400)
Net (gain) loss on sale of divested businesses	160
(Gains) losses on extinguishment of debt	(5)
Unrealized (gains) losses in earnings - net	(287)
Equity in (income) loss from equity method investments, net of dividends or distributions	(259)
Depreciation and other amortization	2,002
Impairments of assets	291
Changes in operating assets and liabilities:	
Insurance reserves	598
Premiums and other receivables and payables - net	(13)
Reinsurance assets and funds held under reinsurance treaties	(12,524)
Capitalization of deferred policy acquisition costs	(2,425)
Current and deferred income taxes - net	669
Other, net	587
Total adjustments	(11,606)
Net cash provided by (used in) operating activities	(9,285)
Cash flows from investing activities:	
Proceeds from (payments for)	
Sales or distributions of:	
Available for sale securities	23,581
Other securities	1,871
Other invested assets	3,061
Divested businesses, net	538
Maturities of fixed maturity securities available for sale	15,128
Principal payments received on and sales of mortgage and other loans receivable	3,005
Purchases of:	
Available for sale securities	(26,025)
Other securities	(281)
Other invested assets	(1,786)
Mortgage and other loans receivable	(4,259)
Net change in restricted cash	(44)
Net change in short-term investments	1,047
Other, net	(917)
Net cash provided by (used in) investing activities	14,919
Cash flows from financing activities:	
Proceeds from (payments for)	
Policyholder contract deposits	8,916

Policyholder contract withdrawals
Issuance of long-term debt

(7,917) (6)