

AMERICAN INTERNATIONAL GROUP INC  
Form 10-K  
February 21, 2013

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

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**FORM 10-K**

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

**For the fiscal year ended December 31, 2012**

**Commission file number 1-8787**

**American International Group, Inc.**  
**(Exact name of registrant as specified in its charter)**

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**13-2592361**

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

**180 Maiden Lane, New York, New York**

(Address of principal executive offices)

**10038**

(Zip Code)

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

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**Securities registered pursuant to Section 12(b) of the Act: See Exhibit 99.02**

**Securities registered pursuant to Section 12(g) of the Act: None**

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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

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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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

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

The aggregate market value of the voting and nonvoting common equity held by nonaffiliates of the registrant (based on the closing price of the registrant's most recently completed second fiscal quarter) was approximately \$21,463,000,000.

As of February 15, 2013, there were outstanding 1,476,322,473 shares of Common Stock, \$2.50 par value per share, of the registrant.

### DOCUMENTS INCORPORATED BY REFERENCE

<b>Document of the Registrant</b>	<b>Form 10-K Reference Locations</b>
Portions of the registrant's definitive proxy statement for the 2013 Annual Meeting of Shareholders	Part III, Items 10, 11, 12, 13 and 14

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**PART I**

**ITEM 1 / BUSINESS**

**American International Group, Inc. (AIG)** is a leading global insurance company. Founded in 1919, today we provide a wide range of property casualty insurance, life insurance, retirement products, mortgage insurance and other financial services to customers in more than 130 countries. Our diverse offerings include products and services that help businesses and individuals protect their assets, manage risks and provide for retirement security. AIG common stock is listed on the New York Stock Exchange and the Tokyo Stock Exchange.

AIG's key strengths include:

**World class insurance franchises** that are leaders in their categories and are improving their operating performance;

**A diverse mix of businesses** with a presence in most international markets;

**Effective capital management** of the largest shareholders' equity of any insurance company in the world\*, supported by enhanced risk management;

**Execution of strategic objectives**, such as the recent divestiture of non-core businesses and fulfillment of our commitment to repay the U.S. taxpayers; and

**Improved profitability**, as demonstrated by three consecutive years of full-year profit.

\* At June 30, 2012, the latest date for which information was available for certain foreign insurance companies.

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*In this Annual Report on Form 10-K, unless otherwise mentioned or unless the context indicates otherwise, we use the terms "AIG," the "Company," "we," "us" and "our" to refer to AIG, 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.*

*A reference summary of certain technical terms and acronyms used throughout this Annual Report on Form 10-K is available on pages 195-199.*

## **AIG's Global Insurance Operations**

### **HOW WE GENERATE REVENUES AND PROFITABILITY**

**We earn revenues** primarily from insurance premiums, policy fees from universal life insurance and investment products, and income from investments.

**Our operating expenses** consist of policyholder benefits and claims incurred, interest credited to policyholders, commissions and other costs of selling and servicing our products, and general business expenses.

**Our profitability** is dependent on our ability to price and manage risk on insurance and annuity products, to manage our portfolio of investments effectively, and control costs through expense discipline.

Commencing in the third quarter of 2012, the Chartis segment was renamed AIG Property Casualty and the SunAmerica segment was renamed AIG Life and Retirement, although certain existing brands will continue to be used in certain geographies and market segments.

#### **AIG Property Casualty**

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**AIG Property Casualty** is a leading provider of insurance products for commercial, institutional and individual customers through one of the world's most far-reaching property casualty networks. AIG Property Casualty offers one of the industry's most extensive ranges of products and services, through its diversified, multichannel distribution network, benefitting from its strong capital position.

#### **AIG Life and Retirement**

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**AIG Life and Retirement** is a premier provider of life insurance and retirement services in the United States. It is among the largest life insurance and retirement services businesses in the United States. With one of the broadest distribution networks and most diverse product offerings in the industry, AIG Life and Retirement helps to ensure financial and retirement security for more than 18 million customers.

#### **Other Operations**

**Mortgage Guaranty** (United Guaranty Corporation or UGC), is a leading provider of private residential mortgage guaranty insurance (MI). MI covers mortgage lenders for the first loss from mortgage defaults on high loan-to-value conventional first-lien mortgages. By providing this coverage to lenders, UGC enables mortgage lenders to remain competitive, while generating a sound and responsible book of business, and enables individuals to purchase a house with a lower down payment.

Other operations also include Global Capital Markets, Direct Investment book, Retained Interests and Corporate & Other operations.

On December 9, 2012, AIG announced an agreement to sell 80.1 percent of International Lease Finance Corporation (ILFC) with an option for the purchaser to buy an additional 9.9 percent stake. As a result, ILFC operating results, which were previously presented in the Aircraft Leasing segment, have been classified as discontinued operations in all periods, and associated assets and liabilities have been classified as held-for-sale at December 31, 2012.

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**AIG 2012 Revenue Sources (\$ millions)**

For financial information concerning our reportable segments, including geographic areas of operation and changes made in 2012, see Note 3 to the Consolidated Financial Statements. Prior periods have been revised to conform to the current period presentation for segment changes and discontinued operations.

**Restructuring and Rebuilding: AIG Moving Forward**

We have taken significant steps to position our company for future growth and in 2012 fully repaid governmental financial support of AIG. These amounts are discussed below in 2011-2012 Accomplishments.

**Federal Reserve Bank of New York**

We repaid the governmental support that we received in September 2008 and thereafter during the global economic crisis. This support included a credit facility from the Federal Reserve Bank of New York (the FRBNY and such credit facility, the FRBNY Credit Facility) and funding from the Department of the Treasury through the Troubled Asset Relief Program (TARP). After receiving this support, our Board of Directors and management placed a strong focus on improving our businesses and pursued four main priorities:

*We have made substantial progress in each of these four main priority areas during the past few years. Our efforts have centered on protecting and enhancing the value of our key businesses, restoring AIG's financial strength, repaying U.S. taxpayers and reducing risk.*

building AIG's value by strengthening our international property and casualty and domestic life insurance and retirement businesses;

repaying support from the U.S. government, including through significant divestitures;

decreasing our operating costs; and

reducing risk by winding down our exposure to certain financial products and derivatives trading activities.

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**Department of the Treasury**

Through a series of transactions that closed on January 14, 2011 (the Recapitalization), we exchanged various forms of government support for AIG Common Stock, and the Department of the Treasury became AIG's majority shareholder, with approximately 92 percent of outstanding AIG Common Stock at that time.

The Department of the Treasury, as selling shareholder, sold all of its shares of AIG Common Stock through six registered public offerings completed in May 2011 and March, May, August, September and December 2012. We purchased approximately 421 million shares of AIG Common Stock in the first four of the 2012 offerings for approximately \$13.0 billion. We did not purchase any shares in the May 2011 or December 2012 offerings.

See Item 7. MD&A Liquidity and Capital Resources and Notes 4, 17, 18, and 25 to the Consolidated Financial Statements for further discussion of the government support provided to AIG, the Recapitalization and significant asset dispositions.

These and other key accomplishments are described in the following table:

\* AIG did not receive any proceeds from the sale of AIG Common Stock by the Department of the Treasury. The Department of the Treasury still owns ten-year warrants to purchase approximately 2.7 million shares of AIG Common Stock.

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**AIG Property Casualty**

**Business Strategy**

**Business Mix Shift:** Grow in higher value lines of business and geographies.

**Underwriting Excellence:** Enhance pricing and risk-selection tools through investments in data mining, science and technology.

**Claims Best Practices:** Reduce loss costs through new claims technology, a more efficient and effective operating model and the use of data tools to better manage the economic drivers of losses.

**Operating Expense Discipline:** Decrease recurring operating expenses by leveraging AIG's scale and driving increased standardization.

**Capital Management:** Efficiently allocate capital through the use of risk adjusted profit metrics, optimization of reinsurance and legal entity restructuring.

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**AIG Property Casualty Operating Segments Products and Services**

AIG Property Casualty operating segments are organized into *Commercial Insurance* and *Consumer Insurance*. Run-off lines of business and operations not attributable to these operating segments are included in an Other operations category.

*Percent of 2012 Net premiums written by operating segment\**

\* The operations reported as part of Other do not have meaningful levels of Net premiums written.

Commercial Insurance  
*Percent of 2012 Net premiums written by product line  
(dollars in millions)*

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Consumer Insurance  
*Percent of 2012 Net premiums written by product line  
(dollars in millions)*

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**Commercial products:**

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**Consumer products:**

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**Casualty:** Includes general liability, commercial automobile liability, workers' compensation, excess casualty and crisis management insurance. Casualty also includes risk management and other customized structured programs for large corporate customers and multinational companies.

**Accident & Health:** Includes voluntary and sponsor-paid personal accidental and supplemental health products for individuals, employees, associations and other organizations. It also includes life products (outside of the U.S. market) as well as a broad range of travel insurance products and services for leisure and business travelers.

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**Property:** Includes industrial energy-related and commercial property insurance products, which cover exposures to man-made and natural disasters, including business interruption.

**Specialty:** Includes aerospace, environmental, political risk, trade credit, surety and marine insurance, and various product offerings for small and medium sized enterprises.

**Financial:** Includes various forms of professional liability insurance, including directors and officers (D&O), fidelity, employment practices, fiduciary liability, network security, kidnap and ransom, and errors and omissions insurance (E&O).

**Distribution:** Commercial Insurance products are primarily distributed through a network of independent retail and wholesale brokers and branches, and through an independent agency network.

**Personal:** Includes automobile, homeowners and extended warranty insurance. It also includes insurance for high-net-worth individuals (offered through Private Client Group), including umbrella, yacht and fine art insurance, and consumer specialty products, such as identity theft and credit card protection.

**Distribution:** Consumer Insurance products are distributed primarily through agents and brokers, as well as through direct marketing and partner organizations and through the internet.

**Other:** Consists primarily of: run-off lines of business; operations and expenses not attributable to the Commercial Insurance or Consumer Insurance operating segments; unallocated net investment income; net realized capital gains and losses; and other income and expense items.

**AIG Property Casualty conducts its business primarily through the following major operating companies:** National Union Fire Insurance Company of Pittsburgh, Pa.; New Hampshire Insurance Company; American Home Assurance Company; Lexington Insurance Company; AIU Insurance Company; Chartis Overseas Limited; Fuji; Chartis Singapore Insurance, Pte, Ltd. and AIG Europe Limited.

## A Look at AIG Property Casualty

### Global Footprint

AIG Property Casualty has a significant international presence in both developed markets and growth economy nations. It distributes its products through three major geographic regions:

**Americas:** Includes the United States, Canada, Central America, South America, the Caribbean and Bermuda.

**Asia Pacific:** Includes Japan and other Asia Pacific nations, including China, Korea, Singapore, Vietnam, Thailand, Australia and Indonesia.

**EMEA (Europe, Middle East and Africa):** Includes the United Kingdom, Continental Europe, Russia, India, the Middle East and Africa.

In 2012, 6 percent and 5 percent of AIG Property Casualty direct premiums were written in the states of California and New York, respectively, and 19 percent and 7 percent were written in Japan and the United Kingdom, respectively. No other state or foreign jurisdiction accounted for more than 5 percent of such premiums.

On November 21, 2012, AIG, People's Insurance Company (Group) of China Limited (PICC Group) and PICC Life Insurance Company Limited (PICC Life) entered into a non-binding term sheet with respect to the proposed establishment of a joint venture insurance agency company between AIG and PICC Life (the Joint Venture) which plans to distribute life insurance and other insurance products through a specialized agency force on a nationwide basis with a focus on major cities in China and to engage in reinsurance and other related business cooperation. AIG



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Life and Retirement made an equity investment of approximately \$0.5 billion in PICC Group. AIG's participation in the Joint Venture will be managed by AIG Property Casualty.

## **Total Net Premiums Written \$34.4 bn**

Based on net premiums written in 2011, AIG Property Casualty is the largest U.S. commercial insurer in the U.S. and Canada, the largest U.S. based property casualty insurer in Europe, and the largest foreign property casualty insurer in Japan and China. In addition, AIG Property Casualty was first to market in many developing nations and is well positioned to enhance its businesses in countries such as China, India and Brazil.

## **Competition**

Operating in a highly competitive industry, AIG Property Casualty competes against approximately 3,300 stock companies, specialty insurance organizations, mutual companies and other underwriting organizations. In international markets, we compete for business with the foreign insurance operations of large U.S. insurers 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. AIG Property Casualty distinguishes itself in the insurance industry primarily based on its well-established brand, financial strength and large capital base, innovative products, expertise in providing specialized coverages and customer service.

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AIG Property Casualty serves its 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 and long-term commitment to the markets and clients we serve.

**AIG Property Casualty Competitive Strengths and Challenges**

**Diversification** breadth of customers served, products underwritten and distribution channels

**Global franchise** operating in more than 90 countries and jurisdictions

**Scale** facilitates risk diversification to optimize returns on capital

**Service** focused on customer needs, providing strong global claims, loss prevention and mitigation, engineering, underwriting and other related services

**Expertise** experienced employees complemented with new talent

**Financial strength** well capitalized, strong balance sheet

Somewhat offsetting these strengths are the following challenges:

**Barriers to entry are high**

**Regulatory changes** in recent years created an increasingly complex environment that is affecting industry growth and profitability

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## **AIG Life and Retirement**

### **Business Strategy**

AIG Life and Retirement is focused on the following strategic initiatives:

**Grow Assets Under Management:** Fully leverage a unified distribution organization to increase sales of profitable products across all channels. Capitalize on the growing demand for income solutions and AIG Life and Retirement's capital base, risk controls, innovative product designs, expanded distribution initiatives and financial discipline to grow variable annuity business. Pursue selected institutional market opportunities where AIG Life and Retirement's scale and capital base provide a competitive advantage.

**Increase Life Insurance In-Force:** Develop innovative life offerings through consumer focused research that delivers superior, differentiated product solutions. Consolidate life insurance platforms, operations and systems to create a more efficient, cost-competitive and agile operating model.

**Enhance Return on Equity:** Build on simplified legal entity structure to enhance financial strength and durability, capital efficiency and ease of doing business. Improve operational efficiencies, expense control and service through investments in technology and more productive use of existing resources and lower-cost operations centers.

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### Operating Segments

AIG Life and Retirement currently has two operating segments: *Life Insurance* focuses on life insurance and related protection products and *Retirement Services* focuses on investment, retirement savings and income solution products. On April 12, 2012, AIG Life and Retirement announced several key organizational structure and management changes intended to better serve the organization's distribution partners and customers. Key aspects of the new structure are distinct product divisions, shared annuity and life operations platforms and a unified all-channel distribution organization with access to all AIG Life and Retirement products.

AIG Life and Retirement expects to modify its presentation of results to reflect its new structure when the reporting changes are implemented in the first quarter of 2013 and conform all prior periods' presentations to reflect the new structure. The new structure will include two operating segments *Retail* and *Institutional*. Retail product lines will include life insurance and accident and health (A&H), fixed annuities, variable annuities and income solutions, brokerage services and retail mutual funds. Institutional product lines will include group retirement, group benefits and institutional markets. The institutional markets product line will consist of stable value wrap products, structured settlement and terminal funding annuities, private placement variable life and annuities, guaranteed investment contracts and corporate and bank-owned life insurance.

Additionally, AIG Life and Retirement completed the merger of six life insurance operating legal entities into American General Life Insurance Company effective December 31, 2012. This merger facilitates capital and dividend planning while creating operating efficiencies and making it easier for producers and customers to do business with AIG Life and Retirement. AIG Life and Retirement will continue to market products and services under its existing brands.

### **AIG Life and Retirement Operating Segments Products and Services**

*Percent of 2012 total revenue by operating segment (dollars in millions)*

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**Life Insurance**

*Percent of 2012 Premiums, Deposits and other considerations by line of business  
(dollars in millions)*

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**Retirement Services**

*Percent of 2012 Premiums, Deposits and other considerations by line of business  
(dollars in millions)*

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\* Other includes fixed, equity indexed and runoff annuities.

*Products include a full line of life insurance, deferred and payout annuities, A&H products, worksite and group benefits.*

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*Products and services focus on investment, retirement savings and income solution products.*

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**AIG Life and Retirement is one of the largest life insurance organizations in the United States and is a leader in today's financial services marketplace.**

AIG Life and Retirement holds leadership positions in both retail and institutional markets:

Long-standing leadership position in fixed annuity sales through banks and other financial institutions

Innovator in guaranteed income solutions and a top provider of variable annuities

Industry-leading life and accident and health products

Broad range of retail mutual fund offerings

One of the largest independent broker-dealer networks in the country

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Leading retirement plan provider in K-12 schools, higher education, healthcare, government and other nonprofit entities

Institutional Markets offerings, including leadership position in structured settlement annuities

Extensive lineup of gr