AMERICAN INTERNATIONAL GROUP INC
Form 10-Q
August 02, 2016

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, 2016	**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, 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 (Do not check if a smaller reporting company)	Smaller reporting company

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, 2016, there were 1,070,659,944 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, 2016

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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)	
Assets:	
Investments:	
Fixed maturity securities:	
Bonds available for sale, at fair value (amortized cost: 2016 - $244,450; 2015 - $240,968)	$
Other bond securities, at fair value (See Note 5)	
Equity Securities:	
Common and preferred stock available for sale, at fair value (cost: 2016 - $1,246; 2015 - $1,379)	
Other common and preferred stock, at fair value (See Note 5)	
Mortgage and other loans receivable, net of allowance (portion measured at fair value: 2016 - $11; 2015 - $11)	
Other invested assets (portion measured at fair value: 2016 - $7,177; 2015 - $8,912)	
Short-term investments (portion measured at fair value: 2016 - $3,949; 2015 - $2,591)	
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 $191 in 2016 and $170 in 2015	
Separate account assets, at fair value	
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: 2016 - $4,016; 2015 - $2,325)	

Other policyholder funds (portion measured at fair value: 2016 - $5; 2015 - $6)
Other liabilities (portion measured at fair value: 2016 - $241; 2015 - $62)
Long-term debt (portion measured at fair value: 2016 - $3,747; 2015 - $3,670)
Separate account liabilities
Total liabilities
Contingencies, commitments and guarantees (see Note 9)

AIG shareholders’ equity:
Common stock, $2.50 par value; 5,000,000,000 shares authorized; shares issued: 2016 - 1,906,671,492 and 2015 - 1,906,671,492
Treasury stock, at cost; 2016 - 823,982,130 shares; 2015 - 712,754,875 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.

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Item 1 / Financial statements

American International Group, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME *(unaudited)*

	Three Months Ended June 30,			
(dollars in millions, except per share data)		**2016**		2015
Revenues:				
Premiums	$	8,751	$	9,545
Policy fees		696		688
Net investment income		3,683		3,826
Net realized capital gains (losses):				
Total other-than-temporary impairments on available for sale securities		(65)		(148)
Portion of other-than-temporary impairments on available for sale fixed maturity securities recognized in Other comprehensive income (loss)		(29)		(4)
Net other-than-temporary impairments on available for sale securities recognized in net income		(94)		(152)
Other realized capital gains		1,136		278
Total net realized capital gains (losses)		1,042		126
Other income		552		1,514
Total revenues		14,724		15,699
Benefits, losses and expenses:				
Policyholder benefits and losses incurred		6,872		7,100
Interest credited to policyholder account balances		961		942
Amortization of deferred policy acquisition costs		1,345		1,356
General operating and other expenses		2,586		3,090
Interest expense		320		316
Loss on extinguishment of debt		7		342
Net (gain) loss on sale of divested businesses		(225)		1
Total benefits, losses and expenses		11,866		13,147
Income from continuing operations before income tax expense		2,858		2,552
Income tax expense		924		777
Income from continuing operations		1,934		1,775
Income (loss) from discontinued operations, net of income tax expense		(10)		16
Net income		1,924		1,791
Less:				
Net income (loss) from continuing operations attributable to noncontrolling interests		11		(9)
Net income attributable to AIG	$	1,913	$	1,800

Income (loss) per common share attributable to AIG:					
Basic:					
Income from continuing operations	**$**	**1.73**	$	1.34	**$**
Income (loss) from discontinued operations	**$**	**(0.01)**	$	0.01	**$**
Net income attributable to AIG	**$**	**1.72**	$	1.35	**$**
Diluted:					
Income from continuing operations	**$**	**1.69**	$	1.31	**$**
Income (loss) from discontinued operations	**$**	**(0.01)**	$	0.01	**$**
Net income attributable to AIG	**$**	**1.68**	$	1.32	**$**
Weighted average shares outstanding:					
Basic		**1,113,587,927**		1,329,157,366	
Diluted		**1,140,045,973**		1,365,390,431	
Dividends declared per common share	**$**	**0.320**	$	0.125	**$**

See accompanying Notes to Condensed Consolidated Financial Statements.

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American International Group, Inc.

CONDENSED Consolidated Statements of Comprehensive Income (Loss) *(unaudited)*

	Three Months Ended June 30,		Six Month Ended June 30,	
(in millions)	**2016**	2015	**2016**	2
Net income	**$1,924**	$ 1,791	**$1,721**	$ 4,
Other comprehensive income (loss), net of tax				
Change in unrealized appreciation (depreciation) of fixed maturity investments on which other-than-temporary credit impairments were taken	**22**	(36)	**(327)**	(1
Change in unrealized appreciation (depreciation) of all other investments	**2,409**	(2,991)	**5,836**	(2,4
Change in foreign currency translation adjustments	**313**	(37)	**221**	(4
Change in retirement plan liabilities adjustment	**(10)**	27	**(8)**	
Other comprehensive income (loss)	**2,734**	(3,037)	**5,722**	(3,0
Comprehensive income (loss)	**4,658**	(1,246)	**7,443**	1,
Comprehensive income (loss) attributable to noncontrolling interests	**11**	(9)	**(9)**	
Comprehensive income (loss) attributable to AIG	**$4,647**	$(1,237)	**$7,452**	$ 1,

See accompanying Notes to Condensed Consolidated Financial Statements.

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American International Group, Inc.

CONDENSED CONSOLIDATED Statements of Equity *(unaudited)*

(in millions)	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	To
Six Months Ended June 30, 2016						
Balance, beginning of year	**$ 4,766**	**$ (30,098)**	**$ 81,510**	**$ 30,943**	**$ 2,537**	**$**
Common stock issued under stock plans	**-**	**84**	**(172)**	**-**	**-**	
Purchase of common stock	**-**	**(6,248)**	**-**	**-**	**-**	
Net income (loss) attributable to AIG or noncontrolling interests	**-**	**-**	**-**	**1,730**	**-**	
Dividends	**-**	**-**	**-**	**(713)**	**-**	
Other comprehensive income	**-**	**-**	**-**	**-**	**5,722**	
Current and deferred income taxes	**-**	**-**	**19**	**-**	**-**	
Net increase due to acquisitions and consolidations	**-**	**-**	**-**	**-**	**-**	
Contributions from noncontrolling interests	**-**	**-**	**-**	**-**	**-**	
Distributions to noncontrolling interests	**-**	**-**	**-**	**-**	**-**	
Other	**-**	**-**	**(125)**	**(9)**	**-**	
Balance, end of period	**$ 4,766**	**$ (36,262)**	**$ 81,232**	**$ 31,951**	**$ 8,259**	**$**
Six Months Ended June 30, 2015						
Balance, beginning of year	$ 4,766	$ (19,218)	$ 80,958	$ 29,775	$ 10,617	$
Purchase of common stock	-	(3,947)	-	-	-	
Net income attributable to AIG or noncontrolling interests	-	-	-	4,268	-	
Dividends	-	-	-	(335)	-	
Other comprehensive loss	-	-	-	-	(2,997)	
Deferred income taxes	-	-	(12)	-	-	
Net increase due to acquisitions and consolidations	-	-	-	-	-	
Contributions from noncontrolling interests	-	-	-	-	-	
Distributions to noncontrolling interests	-	-	-	-	-	
Other	-	-	384	(1)	-	
Balance, end of period	$ 4,766	$ (23,165)	$ 81,330	$ 33,707	$ 7,620	$

See accompanying Notes to Condensed Consolidated Financial Statements.

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Item 1 / Financial statements

American International Group, Inc.

CONDENSED Consolidated Statements of Cash Flows *(unaudited)*

Six Months Ended June 30, *(in millions)*	2016	2015
Cash flows from operating activities:		
Net income	$ 1,721	$ 4,268
(Income) loss from discontinued operations	57	(17)
Adjustments to reconcile net income to net cash provided by operating activities:		
Noncash revenues, expenses, gains and losses included in income:		
Net gains on sales of securities available for sale and other assets	(907)	(666)
Net (gain) loss on sale of divested businesses	(223)	7
Losses on extinguishment of debt	90	410
Unrealized (gains) losses in earnings - net	1,130	(1,425)
Equity in (income) loss from equity method investments, net of dividends or distributions	145	(715)
Depreciation and other amortization	2,270	2,410
Impairments of assets	636	471
Changes in operating assets and liabilities:		
Insurance reserves	313	(420)
Premiums and other receivables and payables - net	(614)	(1,359)
Reinsurance assets and funds held under reinsurance treaties	(988)	573
Capitalization of deferred policy acquisition costs	(2,554)	(2,880)
Current and deferred income taxes - net	750	1,739
Other, net	(1,255)	(1,903)
Total adjustments	(1,207)	(3,758)
Net cash provided by operating activities	571	493
Cash flows from investing activities:		
Proceeds from (payments for)		
Sales or distributions of:		
Available for sale investments	13,540	14,144
Other securities	2,246	3,998
Other invested assets	3,687	6,218
Maturities of fixed maturity securities available for sale	12,350	12,176
Principal payments received on and sales of mortgage and other loans receivable	2,964	2,470
Purchases of:		
Available for sale investments	(27,573)	(24,198)
Other securities	(381)	(583)
Other invested assets	(1,602)	(1,743)
Mortgage and other loans receivable	(5,081)	(4,459)

Net change in restricted cash	**(78)**	1,462
Net change in short-term investments	**(1,755)**	(2,693)
Other, net	**1,419**	(1,506)
Net cash provided by (used in) investing activities	**(264)**	5,286
Cash flows from financing activities:		
Proceeds from (payments for)		
Policyholder contract deposits	**9,539**	7,541
Policyholder contract withdrawals	**(6,787)**	(7,225)
Issuance of long-term debt	**6,688**	2,774
Repayments of long-term debt	**(2,919)**	(3,701)
Purchase of common stock	**(6,248)**	(3,743)
Dividends paid	**(713)**	(335)
Other, net	**250**	(877)
Net cash used in financing activities	**(190)**	(5,566)
Effect of exchange rate changes on cash	**38**	(34)
Net increase in cash	**155**	179
Cash at beginning of year	**1,629**	1,758
Change in cash of businesses held-for-sale	**-**	-
Cash at end of period	**$ 1,784**	$ 1,937

Supplementary Disclosure of Condensed Consolidated Cash Flow Information

Cash paid during the period for:		
Interest	**$ 650**	$ 760
Taxes	**$ 117**	$ 338
Non-cash investing/financing activities:		
Interest credited to policyholder contract deposits included in financing activities	**$ 1,797**	$ 1,826
Non-cash consideration received from sale of AerCap	**$ -**	$ 500

See accompanying Notes to Condensed Consolidated Financial Statements.

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Item 1 / NOTE 1. BASIS OF PRESENTATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

1. BASIS OF PRESENTATION

American International Group, Inc. (AIG) is a leading global insurance organization serving customers in more than 100 countries and jurisdictions. AIG companies serve commercial, institutional and individual customers through one of the most extensive worldwide property casualty networks of any insurer. In addition, AIG companies are leading providers of life insurance and retirement services in the United States. AIG Common Stock, par value $2.50 per share (AIG Common Stock), is listed on the New York Stock Exchange (NYSE: AIG) and the Tokyo Stock Exchange. Unless the context indicates otherwise, the terms “AIG,” “we,” “us” or “our” mean American International Group, Inc. and its consolidated subsidiaries and the term “AIG Parent” means American International Group, Inc. and not any of its consolidated subsidiaries.

These unaudited Condensed Consolidated Financial Statements do not include all disclosures that are normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States (GAAP) and should be read in conjunction with the audited Consolidated Financial Statements and the related notes included in our Annual Report on Form 10-K for the year ended December 31, 2015 (2015 Annual Report). The condensed consolidated financial information as of December 31, 2015 included herein has been derived from the audited Consolidated Financial Statements in the 2015 Annual Report.

Certain of our foreign subsidiaries included in the Condensed Consolidated Financial Statements report on different fiscal-period bases. 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.

Interim-period operating results may not be indicative of the operating results for a full year. We evaluated the need to recognize or disclose events that occurred subsequent to June 30, 2016 and prior to the issuance of these Condensed Consolidated Financial Statements.

Sale of ILFC

On May 14, 2014, we completed the sale of 100 percent of the common stock of International Lease

Finance Corporation (ILFC) to AerCap Ireland Limited, a wholly owned subsidiary of AerCap Holdings N.V. (AerCap), in exchange for total consideration of approximately $7.6 billion, including cash and 97.6 million newly issued AerCap common shares (the AerCap Transaction). The total value of the consideration was based in part on AerCap's closing price per share of $47.01 on May 13, 2014.

In June 2015, we sold 86.9 million ordinary shares of AerCap by means of an underwritten public offering of 71.2 million ordinary shares and a private sale of 15.7 million ordinary shares to AerCap. We received cash proceeds of approximately $3.7 billion, reflecting proceeds of approximately $3.4 billion from the underwritten offering and cash proceeds of $250 million from the private sale of shares to AerCap. In connection with the closing of the private sale of shares to AerCap, we also received $500 million of 6.50% fixed-to-floating rate junior subordinated notes issued by AerCap Global Aviation Trust and guaranteed by AerCap and certain of its subsidiaries. These notes, included in Bonds available for sale, mature in 2045 and are callable beginning in 2025. We accounted for our interest in AerCap using the equity method of accounting through the date of the June 2015 sale, and as available for sale thereafter. In August 2015, we sold our remaining 10.7 million ordinary shares of AerCap by means of an underwritten public offering and received proceeds of approximately $500 million.

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Item 1 / NOTE 1. BASIS OF PRESENTATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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:

• 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;

• liability for unpaid losses and loss adjustment expenses;

• reinsurance assets;

• valuation of future policy benefit liabilities and timing and extent of loss recognition;

• valuation of liabilities for guaranteed benefit features of variable annuity products;

• estimated gross profits to value deferred acquisition costs for investment-oriented products;

• impairment charges, including other-than-temporary impairments on available for sale securities, impairments on other invested assets, including investments in life settlements, and goodwill impairment;

• liability for legal contingencies; and

• fair value measurements of certain financial assets and liabilities.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Standards Adopted During 2016

Accounting for Share-Based Payments with Performance Targets

In June 2014, the FASB issued an accounting standard that clarifies the accounting for share-based payments when the terms of an award provide that a performance target could be achieved after the requisite service period. The standard requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition.

We adopted the standard prospectively on its required effective date of January 1, 2016. The adoption of this standard did not have a material effect on our consolidated financial condition, results of operations or cash flows.

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Item 1 / NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity

In August 2014, the FASB issued an accounting standard that allows a reporting entity to measure the financial assets and financial liabilities of a qualifying consolidated collateralized financing entity using the fair value of either its financial assets or financial liabilities, whichever is more observable.

We adopted the standard retrospectively on its required effective date of January 1, 2016. The adoption of this standard did not have a material effect on our consolidated financial condition, results of operations or cash flows.

Consolidation: Amendments to the Consolidation Analysis

In February 2015, the FASB issued an accounting standard that affects reporting entities that are required to evaluate whether they should consolidate certain legal entities. Specifically, the amendments modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities (VIEs) or voting interest entities; eliminate the presumption that a general partner should consolidate a limited partnership; affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships; and provide a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds.

We adopted the standard prospectively on its required effective date of January 1, 2016. The adoption of this standard did not have a material effect on our consolidated financial condition, results of operations or cash flows.

Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement

In April 2015, the FASB issued an accounting standard that provides guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The guidance does not change generally accepted accounting principles applicable to a customer's accounting for service contracts. Consequently, all software licenses will be accounted for consistent with other licenses of intangible assets.

We adopted this standard prospectively on its required effective date of January 1, 2016. The adoption of this standard did not have a material effect on our consolidated financial condition, results of operations or cash flows.

Simplifying the Presentation of Debt Issuance Costs

In April 2015, the FASB issued an accounting standard that amends the guidance for debt issuance costs by requiring such costs to be presented as a deduction to the corresponding debt liability, rather than as an asset, and for the amortization of such costs to be reported as interest expense. The amendments are intended to simplify the presentation of debt issuance costs and make it consistent with the presentation of debt discounts or premiums. The amendments, however, do not change the recognition and measurement guidance applicable to debt issuance costs.

We adopted this standard on a retrospective basis on January 1, 2016, its required effective date. Because the new standard did not affect accounting recognition or measurement of debt issuance costs, the adoption of the standard did not have a material effect on our consolidated financial condition, results of operations or cash flows.

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Item 1 / NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)

In May 2015, the FASB amended guidance on fair value disclosures for investments for which fair value is measured using the net asset value (NAV) per share (or its equivalent) as a practical expedient. The amendments in this update remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the NAV per share practical expedient. In addition, the amendment removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the NAV per share as a practical expedient.

We adopted the standard on its required effective date of January 1, 2016 on a retrospective basis. The adoption of this standard did not have a material effect on our consolidated financial condition, results of operations or cash flows.

Future Application of Accounting Standards

Revenue Recognition

In May 2014, the FASB issued an accounting standard that supersedes most existing revenue recognition guidance. The standard excludes from its scope the accounting for insurance contracts, leases, financial instruments, and certain other agreements that are governed under other GAAP guidance, but could affect the revenue recognition for certain of our other activities.

The standard is effective for interim and annual reporting periods beginning after December 15, 2017 and may be applied retrospectively or through a cumulative effect adjustment to retained earnings at the date of adoption. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. We plan to adopt the standard on its required effective date of January 1, 2018 and do not expect the adoption of the standard to have a material effect on our consolidated financial condition, results of operations or cash flows.

Short Duration Insurance Contracts

In May 2015, the FASB issued an accounting standard that requires additional disclosures (including accident year information) for short-duration insurance contracts. New disclosures about the liability for unpaid losses and loss adjustment expenses will be required of public business entities for annual periods beginning after December 15, 2015. The annual disclosures by accident year include: disaggregated net incurred and paid claims development tables segregated by business type (not required to exceed 10 years), reconciliation of total net reserves included in development tables to the reported liability for unpaid losses and loss adjustment expenses, incurred but not reported (IBNR) information, quantitative information and a qualitative description about claim frequency, and the average annual percentage payout of incurred claims. Further, the new standard requires, when applicable, disclosures about discounting liabilities for unpaid losses and loss adjustment expenses and significant changes and reasons for changes in methodologies and assumptions used to determine unpaid losses and loss adjustment expenses. In addition, the roll forward of the liability for unpaid losses and loss adjustment expenses currently disclosed in annual financial statements will be required for interim periods beginning in the first quarter of 2017. Early adoption of the new annual and interim disclosures is permitted.

We plan to adopt the standard on its required effective date. Because the new standard does not affect accounting recognition or measurement, the adoption of the standard will have no effect on our consolidated financial condition, results of operations or cash flows.

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Item 1 / NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Recognition and Measurement of Financial Assets and Financial Liabilities

In January 2016, the FASB issued an accounting standard that affects the recognition, measurement, presentation, and disclosure of financial instruments. Specifically, under the new standard, equity investments (other than those accounted for using the equity method of accounting or those subject to consolidation) will be measured at fair value with changes in fair value recognized in earnings. Also, for those financial liabilities for which fair value option accounting has been elected, the new standard requires changes in fair value due to instrument-specific credit risk to be presented separately in other comprehensive income. The standard updates certain fair value disclosure requirements for financial instruments carried at amortized cost.

The standard is effective for interim and annual reporting periods beginning after December 15, 2017. Early adoption of certain provisions is permitted. We are assessing the impact of the standard on our consolidated financial condition, results of operations and cash flows.

Leases

In February 2016, the FASB issued an accounting standard that will require lessees with lease terms of more than 12 months to recognize a right of use asset and a corresponding lease liability on their balance sheets. For income statement purposes, the FASB retained a dual model, requiring leases to be classified as either operating leases or finance leases.

The standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted using a modified retrospective approach. We are assessing the impact of the standard on our consolidated financial condition, results of operations and cash flows.

Derivative Contract Novations

In March 2016, the FASB issued an accounting standard that clarifies that a change in the counterparty (novation) to a derivative instrument that has been designated as a hedging instrument does not, in and of itself, require de-designation of that hedging relationship provided that all other hedge accounting criteria continue to be met.

The standard is effective for interim and annual reporting periods beginning after December 15, 2016, with early adoption permitted. We do not expect the adoption of the standard to have a material effect on our consolidated financial condition, results of operations or cash flows.

Contingent Put and Call Options in Debt Instruments

In March 2016, the FASB issued an accounting standard that clarifies the requirements for assessing whether contingent call (put) options that can accelerate the payment of principal on debt instruments are clearly and closely related to their debt hosts. The standard requires an evaluation of embedded call (put) options solely on a four-step decision sequence that requires an entity to consider whether (1) the amount paid upon settlement is adjusted based on changes in an index, (2) the amount paid upon settlement is indexed to an underlying other than interest rates or credit risk, (3) the debt involves a substantial premium or discount and (4) the put or call option is contingently exercisable.

The standard is effective for interim and annual reporting periods beginning after December 15, 2016, with early adoption permitted. We do not expect the adoption of the standard to have a material effect on our consolidated financial condition, results of operations or cash flows.

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Item 1 / NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Simplifying the Transition to the Equity Method of Accounting

In March 2016, the FASB issued an accounting standard that eliminates the requirement that when an investment qualifies for use of the equity method as a result of an increase in the level of ownership interest or degree of influence, an investor must adjust the investment, results of operations, and retained earnings retroactively on a step-by-step basis as if the equity method had been in effect during all previous periods during which the investment had been held.

The standard is effective for interim and annual reporting periods beginning after December 15, 2016, with early adoption permitted. We do not expect the adoption of the standard to have a material effect on our consolidated financial condition, results of operations or cash flows.

Improvements to Employee Share-Based Payment Accounting

In March 2016, the FASB issued a standard that simplifies several aspects of the accounting for share-based compensation, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification on the statement of cash flows.

The standard is effective for interim and annual reporting periods beginning after December 15, 2016, with early adoption permitted. We do not expect the adoption of the standard to have a material effect on our consolidated financial condition, results of operations or cash flows.

Calculation of Credit Losses

In June 2016, the FASB issued an accounting standard that will change how entities account for credit losses for most financial assets. The standard will replace the existing incurred loss impairment model with a new “current expected credit loss model” and will apply to financial assets subject to credit losses, those measured at amortized cost and certain off-balance sheet credit exposures. The impairment for available-for-sale debt securities will be measured in a similar manner, except that losses will be recognized as allowances rather than reductions in the amortized cost of the securities. The standard will also require additional information to be disclosed in the footnotes.

The standard is effective for interim and annual reporting periods beginning after December 15, 2019, with early adoption permitted for annual and interim periods after December 15, 2018. We are assessing the impact of the standard on our consolidated financial condition, results of operations or cash flows.

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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 through two reportable segments: Commercial Insurance and Consumer Insurance as well as a Corporate and Other category. The Corporate and Other category consists of businesses and items not allocated to our reportable segments.

We evaluate performance based on revenues and pre tax operating income (loss). Pre-tax operating income (loss) is derived by excluding certain items from net income (loss) attributable to AIG. See the table below for the items excluded from pre-tax operating income (loss).

The following tables present our operations by reportable segment:

	2016		
Three Months Ended June 30,	Total	Pre-Tax Operating	
(in millions)	Revenues	Income (Loss)	Reve
Commercial Insurance			
Property Casualty	$ 5,540	$ 791	$
Mortgage Guaranty	275	187	
Institutional Markets	695	110	
Total Commercial Insurance	6,510	1,088	
Consumer Insurance			
Retirement	2,209	741	
Life	1,690	184	
Personal Insurance	2,915	179	
Total Consumer Insurance	6,814	1,104	
Corporate and Other*	450	(544)	
AIG consolidation and elimination	(205)	(28)	
Total AIG consolidated operating revenues and pre-tax operating income	13,569	1,620	1
Reconciling items from Total revenues and Pre-tax operating income (loss) to revenues and pre-tax income (loss):			
Changes in fair values of securities used to hedge guaranteed			

living benefits	120	120	
Changes in benefit reserves and DAC, VOBA and SIA related to			
net realized capital gains	-	(64)	
Other income - net	-	5	
Loss on extinguishment of debt	-	(7)	
Net realized capital gains	1,042	1,042	
Income (loss) from divested businesses	-	225	
Non-operating litigation reserves and settlements	7	7	
Reserve development related to non-operating run-off insurance business	-	-	
Restructuring and other costs	-	(90)	
Other	(14)	-	
Revenues and pre-tax income	$ 14,724	$ 2,858	$ 1

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	2016		
Six Months Ended June 30,	Total	Pre-Tax Operating	
(in millions)	Revenues	Income (Loss)	Reve
Commercial Insurance			
Property Casualty	$ 10,818	$ 1,511	$ 1
Mortgage Guaranty	536	350	
Institutional Markets	1,314	116	
Total Commercial Insurance	12,668	1,977	1
Consumer Insurance			
Retirement	4,323	1,202	
Life	3,287	289	
Personal Insurance	5,736	401	
Total Consumer Insurance	13,346	1,892	1
Corporate and Other*	656	(1,277)	
AIG consolidation and elimination	(364)	(18)	
Total AIG consolidated operating revenues and pre-tax operating income	26,306	2,574	3
Reconciling items from Total revenues and Pre-tax operating income (loss) to revenues and pre-tax income (loss):			
Changes in fair values of securities used to hedge guaranteed living benefits	253	253	
Changes in benefit reserves and DAC, VOBA and SIA related to net realized capital gains	-	(24)	
Other income - net	-	12	
Loss on extinguishment of debt	-	(90)	
Net realized capital gains (losses)	(64)	(64)	
Income (loss) from divested businesses	-	223	
Non-operating litigation reserves and settlements	41	38	
Reserve development related to non-operating run-off insurance business	-	-	
Restructuring and other costs	-	(278)	
Other	(33)	-	
Revenues and pre-tax income	$ 26,503	$ 2,644	$ 3

* Corporate and Other includes income from assets held by AIG Parent and other corporate subsidiaries.

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

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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, 2016 *(in millions)*	Level 1	Level 2	Level 3	Counterparty Netting(a)	Cash Collateral(b)	Total
Assets:						
Bonds available for sale:						
U.S. government and government sponsored entities	$ 19	$ 2,248	$ -	$ -	$ -	$ 2,267
Obligations of states, municipalities and political subdivisions	-	26,464	2,313	-	-	28,777
Non-U.S. governments	654	19,410	28	-	-	20,092
Corporate debt	-	141,325	836	-	-	142,161
RMBS	-	20,665	16,779	-	-	37,444
CMBS	-	12,679	2,295	-	-	14,974
CDO/ABS	-	9,299	7,075	-	-	16,374
Total bonds available for sale	673	232,090	29,326	-	-	262,089
Other bond securities:						
U.S. government and government sponsored entities	136	3,459	-	-	-	3,595
Obligations of states, municipalities and political subdivisions	-	-	-	-	-	-
Non-U.S. governments	-	55	-	-	-	55

Corporate debt	-	1,949	18	-	-	1,967
RMBS	-	439	1,486	-	-	1,925
CMBS	-	498	168	-	-	666
CDO/ABS	-	815	6,312	-	-	7,127
Total other bond securities	136	7,215	7,984	-	-	15,335
Equity securities available for sale:						
Common stock	1,117	-	-	-	-	1,117
Preferred stock	23	-	-	-	-	23
Mutual funds	501	1	-	-	-	502
Total equity securities available for sale	1,641	1	-	-	-	1,642
Other equity securities	647	-	14	-	-	661
Mortgage and other loans receivable	-	-	11	-	-	11
Other invested assets[(a)]	-	2	241	-	-	243

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Derivative assets:						
Interest rate contracts	**-**	**5,014**	**15**	**-**	**-**	**5,029**
Foreign exchange contracts	**-**	**1,495**	**1**	**-**	**-**	**1,496**
Equity contracts	**104**	**123**	**52**	**-**	**-**	**279**
Credit contracts	**-**	**-**	**3**	**-**	**-**	**3**
Other contracts	**-**	**-**	**23**	**-**	**-**	**23**
Counterparty netting and cash collateral	**-**	**-**	**-**	**(2,192)**	**(3,233)**	**(5,425)**
Total derivative assets	**104**	**6,632**	**94**	**(2,192)**	**(3,233)**	**1,405**
Short-term investments	**2,453**	**1,496**	**-**	**-**	**-**	**3,949**
Separate account assets	**74,755**	**5,817**	**-**	**-**	**-**	**80,572**
Total	**$ 80,409**	**$ 253,253**	**$ 37,670**	**$ (2,192)**	**$ (3,233)**	**$ 365,907**
Liabilities:						
Policyholder contract deposits	**$ -**	**$ 26**	**$ 3,990**	**$ -**	**$ -**	**$ 4,016**
Other policyholder funds	**5**	**-**	**-**	**-**	**-**	**5**
Derivative liabilities:						
Interest rate contracts	**-**	**2,965**	**61**	**-**	**-**	**3,026**
Foreign exchange contracts	**-**	**1,441**	**10**	**-**	**-**	**1,451**
Equity contracts	**-**	**5**	**-**	**-**	**-**	**5**
Credit contracts	**-**	**-**	**376**	**-**	**-**	**376**
Other contracts	**-**	**-**	**125**	**-**	**-**	**125**
Counterparty netting and cash collateral	**-**	**-**	**-**	**(2,192)**	**(738)**	**(2,930)**
Total derivative liabilities	**-**	**4,411**	**572**	**(2,192)**	**(738)**	**2,053**
Long-term debt	**-**	**3,680**	**67**	**-**	**-**	**3,747**
Other liabilities	**114**	**127**	**-**	**-**	**-**	**241**
Total	**$ 119**	**$ 8,244**	**$ 4,629**	**$ (2,192)**	**$ (738)**	**$ 10,062**

December 31, 2015 *(in millions)*	Level 1	Level 2	Level 3	Counterparty Netting[(a)]	Cash Collateral[(b)]	Total
Assets:						
Bonds available for sale:						
U.S. government and government sponsored entities	$ -	$ 1,844	$ -	$ -	$ -	$ 1,844
Obligations of states, municipalities and political subdivisions	-	25,199	2,124	-	-	27,323
Non-U.S. governments	683	17,480	32	-	-	18,195
Corporate debt	-	134,618	1,370	-	-	135,988
RMBS	-	19,690	16,537	-	-	36,227
CMBS	-	10,986	2,585	-	-	13,571
CDO/ABS	-	8,928	6,169	-	-	15,097
Total bonds available for sale	683	218,745	28,817	-	-	248,245

Other bond securities:						
U.S. government and government sponsored entities	-	3,369	-	-	-	3,369
Obligations of states, municipalities and political subdivisions	-	75	-	-	-	75
Non-U.S. governments	-	50	-	-	-	50
Corporate debt	-	2,018	17	-	-	2,035
RMBS	-	649	1,581	-	-	2,230
CMBS	-	557	193	-	-	750
CDO/ABS	-	1,218	7,055	-	-	8,273
Total other bond securities	-	7,936	8,846	-	-	16,782

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Equity securities available for sale:						
Common stock	2,401	-	-	-	-	2,401
Preferred stock	22	-	-	-	-	22
Mutual funds	491	1	-	-	-	492
Total equity securities available for sale	2,914	1	-	-	-	2,915
Other equity securities	906	1	14	-	-	921
Mortgage and other loans receivable	-	-	11	-	-	11
Other invested assets(a)	2	1	332	-	-	335
Derivative assets:						
Interest rate contracts	-	3,150	12	-	-	3,162
Foreign exchange contracts	-	766	-	-	-	766
Equity contracts	91	32	54	-	-	177
Credit contracts	-	-	3	-	-	3
Other contracts	-	2	21	-	-	23
Counterparty netting and cash collateral	-	-	-	(1,268)	(1,554)	(2,822)
Total derivative assets	91	3,950	90	(1,268)	(1,554)	1,309
Short-term investments	1,416	1,175	-	-	-	2,591
Separate account assets	73,699	5,875	-	-	-	79,574
Total	$ 79,711	$ 237,684	$ 38,110	$ (1,268)	$ (1,554)	$ 352,683
Liabilities:						
Policyholder contract deposits	$ -	$ 36	$ 2,289	$ -	$ -	$ 2,325
Other policyholder funds	6	-	-	-	-	6
Derivative liabilities:						
Interest rate contracts	-	2,137	62	-	-	2,199
Foreign exchange contracts	-	1,197	7	-	-	1,204
Equity contracts	-	68	-	-	-	68
Credit contracts	-	-	508	-	-	508
Other contracts	-	-	69	-	-	69
Counterparty netting and cash collateral	-	-	-	(1,268)	(760)	(2,028)
Total derivative liabilities	-	3,402	646	(1,268)	(760)	2,020
Long-term debt	-	3,487	183	-	-	3,670
Other liabilities	-	62	-	-	-	62
Total	$ 6	$ 6,987	$ 3,118	$ (1,268)	$ (760)	$ 8,083

(a) Excludes investments that are measured at fair value using the NAV per share (or its equivalent), which totaled $7.0 billion and $8.6 billion as of June 30, 2016 and December 31, 2015, respectively.

(b) Represents netting of derivative exposures covered by qualifying master netting agreements.

Transfers of Level 1 and Level 2 Assets and Liabilities

Our policy is to record transfers of assets and liabilities between Level 1 and Level 2 at their fair values as of the end of each reporting period, consistent with the date of the determination of fair value. Assets are transferred out of Level 1 when they are no longer transacted with sufficient frequency and volume in an active market. Conversely, assets are transferred from Level 2 to Level 1 when transaction volume and frequency are indicative of an active market.

During the three- and six-month periods ended June 30, 2016, we transferred $229 million and $312 million, respectively, of securities issued by Non-U.S. government entities from Level 1 to Level 2, as they are no longer considered actively traded. For similar reasons, during the three- and six-month periods ended June 30, 2016 we transferred $16 million of securities issued by the U.S. government and government sponsored entities from Level 1 to Level 2. We had no material transfers from Level 2 to Level 1 during the three- and six-month periods ended June 30, 2016.

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During the three- and six-month periods ended June 30, 2015, we transferred $190 million and $262 million, respectively, of securities issued by Non-U.S. government entities from Level 1 to Level 2, as they are no longer considered actively traded. For similar reasons, during the three- and six-month periods ended June 30, 2015, we transferred $65 million and $180 million, respectively, of securities issued by the U.S. government and government sponsored entities from Level 1 to Level 2. We had no material transfers from Level 2 to Level 1 during the three- and six-month periods ended June 30, 2015.

Changes in Level 3 Recurring Fair Value Measurements

The following tables present changes during the three- and six-month periods ended June 30, 2016 and 2015 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, 2016 and 2015:

(in millions)	Fair Value Beginning of Period	Net Realized and Unrealized Gains (Losses) Included in Income	Other Comprehensive Income (Loss)	Purchases, Sales, Issues and Settlements, Net	Gro Transfe
Three Months Ended June 30, 2016					
Assets:					
Bonds available for sale:					
Obligations of states, municipalities and political subdivisions	$ 2,196	$ 2	$ 136	$ (21)	$
Non-U.S. governments	30	-	-	2	
Corporate debt	1,024	2	7	(65)	1
RMBS	16,162	234	61	61	2
CMBS	2,368	16	10	(87)	
CDO/ABS	6,592	8	93	382	
Total bonds available for sale	28,372	262	307	272	4
Other bond securities:					
Corporate debt	18	1	-	(1)	
RMBS	1,513	14	-	(41)	
CMBS	170	-	-	(2)	
CDO/ABS	6,576	109	-	(308)	

Total other bond securities	8,277	124	-	(352)	
Equity securities available for sale:					
Common stock	-	-	-	-	
Total equity securities available for sale	-	-	-	-	
Other equity securities	15	(1)	-	-	
Mortgage and other loans receivable	11	-	-	-	
Other invested assets	263	(12)	6	(16)	
Total	$ 36,938	$ 373	$ 313	$ (96)	$ 45

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(in millions)	Fair Value Beginning of Period	Net Realized and Unrealized (Gains) Losses Included in Income	Other Comprehensive Income (Loss)	Purchases, Sales, Issues and Settlements, Net	Gr Transf
Liabilities:					
Policyholder contract deposits	$ 3,251	$ 598	$ -	$ 141	$
Derivative liabilities, net:					
Interest rate contracts	48	3	-	(5)	
Foreign exchange contracts	9	1	-	(1)	
Equity contracts	(51)	(4)	-	3	
Commodity contracts	-	-	-	-	
Credit contracts	490	(28)	-	(89)	
Other contracts	121	(24)	-	5	
Total derivative liabilities, net[(a)]	617	(52)	-	(87)	
Long-term debt[(b)]	184	(2)	-	(2)	
Total	$ 4,052	$ 544	$ -	$ 52	$

(in millions)	Fair Value Beginning of Period[(a)]	Net Realized and Unrealized Gains (Losses) Included in Income	Other Comprehensive Income (Loss)	Purchases, Sales, Issues and Settlements, Net	Gr Transf
Six Months Ended June 30, 2016					
Assets:					
Bonds available for sale:					
Obligations of states, municipalities and political subdivisions	$ 2,124	$ 2	$ 194	$ (7)	$
Non-U.S. governments	32	-	(2)	2	
Corporate debt	1,370	3	(17)	(36)	3
RMBS	16,537	479	(359)	(172)	2
CMBS	2,585	58	(78)	(168)	
CDO/ABS	6,169	20	43	820	
Total bonds available for sale	28,817	562	(219)	439	6
Other bond securities:					
Corporate debt	17	2	-	(1)	

RMBS	1,581	(23)	-	(54)	
CMBS	193	(2)	-	(23)	
CDO/ABS	7,055	(24)	-	(719)	
Total other bond securities	8,846	(47)	-	(797)	
Equity securities available for sale:					
Common stock	-	-	-	-	
Total equity securities available for sale	-	-	-	-	
Other equity securities	14	-	-	-	
Mortgage and other loans receivable	11	-	-	-	
Other invested assets	332	(1)	1	(37)	
Total	$ 38,020	$ 514	$ (218)	$ (395)	$ 6

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(in millions)	Fair Value Beginning of Period[(a)]	Net Realized and Unrealized (Gains) Losses Included in Income	Other Comprehensive Income (Loss)	Purchases, Sales, Issues and Settlements, Net	Gross Transfers In	Tra
Liabilities:						
Policyholder contract deposits	**$ 2,289**	**$ 1,443**	**$ -**	**$ 258**	**$ -**	**$**
Derivative liabilities, net:						
Interest rate contracts	**50**	**7**	**-**	**(11)**	**-**	
Foreign exchange contracts	**7**	**2**	**-**	**-**	**-**	
Equity contracts	**(54)**	**-**	**-**	**2**	**-**	
Commodity contracts	**-**	**-**	**-**	**-**	**-**	
Credit contracts	**505**	**(34)**	**-**	**(98)**	**-**	
Other contracts	**48**	**30**	**-**	**24**	**-**	
Total derivative liabilities, net[(a)]	**556**	**5**	**-**	**(83)**	**-**	
Long-term debt[(b)]	**183**	**-**	**-**	**(3)**	**-**	
Total	**$ 3,028**	**$ 1,448**	**$ -**	**$ 172**	**$ -**	**$**

(in millions)	Fair value Beginning of Period	Net Realized and Unrealized Gains (Losses) Included in Income	Other Comprehensive Income (Loss)	Purchases, Sales, Issues and Settlements, Net	Gros Transfe
Three Months Ended June 30, 2015					
Assets:					
Bonds available for sale:					
Obligations of states, municipalities and political subdivisions	$ 2,256	$ -	$ (124)	$ 93	$
Non-U.S. governments	34	-	(1)	-	
Corporate debt	1,827	14	(50)	(85)	4
RMBS	17,345	281	(99)	(430)	
CMBS	2,694	22	(40)	17	
CDO/ABS	6,453	97	(196)	(283)	
Total bonds available for sale	30,609	414	(510)	(688)	4
Other bond securities:					
Corporate debt	16	-	-	-	

RMBS	1,288	45	-	16	1
CMBS	269	8	-	(54)	
CDO/ABS	7,850	265	-	(688)	
Total other bond securities	9,423	318	-	(726)	1
Equity securities available for sale:					
Common stock	1	2	-	(3)	
Total equity securities available for sale	1	2	-	(3)	
Other equity securities	22	-	-	-	
Mortgage and other loans receivable	6	-	-	-	
Other invested assets	422	62	4	(51)	
Total	$ 40,483	$ 796	$ (506)	$ (1,468)	$ 42

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	Fair value Beginning of Period	Net Realized and Unrealized (Gains) Losses Included in Income	Other Comprehensive Income (Loss)	Purchases, Sales, Issues and Settlements, Net	Gros Transfe
Liabilities:					
Policyholder contract deposits	$ 1,835	$ (736)	$ -	$ 133	$
Derivative liabilities, net:					
Interest rate contracts	69	(4)	-	(3)	
Foreign exchange contracts	8	(2)	-	1	
Equity contracts	(66)	2	-	1	
Credit contracts	791	(13)	-	(227)	
Other contracts	59	(59)	2	14	
Total derivatives liabilities, net[(a)]	861	(76)	2	(214)	
Long-term debt[(b)]	186	13	-	(6)	
Total	$ 2,882	$ (799)	$ 2	$ (87)	$

(in millions)	Fair value Beginning of Period	Net Realized and Unrealized Gains (Losses) Included in Income	Other Comprehensive Income (Loss)	Purchases, Sales, Issues and Settlements, Net	Gros Transfe
Six Months Ended June 30, 2015					
Assets:					
Bonds available for sale:					
Obligations of states, municipalities and political subdivisions[(c)]	$ 2,159	$ 1	$ (79)	$ 158	$
Non-U.S. governments	30	-	(1)	4	
Corporate debt	1,883	14	(33)	(146)	45
RMBS	16,805	539	(171)	(76)	
CMBS	2,696	46	(30)	47	
CDO/ABS	6,110	130	(167)	119	
Total bonds available for sale	29,683	730	(481)	106	45
Other bond securities:					
Corporate debt	-	-	-	-	1

RMBS	1,105	26	-	220	4
CMBS	369	8	-	(154)	
CDO/ABS	7,449	397	-	(926)	58
Total other bond securities	8,923	431	-	(860)	64
Equity securities available for sale:					
Common stock	1	2	-	(3)	
Total equity securities available for sale	1	2	-	(3)	
Other equity securities	-	-	-	-	2
Mortgage and other loans receivable	6	-	-	-	
Other invested assets	1,042	472	(488)	(589)	
Total	$ 39,655	$ 1,635	$ (969)	$ (1,346)	$ 1,1

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(in millions)	Fair value Beginning of Period	Net Realized and Unrealized (Gains) Losses Included in Income	Other Comprehensive Income (Loss)	Purchases, Sales, Issues and Settlements, Net	Gross Transfers In	G Tran
Liabilities:						
Policyholder contract deposits	$ 1,509	$ (461)	$ -	$ 184	$ -	$
Derivative liabilities, net:						
Interest rate contracts	74	-	-	(12)	-	
Foreign exchange contracts	8	(3)	-	2	-	
Equity contracts	(47)	(6)	-	(10)	-	
Credit contracts	978	(160)	-	(267)	-	
Other contracts	59	(73)	-	30	-	
Total derivatives liabilities, net[(a)]	1,072	(242)	-	(257)	-	
Long-term debt[(b)]	213	(2)	-	(18)	-	
Total	$ 2,794	$ (705)	$ -	$ (91)	$ -	$

(a) Total Level 3 derivative exposures have been netted in these tables for presentation purposes only.

(b) Includes guaranteed investment agreements (GIAs), notes, bonds, loans and mortgages payable.

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, 2016				
Bonds available for sale	**$ 291**	**$ (30)**	**$ 1**	**$ 262**
Other bond securities	**26**	**32**	**66**	**124**
Other equity securities	**(1)**	**-**	**-**	**(1)**
Other invested assets	**(1)**	**(19)**	**8**	**(12)**
Six Months Ended June 30, 2016				
Bonds available for sale	**$ 589**	**$ (29)**	**$ 2**	**$ 562**
Other bond securities	**(8)**	**32**	**(71)**	**(47)**
Other equity securities	**-**	**-**	**-**	**-**

Other invested assets	**(3)**	**32**	**(30)**	**(1)**
Three Months Ended June 30, 2015				
Bonds available for sale	$ 311	$ 10	$ 93	$ 414
Other bond securities	23	(3)	298	318
Equity securities available for sale	-	2	-	2
Other invested assets	5	2	55	62
Six Months Ended June 30, 2015				
Bonds available for sale	$ 622	$ 1	$ 107	$ 730
Other bond securities	41	3	387	431
Equity securities available for sale	-	2	-	2
Other invested assets	(2)	419	55	472

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(in millions)		Net Investment Income		Net Realized Capital Gains (Losses)		Other Income		Total
Three Months Ended June 30, 2016								
Policyholder contract deposits	**$**	**-**	**$**	**598**	**$**	**-**	**$**	**598**
Derivative liabilities, net		**-**		**-**		**(52)**		**(52)**
Long-term debt		**-**		**-**		**(2)**		**(2)**
Six Months Ended June 30, 2016								
Policyholder contract deposits	**$**	**-**	**$**	**1,443**	**$**	**-**	**$**	**1,443**
Derivative liabilities, net		**-**		**4**		**1**		**5**
Long-term debt		**-**		**-**		**-**		**-**
Three Months Ended June 30, 2015								
Policyholder contract deposits	$	-	$	(736)	$	-	$	(736)
Derivative liabilities, net		19		1		(96)		(76)
Long-term debt		-		-		13		13
Six Months Ended June 30, 2015								
Policyholder contract deposits	$	-	$	(461)	$	-	$	(461)
Derivative liabilities, net		-		(5)		(237)		(242)
Long-term debt		-		-		(2)		(2)

The following table presents the gross components of purchases, sales, issues and settlements, net, shown above, for the three- and six-month periods ended June 30, 2016 and 2015 related to Level 3 assets and liabilities in the Condensed Consolidated Balance Sheets:

(in millions)		Purchases		Sales		Settlements		Purchase Sales, Issues ar Settlements, Net
Three Months Ended June 30, 2016								
Assets:								
Bonds available for sale:								
Obligations of states, municipalities and political subdivisions	**$**	**17**	**$**	**(7)**	**$**	**(31)**	**$**	**(2**
Non-U.S. governments		**2**		**-**		**-**		
Corporate debt		**-**		**(25)**		**(40)**		**(6**
RMBS		**1,040**		**-**		**(979)**		**(**
CMBS		**4**		**(27)**		**(64)**		**(8**
CDO/ABS		**612**		**(11)**		**(219)**		**38**
Total bonds available for sale		**1,675**		**(70)**		**(1,333)**		**27**
Other bond securities:								

Corporate debt	-	-	(1)	(
RMBS	26	-	(67)	(4
CMBS	-	-	(2)	(
CDO/ABS	61	(19)	(350)	(30
Total other bond securities	87	(19)	(420)	(35

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Equity securities available for sale		**-**	**-**	**-**	
Other equity securities		**-**	**-**	**-**	
Other invested assets		**9**	**(2)**	**(23)**	**(1**
Total assets	**$**	**1,771$**	**(91)$**	**(1,776)$**	**(9**
Liabilities:					
Policyholder contract deposits	**$**	**-$**	**140$**	**1$**	**14**
Derivative liabilities, net		**(1)**	**-**	**(86)**	**(8**
Long-term debt[b]		**-**	**-**	**(2)**	**(**
Total liabilities	**$**	**(1)$**	**140$**	**(87)$**	**5**
Three Months Ended June 30, 2015					
Assets:					
Bonds available for sale:					
Obligations of states, municipalities and political subdivisions	$	116$	-$	(23)$	9
Non-U.S. governments		2	-	(2)	
Corporate debt		182	(10)	(257)	(8
RMBS		446	(143)	(733)	(43
CMBS		70	-	(53)	1
CDO/ABS		282	(178)	(387)	(28
Total bonds available for sale		1,098	(331)	(1,455)	(68
Other bond securities:					
RMBS		64	(4)	(44)	1
CMBS		-	(43)	(11)	(5
CDO/ABS		12	(331)	(369)	(68
Total other bond securities		76	(378)	(424)	(72
Equity securities available for sale		-	(2)	(1)	(
Other invested assets		(42)	(2)	(7)	(5
Total assets	$	1,132$	(713)$	(1,887)$	(1,46
Liabilities:					
Policyholder contract deposits	$	-$	112$	21$	13
Derivative liabilities, net		(2)	-	(212)	(21
Long-term debt[b]		-	-	(6)	(
Total liabilities	$	(2)$	112$	(197)$	(8
(in millions)		Purchases	Sales	Settlements	Purchase Sales, Issues ar Settlements, Net
Six Months Ended June 30, 2016					
Assets:					

Bonds available for sale:				
Obligations of states, municipalities and political subdivisions	$ 46	$ (7)	$ (46)	$ (
Non-U.S. governments	3	-	(1)	
Corporate debt	29	(25)	(40)	(3
RMBS	1,543	(58)	(1,657)	(17
CMBS	106	(58)	(216)	(16
CDO/ABS	1,151	(11)	(320)	82
Total bonds available for sale	2,878	(159)	(2,280)	43

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Other bond securities:				
Corporate debt	**-**	**-**	**(1)**	**(1)**
RMBS	**89**	**(26)**	**(117)**	**(54)**
CMBS	**53**	**(71)**	**(5)**	**(23)**
CDO/ABS	**69**	**(36)**	**(752)**	**(719)**
Total other bond securities	**211**	**(133)**	**(875)**	**(797)**
Equity securities available for sale	**-**	**-**	**-**	**-**
Other equity securities	**14**	**-**	**(14)**	**-**
Other invested assets	**18**	**(2)**	**(53)**	**(37)**
Total assets	**$ 3,121**	**$ (294)**	**$ (3,222)**	**$ (395)**
Liabilities:				
Policyholder contract deposits	**$ -**	**$ 270**	**$ (12)**	**$ 258**
Derivative liabilities, net	**(3)**	**-**	**(80)**	**(83)**
Long-term debt[b]	**-**	**-**	**(3)**	**(3)**
Total liabilities	**$ (3)**	**$ 270**	**$ (95)**	**$ 172**
Six Months Ended June 30, 2015				
Assets:				
Bonds available for sale:				
Obligations of states, municipalities and political subdivisions[c]	$ 223	$ (22)	$ (43)	$ 158
Non-U.S. governments	8	-	(4)	4
Corporate debt	188	(60)	(274)	(146)
RMBS	1,407	(165)	(1,318)	(76)
CMBS	142	(27)	(68)	47
CDO/ABS	861	(201)	(541)	119
Total bonds available for sale	2,829	(475)	(2,248)	106
Other bond securities:				
RMBS	309	(10)	(79)	220
CMBS	-	(79)	(75)	(154)
CDO/ABS	226	(371)	(781)	(926)
Total other bond securities	535	(460)	(935)	(860)
Equity securities available for sale	-	(2)	(1)	(3)
Other invested assets	27	(587)	(29)	(589)
Total assets	$ 3,391	$ (1,524)	$ (3,213)	$ (1,346)
Liabilities:				
Policyholder contract deposits	$ -	$ 185	$ (1)	$ 184
Derivative liabilities, net	(17)	-	(240)	(257)
Long-term debt[b]	-	-	(18)	(18)

Total liabilities	$	(17)	$	185	$	(259)	$	(91)

(a) There were no issuances during the three- and six-month periods ended June 30, 2016 and 2015, respectively.

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

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, 2016 and 2015 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).

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Transfers of Level 3 Assets and Liabilities

We record transfers of assets and liabilities into or out of Level 3 classification at their fair values as of the end of each reporting period, consistent with the date of the determination of fair value. The Net realized and unrealized gains (losses) included in income (loss) or Other comprehensive income (loss) as shown in the table above excluded \$3 million of net gains and \$10 million of net losses, related to assets and liabilities transferred into Level 3 during the three- and six-month periods ended June 30, 2016, respectively, and included \$8 million and \$53 million, of net losses related to assets and liabilities transferred out of Level 3 during the three- and six-month periods ended June 30, 2016, respectively.

The Net realized and unrealized gains (losses) included in income or Other comprehensive income (loss) as shown in the table above contained no material net gains (losses) related to assets and liabilities transferred into or out of Level 3 during the three-month period ended June 30, 2015. The Net realized and unrealized gains (losses) included in income or Other comprehensive income (loss) as shown in the table above excluded \$18 million of net gains related to assets and liabilities transferred into Level 3, and included \$3 million of net gains related to assets and liabilities transferred out of Level 3 during the six-month period ended June 30, 2015.

Transfers of Level 3 Assets

During the three- and six-month periods ended June 30, 2016 and 2015, transfers into Level 3 assets primarily included certain investments in private placement corporate debt, RMBS 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 and CDO and certain ABS into Level 3 assets were due to decreases in market transparency and liquidity for individual security types.

During the three- and six-month periods ended June 30, 2016 and 2015, transfers out of Level 3 assets primarily included private placement and other corporate debt, CMBS, CDO/ABS, RMBS and certain investments in municipal securities. Transfers of certain investments 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, 2016 and 2015.

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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, 2016**	Valuation Technique	Unobservable Input[(b)]	Range (Weighted Average)
Assets:					
Obligations of states, municipalities and political subdivisions	$	1,448	Discounted cash flow	Yield	3.44% - 4.29% (3.86%)
Corporate debt		386	Discounted cash flow	Yield	3.80% - 4.77% (4.29%)
RMBS[(a)]		17,238	Discounted cash flow	Constant prepayment rate	1.26% - 8.84% (5.05%)
				Loss severity	46.90% - 80.26% (63.58%)
				Constant default rate	3.41% - 9.02% (6.22%)
				Yield	2.78% - 6.07% (4.43%)
CDO/ABS[(a)]		3,017	Discounted cash flow	Yield	3.54% - 5.55% (4.54%)
CMBS		73	Discounted cash flow	Yield	

				1.32% - 2.73% (2.03%)
Liabilities:				
Embedded derivatives within Policyholder contract deposits:				
GMWB and GMAB	**2,710**	Discounted cash flow	Equity volatility	15.00% - 50.00%
			Base lapse rate	1.00% - 17.00%
			Dynamic lapse rate	0.20% - 25.50%
			Mortality multiplier(c)	80.00% - 104.27%
			Utilization rate	0.00% - 70.00%
			Equity / interest-rate correlation	20.00% - 40.00%
Index Annuities	**963**	Discounted cash flow	Lapse rate	0.75% - 66.00%
			Mortality multiplier(c)	50.00% - 75.00%
Indexed Life	**345**	Discounted cash flow	Equity volatility	12.62% to 21.70%
			Base lapse rate	2.00% to 19.00%
			Mortality rate	0.00% to 40.00%

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(in millions)		Fair Value at December 31, 2015	Valuation Technique	Unobservable Input[b]	Range (Weighted Average)
Assets:					
Obligations of states, municipalities and political subdivisions	$	1,217	Discounted cash flow	Yield	4.32% - 5.10% (4.71%)
Corporate debt		642	Discounted cash flow	Yield	5.63% - 12.45% (9.04%)
RMBS[a]		17,280	Discounted cash flow	Constant prepayment rate	0.99% - 8.95% (4.97%)
				Loss severity	47.21% - 79.50% (63.35%)
				Constant default rate	3.49% - 9.04% (6.26%)
				Yield	3.13% - 6.14% (4.63%)
CDO/ABS[a]		3,338	Discounted cash flow	Yield	3.41% - 4.98% (4.19%)
CMBS		2,388	Discounted cash flow	Yield	0.00% - 17.65% (6.62%)
Liabilities:					
Embedded derivatives within Policyholder contract deposits:					

GMWB and GMAB	1,234	Discounted cash flow	Equity volatility	15.00% - 50.00%
			Base lapse rate	1.00% - 17.00%
			Dynamic lapse rate	0.20% - 25.50%
			Mortality multiplier(c)	80.00% - 104.27%
			Utilization rate	0.00% - 70.00%
			Equity / interest-rate correlation	20.00% - 40.00%
Index Annuities	715	Discounted cash flow	Lapse rate	0.75% - 66.00%
			Mortality multiplier(c)	50.00% - 75.00%
Indexed Life	332	Discounted cash flow	Equity volatility	13.25% to 22.00%
			Base lapse rate	2.00% to 19.00%
			Mortality rate	0.00% to 40.00%

(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) Mortality inputs are shown as multipliers of the 2012 Individual Annuity Mortality Basic table for GMWB and GMAB, and the 1975-1980 Modified Basic Table for index annuities.

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.

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Sensitivity to Changes in 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 sensitivities of significant unobservable inputs along with interrelationships between and among the significant unobservable inputs and their impact on the fair value measurements. The effect of a change in a particular assumption in the sensitivity analysis below is considered independently of changes in any other assumptions. 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.

Obligations of States, Municipalities and Political Subdivisions

The significant unobservable input used in the fair value measurement of certain investments in obligations of states, municipalities and political subdivisions is yield. In general, increases in the yield would decrease the fair value of investments in obligations of states, municipalities and political subdivisions.

Corporate Debt

Corporate debt securities included in Level 3 are primarily private placement issuances that are not traded in active markets or that are subject to transfer restrictions. Fair value measurements consider illiquidity and non transferability. When observable price quotations are not available, fair value is determined based on discounted cash flow models using discount rates based on credit spreads, yields or price levels of publicly traded debt of the issuer or other comparable securities, considering illiquidity and structure. The significant unobservable input used in the fair value measurement of corporate debt is the yield. The yield is affected by the market movements in credit spreads and U.S. Treasury yields. In addition, the migration in credit quality of a given security generally has a corresponding effect on the fair value measurement of the security. For example, a downward migration of credit quality would increase spreads. Holding U.S. Treasury rates constant, an increase in corporate credit spreads would decrease the fair value of corporate debt.

RMBS and CDO/ABS

The significant unobservable inputs used in fair value measurements of RMBS and certain CDO/ABS valued by third party valuation service providers are constant prepayment rates (CPR), loss severity, constant default rates (CDR), and yield. A change in the assumptions used for the probability of default will generally be accompanied by a corresponding change in the assumption used for the loss severity and an inverse change in the assumption used for prepayment rates. In general, increases in CPR, loss severity, CDR, and yield, in isolation, would result in a decrease in the fair value measurement. Changes in fair value based on variations in assumptions generally cannot be extrapolated because the relationship between the directional change of each input is not usually linear.

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CMBS

The significant unobservable input used in fair value measurements for CMBS is the yield. Prepayment assumptions for each mortgage pool are factored into the yield. CMBS generally feature a lower degree of prepayment risk than RMBS because commercial mortgages generally contain a penalty for prepayment. In general, increases in the yield would decrease the fair value of CMBS.

Embedded derivatives within Policyholder contract deposits

Embedded derivatives reported within Policyholder contract deposits include guaranteed minimum withdrawal benefits (GMWB) and guaranteed minimum accumulation benefits (GMAB) within variable annuity products, and interest crediting rates based on market indices within index annuities, indexed life and guaranteed investment contracts (GICs). 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 and GMAB 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, but in certain scenarios, increases in assumed lapse rates may increase the fair value of the liability.

- 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 rate 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 rate 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.

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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 NAV per share (or its equivalent). For these investments, which are measured at fair value on a recurring basis, we use the NAV per share to measure fair value**.**

		June 30, 2016		December 31, 2015	
(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	**$ 1,560**	**$ 547**	$ 1,774	$ 436
Real Estate / Infrastructure	Investments in real estate properties and infrastructure positions, including power plants and other energy generating facilities	**266**	**227**	306	213
Venture capital	Early-stage, high-potential, growth companies expected to generate a return through an	**99**	**34**	107	41

	eventual realization event, such as an initial public offering or sale of the company				
Distressed	Securities of companies that are in default, under bankruptcy protection, or troubled	134	42	146	41
Other	Includes multi-strategy, mezzanine and other strategies	282	248	298	239
Total private equity funds		2,341	1,098	2,631	970
Hedge funds:					
Event-driven	Securities of companies undergoing material structural changes, including mergers, acquisitions and other reorganizations	700	-	1,194	-
Long-short	Securities that the manager believes are undervalued, with corresponding short positions to hedge market risk	2,240	28	2,978	25
Macro	Investments that take long and short positions in financial instruments based on a top-down view of certain economic and capital market conditions	573	-	555	-
Distressed	Securities of companies that are in default, under bankruptcy protection or troubled	640	7	699	8
Emerging markets	Investments in the financial markets of developing countries	300	-	353	-
Other	Includes multi-strategy, relative value and other strategies	140	-	167	-
Total hedge funds		4,593	35	5,946	33
Total		$ 6,934	$ 1,133	$ 8,577	$ 1,003

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. At June 30, 2016, assuming average original expected lives of 10 years for the funds, 78 percent of the total fair value using NAV per share (or its equivalent) presented above would have expected remaining lives of three years or less, 10 percent between four and six years and 12 percent between seven and 10 years.

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The hedge fund investments included above, which are carried at fair value, are generally redeemable monthly (14 percent), quarterly (41 percent), semi annually (12 percent) and annually (33 percent), with redemption notices ranging from one day to 180 days. At June 30, 2016, investments representing approximately 81 percent of the total fair value of these hedge fund investments had partial contractual redemption restrictions. These partial redemption restrictions are generally related to one or more investments held in the hedge funds that the fund manager deemed to be illiquid. The majority of these contractual restrictions, which may have been put in place at the fund's inception or thereafter, have pre defined end dates. The majority of these restrictions are generally expected to be lifted by the end of 2017.

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)	**2016**	2015	**2016**	2015
Assets:				
Bond and equity securities	**$ 248**	$ 460	**$ 298**	$ 601
Alternative Investments[(a)]	**33**	118	**(214)**	263
Other, including Short-term investments	**-**	-	**-**	2
Liabilities:				
Long-term debt[(b)]	**(71)**	131	**(247)**	55
Other liabilities	**-**	-	**-**	(3)
Total gain (loss)	**$ 210**	$ 709	**$ (163)**	$ 918

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

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

We recognized gains of $3 million and $8 million during the three- and six-month periods ended June 30, 2016, respectively, and gains of $5 million and $11 million during the three- and six-month periods ended June 30, 2015, respectively, attributable to the observable effect of changes in credit spreads on our own liabilities for which the fair value option was elected. 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 values and the aggregate contractual principal amounts of mortgage and other loans receivable and long-term debt for which the fair value option was elected:

	June 30, 2016			December 31, 2015		
(in millions)	Fair Value	Outstanding Principal Amount	Difference	Fair Value	Outstanding Principal Amount	Difference
Assets:						
Mortgage and other loans receivable	**$ 11**	**$ 8**	**$ 3**	$ 11	$ 9	$ 2
Liabilities:						
Long-term debt*	**$ 3,747**	**$ 2,594**	**$ 1,153**	$ 3,670	$ 2,675	$ 995

* Includes GIAs, notes, bonds, loans and mortgages payable.

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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 Non-Recurring Basis				Impairment Charges			
					Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	Level 1	Level 2	Level 3	Total	**2016**	2015	**2016**	2015
June 30, 2016								
Other investments	**$ -**	**$ -**	**$ 176**	**$ 176**	**$ 29**	$ 27	**$ 31**	$ 52
Investments in life settlements	**-**	**-**	**534**	**534**	**92**	72	**249**	142
Other assets	**-**	**-**	**1**	**1**	**9**	4	**9**	8
Total	**$ -**	**$ -**	**$ 711**	**$ 711**	**$ 130**	$ 103	**$ 289**	$ 202
December 31, 2015								
Other investments	$ -	$ -	$ 1,117	$ 1,117				
Investments in life settlements	-	-	828	828				
Other assets	-	-	129	129				
Total	$ -	$ -	$ 2,074	$ 2,074				

Fair Value Information About Financial Instruments Not Measured at Fair Value

The following table presents the carrying value and estimated fair value 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, 2016					
Assets:					
Mortgage and other loans receivable	**$ -**	**$ 174**	**$ 32,795**	**$ 32,969**	**$ 31,250**
Other invested assets	**-**	**620**	**2,897**	**3,517**	**4,191**
Short-term investments	**-**	**8,385**	**-**	**8,385**	**8,385**

Cash	**1,784**	**-**	**-**	**1,784**	**1,784**
Liabilities:					
Policyholder contract deposits associated with investment-type contracts	**-**	**366**	**126,279**	**126,645**	**111,459**
Other liabilities	**-**	**3,697**	**-**	**3,697**	**3,697**
Long-term debt	**-**	**25,918**	**4,693**	**30,611**	**29,582**
December 31, 2015					
Assets:					
Mortgage and other loans receivable	$ -	$ 198	$ 30,147	$ 30,345	$ 29,554
Other invested assets	-	563	2,880	3,443	4,169
Short-term investments	-	7,541	-	7,541	7,541
Cash	1,629	-	-	1,629	1,629
Liabilities:					
Policyholder contract deposits associated with investment-type contracts	-	309	117,537	117,846	108,788
Other liabilities	-	2,852	-	2,852	2,852
Long-term debt	-	21,686	4,528	26,214	25,579

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5. INVESTMENTS

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	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Othe Te Impa in
June 30, 2016					
Bonds available for sale:					
U.S. government and government sponsored entities	**$ 2,024**	**$ 245**	**$ (2)**	**$ 2,267**	**$**
Obligations of states, municipalities and political subdivisions	**26,244**	**2,560**	**(27)**	**28,777**	
Non-U.S. governments	**18,559**	**1,643**	**(110)**	**20,092**	
Corporate debt	**132,265**	**11,026**	**(1,130)**	**142,161**	
Mortgage-backed, asset-backed and collateralized:					
RMBS	**35,072**	**2,824**	**(452)**	**37,444**	
CMBS	**14,103**	**928**	**(57)**	**14,974**	
CDO/ABS	**16,183**	**398**	**(207)**	**16,374**	
Total mortgage-backed, asset-backed and collateralized	**65,358**	**4,150**	**(716)**	**68,792**	
Total bonds available for sale[(b)]	**244,450**	**19,624**	**(1,985)**	**262,089**	
Equity securities available for sale:					
Common stock	**796**	**332**	**(11)**	**1,117**	
Preferred stock	**19**	**4**	**-**	**23**	
Mutual funds	**431**	**71**	**-**	**502**	
Total equity securities available for sale	**1,246**	**407**	**(11)**	**1,642**	
Total	**$ 245,696**	**$ 20,031**	**$ (1,996)**	**$ 263,731**	**$**
December 31, 2015					
Bonds available for sale:					
U.S. government and government sponsored entities	$ 1,698	$ 155	$ (9)	$ 1,844	$
Obligations of states, municipalities and political subdivisions	26,003	1,424	(104)	27,323	
Non-U.S. governments	17,752	805	(362)	18,195	

Corporate debt		133,513		6,462		(3,987)	135,988	
Mortgage-backed, asset-backed and collateralized:								
RMBS		33,878		2,760		(411)	36,227	
CMBS		13,139		561		(129)	13,571	
CDO/ABS		14,985		360		(248)	15,097	
Total mortgage-backed, asset-backed and collateralized		62,002		3,681		(788)	64,895	
Total bonds available for sale[b]		240,968		12,527		(5,250)	248,245	
Equity securities available for sale:								
Common stock		913		1,504		(16)	2,401	
Preferred stock		19		3		-	22	
Mutual funds		447		53		(8)	492	
Total equity securities available for sale		1,379		1,560		(24)	2,915	
Total	$	242,347	$	14,087	$	(5,274)	$251,160	$

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

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(b) At June 30, 2016 and December 31, 2015, bonds available for sale held by us that were below investment grade or not rated totaled $35.8 billion and $34.9 billion, respectively.

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	Gr Unreali Los
June 30, 2016						
Bonds available for sale:						
U.S. government and government sponsored entities	**$ 51**	**$ 2**	**$ 12**	**$ -**	**$ 63**	**$**
Obligations of states, municipalities and political subdivisions	**163**	**1**	**257**	**26**	**420**	
Non-U.S. governments	**1,236**	**25**	**1,005**	**85**	**2,241**	
Corporate debt	**8,058**	**302**	**9,098**	**828**	**17,156**	**1,**
RMBS	**4,263**	**125**	**4,731**	**327**	**8,994**	
CMBS	**620**	**29**	**639**	**28**	**1,259**	
CDO/ABS	**4,936**	**104**	**2,888**	**103**	**7,824**	
Total bonds available for sale	**19,327**	**588**	**18,630**	**1,397**	**37,957**	**1,**
Equity securities available for sale:						
Common stock	**142**	**10**	**2**	**1**	**144**	
Mutual funds	**13**	**-**	**-**	**-**	**13**	
Total equity securities available for sale	**155**	**10**	**2**	**1**	**157**	
Total	**$19,482**	**$ 598**	**$18,632**	**$ 1,398**	**$38,114**	**$ 1,**
December 31, 2015						
Bonds available for sale:						
U.S. government and government sponsored entities	$ 483	$ 9	$ 1	$ -	$ 484	$
Obligations of states, municipalities and political subdivisions	2,382	87	268	17	2,650	
Non-U.S. governments	4,327	203	832	159	5,159	
Corporate debt	41,317	2,514	5,428	1,473	46,745	3,

RMBS	7,215	133	4,318	278	11,533	
CMBS	4,138	108	573	21	4,711	
CDO/ABS	7,064	104	2,175	144	9,239	
Total bonds available for sale	66,926	3,158	13,595	2,092	80,521	5,
Equity securities available for sale:						
Common stock	91	16	-	-	91	
Mutual funds	200	8	-	-	200	
Total equity securities available for sale	291	24	-	-	291	
Total	$67,217	$ 3,182	$13,595	$ 2,092	$80,812	$ 5,

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Transfers of Level 3 Liabilities

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At June 30, 2016, we held 7,153 and 140 individual fixed maturity and equity securities, respectively, that were in an unrealized loss position, of which 3,129 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, 2016 because 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, expected defaults on underlying collateral, review of relevant industry analyst reports and forecasts and other 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		Fixed Maturity Securities in a Loss Position Available for Sale	
June 30, 2016 *(in millions)*	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	**$ 8,363**	**$ 8,501**	**$ 745**	**$ 734**
Due after one year through five years	**51,468**	**54,680**	**4,813**	**4,616**
Due after five years through ten years	**50,399**	**53,104**	**7,253**	**6,779**
Due after ten years	**68,862**	**77,012**	**8,338**	**7,751**
Mortgage-backed, asset-backed and collateralized	**65,358**	**68,792**	**18,793**	**18,077**
Total	**$ 244,450**	**$ 262,089**	**$ 39,942**	**$ 37,957**
December 31, 2015				
Due in one year or less	$ 9,176	$ 9,277	$ 1,122	$ 1,103
Due after one year through five years	47,230	49,196	9,847	9,494
Due after five years through ten years	54,120	54,459	22,296	20,686
Due after ten years	68,440	70,418	26,235	23,755
Mortgage-backed, asset-backed and collateralized	62,002	64,895	26,271	25,483
Total	$ 240,968	$ 248,245	$ 85,771	$ 80,521

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,			
	2016		2015		**2016**		2015	
(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	**$ 217**	**$ 93**	$ 194	$ 59	**$ 404**	**$ 642**	$ 343	$ 177
Equity securities	**980**	**6**	24	3	**1,012**	**14**	520	8
Total	**$ 1,197**	**$ 99**	$ 218	$ 62	**$ 1,416**	**$ 656**	$ 863	$ 185

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For the three and six-month periods ended June 30, 2016, the aggregate fair value of available for sale securities sold was $8.3 billion and $14.4 billion, respectively, which resulted in net realized capital gains of $1.1 billion and net realized capital gains of $760 million, respectively.

For the three and six-month periods ended June 30, 2015, the aggregate fair value of available for sale securities sold was $7.1 billion and $14.0 billion, respectively, which resulted in net realized capital gains of $156 million and $678 million, respectively.

Other Securities Measured at Fair Value

The following table presents the fair value of other securities measured at fair value based on our election of the fair value option:

	June 30, 2016		December 31, 2015	
(in millions)	Fair Value	Percent of Total	Fair Value	Percent of Total
Fixed maturity securities:				
U.S. government and government sponsored entities	**$ 3,595**	**23 %**	$ 3,369	19%
Obligations of states, municipalities and political subdivisions	**-**	**-**	75	-
Non-U.S. governments	**55**	**-**	50	-
Corporate debt	**1,967**	**12**	2,035	12
Mortgage-backed, asset-backed and collateralized:				
RMBS	**1,925**	**12**	2,230	13
CMBS	**666**	**4**	750	4
CDO/ABS and other collateralized*	**7,127**	**45**	8,273	47
Total mortgage-backed, asset-backed and collateralized	**9,718**	**61**	11,253	64
Total fixed maturity securities	**15,335**	**96**	16,782	95
Equity securities	**661**	**4**	921	5
Total	**$ 15,996**	**100 %**	$ 17,703	100%

* Includes $557 million and $712 million of U.S. Government agency-backed ABS at June 30, 2016 and December 31, 2015, respectively.

Other Invested Assets

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

(in millions)		June 30, 2016		December 31, 2015
Alternative investments[(a) (b)]	$	14,972	$	18,150
Investment real estate[(c)]		7,340		6,579
Aircraft asset investments[(d)]		427		477
Investments in life settlements		3,565		3,606
All other investments		1,041		982
Total	$	27,345	$	29,794

(a) At June 30, 2016, includes hedge funds of $8.3 billion, private equity funds of $6.0 billion, and affordable housing partnerships of $633 million. At December 31, 2015, includes hedge funds of $10.9 billion, private equity funds of $6.5 billion, and affordable housing partnerships of $701 million.

(b) Approximately 59 percent of our hedge fund portfolio is available for redemption in 2016, an additional 24 percent and 10 percent will be available in 2017 and 2018, respectively.

(c) Net of accumulated depreciation of $579 million and $668 million in June 30, 2016 and December 31, 2015, respectively.

(d) Consists of investments in aircraft equipment held in consolidated trusts.

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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)	**2016**	2015	**2016**	2015
Fixed maturity securities, including short-term investments	**$ 2,992**	$ 2,800	**$ 5,928**	$ 5,683
Equity securities	**(22)**	66	**(44)**	81
Interest on mortgage and other loans	**376**	347	**765**	686
Alternative investments*	**310**	658	**(56)**	1,244
Real estate	**35**	24	**88**	50
Other investments	**101**	48	**238**	189
Total investment income	**3,792**	3,943	**6,919**	7,933
Investment expenses	**109**	117	**223**	269
Net investment income	**$ 3,683**	$ 3,826	**$ 6,696**	$ 7,664

* Beginning in the first quarter of 2016, the presentation of income on alternative investments has been refined to include only income from hedge funds, private equity funds and affordable housing partnerships. Prior period disclosures have been reclassified to conform to this presentation. Hedge funds for which we elected the fair value option are recorded as of the balance sheet date. Other hedge funds are generally reported on a one-month lag, while private equity funds are generally reported on a one-quarter lag.

Net Realized Capital Gains and Losses

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2016**	2015	**2016**	2015
Sales of fixed maturity securities	**$ 124**	$ 135	**$ (238)**	$ 166
Sales of equity securities	**974**	21	**998**	512
Other-than-temporary impairments:				
Severity	**(3)**	-	**(5)**	(2)
Change in intent	**(4)**	(88)	**(33)**	(112)

Foreign currency declines	**(1)**	(3)	**(7)**	(32)
Issuer-specific credit events	**(95)**	(70)	**(226)**	(138)
Adverse projected cash flows	**(5)**	(3)	**(41)**	(8)
Provision for loan losses	**(30)**	(13)	**-**	11
Foreign exchange transactions	**(38)**	66	**(558)**	320
Derivatives and hedge accounting	**170**	288	**97**	496
Impairments on investments in life settlements	**(92)**	(72)	**(249)**	(142)
Other*	**42**	(135)	**198**	396
Net realized capital gains (losses)	**$ 1,042**	$ 126	**$ (64)**	$ 1,467

* Includes $107 million of realized gains due to a purchase price adjustment on the sale of Class B shares of Prudential Financial Inc. for the six months ended June 30, 2016 and $357 million of realized gains due to the sale of common shares of SpringLeaf Holdings, $428 million of realized gains due to the sale of Class B shares of Prudential Financial Inc. and $463 million of realized losses due to the sale of ordinary shares of AerCap for the six months ended June 30, 2015.

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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 Month Ended June 30	
(in millions)	**2016**	2015	**2016**	
Increase (decrease) in unrealized appreciation (depreciation) of investments:				
Fixed maturity securities	**$ 5,584**	$(6,559)	**$ 10,362**	$(4,
Equity securities	**(1,045)**	287	**(1,140)**	
Other investments	**(66)**	(37)	**(214)**	(
Total Increase (decrease) in unrealized appreciation (depreciation) of investments	**$ 4,473**	$(6,309)	**$ 9,008**	$(5,

Evaluating Investments for Other-Than-Temporary Impairments

For a discussion of our policy for evaluating investments for other-than-temporary impairments, see Note 5 to the Consolidated Financial Statements in the 2015 Annual Report.

Credit Impairments

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:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2016**	2015	**2016**	2015
Balance, beginning of period	**$ 1,523**	$ 2,466	**$ 1,747**	$ 2,659
Increases due to:				
Credit impairments on new securities subject to impairment losses	**13**	35	**123**	50
Additional credit impairments on previously impaired securities	**74**	25	**129**	47
Reductions due to:				

Credit impaired securities fully disposed of for which there was no prior intent or requirement to sell	**(93)**	(108)	**(243)**	(150)
Accretion on securities previously impaired due to credit*	**(219)**	(180)	**(458)**	(368)
Balance, end of period	**$ 1,298**	$ 2,238	**$ 1,298**	$ 2,238

* 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.

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Purchased Credit Impaired (PCI) Securities

We purchase certain RMBS securities that have experienced deterioration in credit quality since their issuance. We determine, based on our expectations as to the timing and amount of cash flows expected to be received, whether it is probable at acquisition that we will not collect all contractually required payments for these PCI securities, including both principal and interest after considering the effects of prepayments. 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 a level-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:

(in millions)		**At Date of Acquisition**
Contractually required payments (principal and interest)	**$**	**34,940**
Cash flows expected to be collected*		**28,437**
Recorded investment in acquired securities		**19,059**

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

(in millions)		**June 30, 2016**		December 31, 2015
Outstanding principal balance	**$**	**17,173**	$	16,871
Amortized cost		**12,397**		12,303
Fair value		**12,992**		13,164

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

	Three Months Ended June 30,				Six Months Ended June 30,			
(in millions)		**2016**		2015		**2016**		2015
Balance, beginning of period	**$**	**6,622**	$	6,765	**$**	**6,846**	$	6,865
Newly purchased PCI securities		**245**		170		**451**		415
Disposals		**-**		(13)		**-**		(13)
Accretion		**(209)**		(221)		**(423)**		(441)
Effect of changes in interest rate indices		**60**		(6)		**(239)**		(144)
Net reclassification from (to) non-accretable difference, including effects of prepayments		**325**		138		**408**		151
Balance, end of period	**$**	**7,043**	$	6,833	**$**	**7,043**	$	6,833

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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, 2016**		December 31, 2015
Fixed maturity securities available for sale	**$**	**1,704**	$	1,145
Other bond securities, at fair value	**$**	**2,093**	$	1,740

At June 30, 2016 and December 31, 2015, amounts borrowed under repurchase and securities lending agreements totaled $3.8 billion and $2.9 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	up to	31 -	91 -	365	Total

	and Continuous	30 days	90 days	364 days	days or greater	
June 30, 2016						
Other bond securities:						
U.S. government and government sponsored entities	**$ 116**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 116**
Non-U.S. governments	**-**	**-**	**-**	**55**	**-**	**55**
Corporate debt	**-**	**73**	**734**	**980**	**120**	**1,907**
Total	**$ 116**	**$ 73**	**$ 734**	**$ 1,035**	**$ 120**	**$ 2,078**
December 31, 2015						
Bonds available for sale:						
Non-U.S. governments	$ -	$ 50	$ -	$ -	$ -	$ 50
Other bond securities:						
Non-U.S. governments	-	-	-	49	-	49
Corporate debt	-	33	332	1,326	-	1,691
Total	$ -	$ 83	$ 332	$ 1,375	$ -	$ 1,790

Transfers of Level 3 Liabilities

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Item 1 / NOTE 5. INVESTMENTS

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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, 2016						
Bonds available for sale:						
Corporate debt	**$ -**	**$ 285**	**$ 713**	**$ 243**	**$ 20**	**$ 1,261**
RMBS	**-**	**241**	**201**	**-**	**-**	**442**
Other bond securities:						
RMBS	**-**	**9**	**7**	**-**	**-**	**16**
Total	**$ -**	**$ 535**	**$ 921**	**$ 243**	**$ 20**	**$ 1,719**
December 31, 2015						
Bonds available for sale:						
Non-U.S. governments	$ -	$ -	$ 57	$ -	$ -	$ 57
Corporate debt	-	-	914	-	-	914
RMBS	-	-	-	124	-	124
Total	$ -	$ -	$ 971	$ 124	$ -	$ 1,095

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, 2016**	December 31, 2015
Securities collateral pledged to us	**$ 1,489**	$ 1,742
Amount sold or repledged by us	**$ 105**	$ -

Insurance – Statutory and Other Deposits

Total carrying values 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 treaties, were $5.1 billion and $4.9 billion at June 30, 2016 and December 31, 2015, 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 $107 million and $47 million of stock in FHLBs at June 30, 2016 and December 31, 2015, respectively. In addition, our subsidiaries have pledged securities available for sale with a fair value of $3.5 billion and $1.2 billion at June 30, 2016 and December 31, 2015, respectively, associated with advances from the FHLBs.

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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 $2.3 billion and $2.4 billion at June 30, 2016 and December 31, 2015, 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.

Short-term investments held in escrow accounts or otherwise subject to restriction as to their use were $507 million and $439 million at June 30, 2016 and December 31, 2015, respectively.

6. LENDING ACTIVITIES

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

(in millions)	June 30, 2016	December 31, 2015
Commercial mortgages*	$ 22,904	$ 22,067
Residential mortgages	3,307	2,758
Commercial loans, other loans and notes receivable	2,820	2,451
Life insurance policy loans	2,538	2,597
Total mortgage and other loans receivable	31,569	29,873
Allowance for credit losses	(308)	(308)
Mortgage and other loans receivable, net	$ 31,261	$ 29,565

* Commercial mortgages primarily represent loans for offices, retail properties and apartments, with exposures in New York and California representing the largest geographic concentrations (aggregating approximately 24 percent and 12 percent, respectively, at June 30, 2016, and 22 percent and 12 percent, respectively, at December 31, 2015).

Credit Quality of Commercial Mortgages

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

	Debt Service Coverage Ratios[a]			
(in millions)	>1.20X	1.00X - 1.20X	<1.00X	Total
June 30, 2016				
Loan-to-Value Ratios[b]				
Less than 65%	**$ 12,105**	**$ 1,873**	**$ 139**	**$ 14,117**
65% to 75%	**5,660**	**352**	**43**	**6,055**
76% to 80%	**1,445**	**164**	**84**	**1,693**
Greater than 80%	**576**	**267**	**196**	**1,039**
Total commercial mortgages	**$ 19,786**	**$ 2,656**	**$ 462**	**$ 22,904**
December 31, 2015				
Loan-to-Value Ratios[b]				
Less than 65%	$ 10,283	$ 1,704	$ 150	$ 12,137
65% to 75%	6,361	611	45	7,017
76% to 80%	1,370	169	81	1,620
Greater than 80%	646	226	421	1,293
Total commercial mortgages	$ 18,660	$ 2,710	$ 697	$ 22,067

(a) The debt service coverage ratio compares a property’s net operating income to its debt service payments, including principal and interest.

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Item 1 / NOTE 6. LENDING ACTIVITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

(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.

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, 2016									
Credit Quality Performance									
Indicator:									
In good standing	**802**	**$4,342**	**$ 7,647**	**$4,995**	**$1,713**	**$2,454**	**$ 1,450**	**$ 22,601**	**99%**
Restructured[a]	**8**	**-**	**235**	**19**	**-**	**16**	**-**	**270**	**1**
90 days or less delinquent	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
>90 days delinquent or in process of foreclosure	**7**	**3**	**12**	**-**	**-**	**6**	**12**	**33**	**-**
Total[b]	**817**	**$4,345**	**$ 7,894**	**$5,014**	**$1,713**	**$2,476**	**$ 1,462**	**$ 22,904**	**100%**
Allowance for credit losses:									
Specific		**$ -**	**$ 4**	**$ 1**	**$ 6**	**$ 1**	**$ -**	**$ 12**	**-%**
General		**48**	**55**	**44**	**6**	**21**	**12**	**186**	**1**
Total allowance for credit losses		**$ 48**	**$ 59**	**$ 45**	**$ 12**	**$ 22**	**$ 12**	**$ 198**	**1%**
December 31, 2015									
Credit Quality Performance									
Indicator:									
In good standing	830	$ 3,916	$ 7,484	$ 4,809	$ 1,902	$ 2,082	$ 1,435	$ 21,628	98%
Restructured[a]	9	-	156	25	6	16	6	209	1
90 days or less delinquent	1	-	-	4	-	-	-	4	-
>90 days delinquent or in process of foreclosure	9	3	205	-	6	-	12	226	1
Total[b]	849	$ 3,919	$ 7,845	$ 4,838	$ 1,914	$ 2,098	$ 1,453	$ 22,067	100%
Allowance for credit losses:									
Specific		$ -	$ 16	$ 1	$ 6	$ 1	$ -	$ 24	-%
General		35	47	29	8	15	13	147	1
Total allowance for credit losses		$ 35	$ 63	$ 30	$ 14	$ 16	$ 13	$ 171	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 6 to the Consolidated Financial Statements in the 2015 Annual Report.

(b) Does not reflect allowance for credit losses.

(c) Approximately all of the commercial mortgages held at such respective dates were current as to payments of principal and interest. 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.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Allowance for Credit Losses

See Note 6 to the Consolidated Financial Statements in the 2015 Annual Report for a discussion of our accounting policy for evaluating Mortgage and other loans receivable for impairment.

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

	2016			2015		
Six Months Ended June 30, *(in millions)*	Commercial Mortgages	Other Loans	Total	Commercial Mortgages	Other Loans	Total
Allowance, beginning of year	**$ 171**	**$ 137**	**$ 308**	$ 159	$ 112	$ 271
Loans charged off	**(13)**	**-**	**(13)**	(4)	(1)	(5)
Recoveries of loans previously charged off	**11**	**-**	**11**	3	1	4
Net charge-offs	**(2)**	**-**	**(2)**	(1)	-	(1)
Provision for loan losses	**29**	**(27)**	**2**	(9)	(3)	(12)
Other	**-**	**-**	**-**	2	2	4
Allowance, end of period	**$ 198 ***	**$ 110**	**$ 308**	$ 151 *	$ 111	$ 262

* Of the total allowance, $12 million and $30 million relate to individually assessed credit losses on $352 million and $570 million of commercial mortgages at June 30, 2016 and 2015, respectively.

During the six-month periods ended June 30, 2016 and 2015, loans with a carrying value of $84 million and $97 million, respectively, were modified in troubled debt restructurings.

7. VARIABLE INTEREST ENTITIES

We enter into various arrangements with 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 of a VIE is the entity that has both (1) the power to direct the activities of the VIE that most significantly affect the entity's economic performance and (2) the obligation to absorb losses or the right to receive benefits that could be potentially significant to the VIE.

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Item 1 / NOTE 7. VARIABLE INTEREST ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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	Structured Investment Vehicle	Affordable Housing Partnerships	Other	Total
June 30, 2016						
Assets:						
Bonds available for sale	**$ -**	**$ 10,116**	**$ -**	**$ -**	**$ 8**	**$10,124**
Other bond securities	**-**	**5,254**	**334**	**-**	**6**	**5,594**
Mortgage and other loans receivable	**1**	**1,654**	**-**	**-**	**118**	**1,773**
Other invested assets	**2,043**	**427**	**-**	**2,848**	**25**	**5,343**
Other [a]	**570**	**912**	**78**	**296**	**168**	**2,024**
Total assets[b]	**$ 2,614**	**$ 18,363**	**$ 412**	**$ 3,144**	**$ 325**	**$24,858**
Liabilities:						
Long-term debt	**$ 1,538**	**$ 845**	**$ 52**	**$ 1,639**	**$ 6**	**$ 4,080**
Other [c]	**216**	**216**	**-**	**235**	**142**	**809**
Total liabilities	**$ 1,754**	**$ 1,061**	**$ 52**	**$ 1,874**	**$ 148**	**$ 4,889**
December 31, 2015						
Assets:						
Bonds available for sale	$ -	$ 10,309	$ -	$ -	$ 15	$10,324
Other bond securities	-	5,756	387	-	24	6,167
Mortgage and other loans receivable	1	1,960	-	-	132	2,093
Other invested assets	489	477	-	2,608	24	3,598
Other [a]	29	1,349	94	293	159	1,924
Total assets[b]	$ 519	$ 19,851	$ 481	$ 2,901	$ 354	$24,106
Liabilities:						
Long-term debt	$ -	$ 1,025	$ 53	$ 1,513	$ 6	$ 2,597
Other[c]	34	236	1	214	71	556
Total liabilities	$ 34	$ 1,261	$ 54	$ 1,727	$ 77	$ 3,153

(a) Comprised primarily of Short-term investments and Other assets at June 30, 2016 and December 31, 2015.

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

(c) Comprised primarily of Other liabilities and Derivative liabilities, at fair value, at June 30, 2016 and December 31, 2015.

(d) At June 30, 2016 and December 31, 2015, off-balance sheet exposure primarily consisting of commitments to real estate and investment entities was $119 million and $131 million, respectively.

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.

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Item 1 / NOTE 7. VARIABLE INTEREST ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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[(a)]		Off-Balance Sheet			Total
June 30, 2016								
Real estate and investment entities[(d)]	**$ 425,402**	**$**	**12,346**	**$**	**2,166**			**$ 14,512**
Affordable housing partnerships	**4,908**		**825**		**-**			**825**
Other	**4,346**		**339**		**779**	**(b)**		**1,118**
Total [(c)]	**$ 434,656**	**$**	**13,510**	**$**	**2,945**			**$ 16,455**
December 31, 2015								
Real estate and investment entities[(d)]	$ 21,951	$	3,072	$	398			$ 3,470
Affordable housing partnerships	5,255		774		-			774
Other	1,110		215		1,000	(b)		1,215
Total	$ 28,316	$	4,061	$	1,398			$ 5,459

(a) At June 30, 2016 and December 31, 2015, $ 13.0 billion and $3.8 billion, respectively, of our total unconsolidated VIE assets were recorded as Other invested assets.

(b) These amounts primarily 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.

(c) As discussed in Note 2, on January 1, 2016, we adopted accounting guidance that resulted in an increase in the number of our investment entities classified as VIEs.

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

See Note 9 to the Consolidated Financial Statements in the 2015 Annual Report for additional information on VIEs.

8. 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. See Note 10 to the Consolidated Financial Statements in the 2015 Annual Report for a discussion of our accounting policies and procedures regarding derivatives and hedge accounting.

Our businesses use derivatives and other instruments as part of their financial risk management. 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 options) are used to economically mitigate risk associated with non U.S. dollar denominated debt, net capital exposures, and foreign currency transactions. Equity derivatives are used to mitigate financial risk embedded in certain insurance liabilities. 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, CDSs and purchases of investments with embedded derivatives, such as equity linked notes and convertible bonds.

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Item 1 / NOTE 8. DERIVATIVES AND HEDGE ACCOUNTING

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The following table presents the notional amounts of our derivative instruments and the fair value of derivative assets and liabilities in the Condensed Consolidated Balance Sheets:

	June 30, 2016				December 31, 2015			
	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	$ 519	$ 4	$ 520	$ 3	$ 301	$ 1	$ 725	$ 2
Foreign exchange contracts	5,081	455	852	32	2,903	207	914	56
Equity contracts	120	1	-	-	-	-	121	23
Derivatives not designated as hedging instruments:[a]								
Interest rate contracts	68,331	5,025	30,817	3,023	45,846	3,161	65,733	2,197
Foreign exchange contracts	11,131	1,041	7,784	1,419	9,472	559	8,900	1,148
Equity contracts	11,046	278	7,478	5	6,656	177	5,028	45
Credit contracts[b]	4	3	967	376	4	3	1,289	508
Other contracts[c]	38,793	23	192	125	37,586	23	203	69
Total derivatives, gross	$ 135,025	$ 6,830	$ 48,610	$ 4,983	$ 102,768	$ 4,131	$ 82,913	$ 4,048
Counterparty netting[d]		(2,192)		(2,192)		(1,268)		(1,268)
Cash collateral[e]		(3,233)		(738)		(1,554)		(760)
Total derivatives on condensed consolidated balance sheets[f]		$ 1,405		$ 2,053		$ 1,309		$ 2,020

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

(b) As of June 30, 2016 and December 31, 2015, included CDSs on super senior multi-sector CDOs with a net notional amount of $0.9 billion and $1.1 billion (fair value liability of $353 million and $483 million), respectively. The expected weighted average maturity as of June 30, 2016 is six years. Because of long-term maturities of the CDSs in the portfolio, we are unable to make reasonable estimates of the periods during which any payments would be made. However, the net notional amount represents the maximum exposure to loss on the portfolio. As of June 30, 2016 and December 31, 2015, there were no super senior corporate debt/CLOs remaining.

(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 Liabilities, respectively. Fair value of assets related to bifurcated Embedded derivatives was $0 at both June 30, 2016 and December 31, 2015. Fair value of liabilities related to bifurcated Embedded derivatives was $4.1 billion and $2.3 billion, respectively, at June 30, 2016 and December 31, 2015. 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.

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 (CSA) 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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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 $3.1 billion and $3.0 billion at June 30, 2016 and December 31, 2015, respectively. 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 $3.3 billion and $1.6 billion at June 30, 2016 and December 31, 2015, 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, 2016, we recognized losses of $4 million and $9 million, respectively, and for the three- and six-month periods ended June 30, 2015, we recognized gains (losses) of $(21) million and $73 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.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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:		Including Gains/(Losses) Attributable to:		
(in millions)	Hedging Derivatives[(a)]	Hedged Items	Hedge Ineffectiveness	Excluded Components	Other[(b)]
Three Months Ended June 30, 2016					
Interest rate contracts:					
Realized capital gains/(losses)	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Interest credited to policyholder account balances	**-**	**-**	**-**	**-**	**-**
Other income	**-**	**5**	**-**	**-**	**5**
Gain/(Loss) on extinguishment of debt	**-**	**-**	**-**	**-**	**-**
Foreign exchange contracts:					
Realized capital gains/(losses)	**389**	**(345)**	**-**	**43**	**1**
Interest credited to policyholder account balances	**-**	**-**	**-**	**-**	**-**
Other income	**-**	**5**	**-**	**-**	**5**
Gain/(Loss) on extinguishment of debt	**-**	**-**	**-**	**-**	**-**
Equity contracts:					
Realized capital gains/(losses)	**10**	**(7)**	**-**	**3**	**-**
Three Months Ended June 30, 2015					
Interest rate contracts:					
Realized capital gains/(losses)	$ -	$ -	$ -	$ -	$ -
Interest credited to policyholder account balances	-	-	-	-	-
Other income	-	2	-	-	2
Gain/(Loss) on extinguishment of debt	-	-	-	-	-
Foreign exchange contracts:					
Realized capital gains/(losses)	(60)	73	-	13	-
Interest credited to policyholder account balances	-	-	-	-	-
Other income	-	4	-	-	4
Gain/(Loss) on extinguishment of debt	-	1	-	-	1
Equity contracts:					
Realized capital gains/(losses)	(13)	13	-	-	-

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

	Gains/(Losses) Recognized in Earnings for:		Including Gains/(Losses) Attributable to:		
(in millions)	Hedging Derivatives[a]	Hedged Items	Hedge Ineffectiveness	Excluded Components	Other[b]
Six Months Ended June 30, 2016					
Interest rate contracts:					
Realized capital gains/(losses)	**$ 1**	**$ (7)**	**$ -**	**$ -**	**$ (6)**
Interest credited to policyholder account balances	**-**	**-**	**-**	**-**	**-**
Other income	**-**	**7**	**-**	**-**	**7**
Gain/(Loss) on extinguishment of debt	**-**	**-**	**-**	**-**	**-**
Foreign exchange contracts:					
Realized capital gains/(losses)	**423**	**(409)**	**-**	**14**	**-**
Interest credited to policyholder account balances	**-**	**-**	**-**	**-**	**-**
Other income	**-**	**12**	**-**	**-**	**12**
Gain/(Loss) on extinguishment of debt	**-**	**-**	**-**	**-**	**-**
Equity contracts:					
Realized capital gains/(losses)	**20**	**(19)**	**-**	**1**	**-**
Six Months Ended June 30, 2015					
Interest rate contracts:					
Realized capital gains/(losses)	$ 1	$ (1)	$ -	$ -	$ -
Interest credited to policyholder account balances	-	-	-	-	-
Other income	-	5	-	-	5
Gain/(Loss) on extinguishment of debt	-	13	-	-	13
Foreign exchange contracts:					
Realized capital gains/(losses)	72	(56)	-	13	3
Interest credited to policyholder account balances	-	(1)	-	-	(1)
Other income	-	10	-	-	10
Gain/(Loss) on extinguishment of debt	-	17	-	-	17
Equity contracts:					
Realized capital gains/(losses)	(19)	18	-	(1)	-

a) The amounts presented do not include the periodic net coupon settlements of the derivative contract or the coupon income (expense) related to the hedged item.

(b) Represents accretion/amortization of opening fair value of the hedged item at inception of hedge relationship, amortization of basis adjustment on hedged item following the discontinuation of hedge accounting, and the release of debt basis adjustment following the repurchase of issued debt that was part of previously-discontinued fair value hedge relationship.

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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)		**2016**		2015		**2016**		2015
By Derivative Type:								
Interest rate contracts	**$**	**603**	$	(427)	**$**	**1,373**	$	(71)
Foreign exchange contracts		**182**		(52)		**154**		270
Equity contracts		**(141)**		(31)		**(272)**		(120)
Commodity contracts		**-**		-		**-**		(1)
Credit contracts		**28**		13		**34**		160
Other contracts		**20**		(35)		**36**		(13)
Embedded derivatives		**(513)**		846		**(1,285)**		673
Total	**$**	**179**	$	314	**$**	**40**	$	898
By Classification:								
Policy fees	**$**	**20**	$	20	**$**	**40**	$	39
Net investment income		**13**		(13)		**12**		14
Net realized capital gains		**123**		305		**88**		476
Other income (losses)		**18**		8		**(112)**		370
Policyholder benefits and claims incurred		**5**		(6)		**12**		(1)
Total	**$**	**179**	$	314	**$**	**40**	$	898

Credit Risk-Related Contingent Features

The aggregate fair value of our derivative instruments that contain credit risk-related contingent features that were in a net liability position at both June 30, 2016 and December 31, 2015, was approximately $2.0 billion. The aggregate fair value of assets posted as collateral under these contracts at both June 30, 2016 and December 31, 2015, was approximately $2.1 billion.

We estimate that at June 30, 2016, based on our outstanding financial derivative transactions, a downgrade of our long-term senior debt ratings to BBB+, 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 $137 million.

Additional collateral postings upon downgrade are estimated based on the factors in the individual collateral posting provisions of the CSA with each counterparty and current exposure as of June 30, 2016. Factors considered in estimating the termination payments upon downgrade include current market conditions and the terms of the respective CSA provisions. Our estimates are also based on the assumption that counterparties will terminate based on their net exposure to us. The actual termination payments could differ from our estimates given market conditions at the time of downgrade and the level of uncertainty in estimating both the number of counterparties who may elect to exercise their right to terminate and the payment that may be triggered in connection with any such exercise.

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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 $5.1 billion and $5.7 billion at June 30, 2016 and December 31, 2015, respectively. These securities have par amounts of $10.6 billion and $11.2 billion at June 30, 2016 and December 31, 2015, respectively, and have remaining stated maturity dates that extend to 2052.

9. 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, like others in the insurance and financial services industries in general, subject to litigation, including claims for punitive damages. In our insurance and mortgage guaranty operations, litigation arising from claims settlement activities is generally considered in the establishment of our liability for unpaid losses and loss adjustment expenses. However, the potential for increasing jury awards and settlements makes it difficult to assess the ultimate outcome of such litigation. AIG is also subject to derivative, class action and other claims asserted by its shareholders and others alleging, among other things, breach of fiduciary duties by its directors and officers and violations of insurance laws and regulations, as well as federal and state securities laws. In the case of any derivative action brought on behalf of AIG, any recovery would accrue to the benefit of AIG.

Various regulatory and governmental agencies have been reviewing certain transactions and practices of AIG and our subsidiaries in connection with industry-wide and other inquiries into, among other matters, certain business practices of current and former operating insurance subsidiaries. We have cooperated, and will continue to cooperate, in producing documents and other information in response to subpoenas and other requests.

AIG's Subprime Exposure, AIGFP Credit Default Swap Portfolio and Related Matters

AIG, AIG Financial Products Corp. and related subsidiaries (collectively AIGFP), and certain directors and officers of AIG, AIGFP and other AIG subsidiaries have been named in various actions relating to our exposure to the U.S. residential subprime mortgage market, unrealized market valuation losses on AIGFP's super senior credit default swap portfolio, losses and liquidity constraints relating to our securities lending program and related disclosure and other matters (Subprime Exposure Issues).

Consolidated 2008 Securities Litigation. On May 19, 2009, a consolidated class action complaint, resulting from the consolidation of eight purported securities class actions filed between May 2008 and January 2009, was filed against AIG and certain directors and officers of AIG and AIGFP, AIG's outside auditors, and the underwriters of various securities offerings in the United States District Court for the Southern District of New York (the Southern District of New York) in In re American International Group, Inc. 2008 Securities Litigation (the Consolidated 2008 Securities Litigation), asserting claims under the Securities Exchange Act of 1934, as amended (the Exchange Act), and claims under the Securities Act of 1933, as amended (the Securities Act), for allegedly materially false and misleading statements in AIG's public disclosures from March 16, 2006 to September 16, 2008 relating to, among other things, the Subprime Exposure Issues.

On July 15, 2014 and August 1, 2014, lead plaintiff, AIG and AIG's outside auditor accepted mediators' proposals to settle the Consolidated 2008 Securities Litigation against all defendants. On October 22, 2014, AIG made a cash payment of $960 million, which is being held in escrow until all funds are distributed. On March 20, 2015, the Court issued an Order and Final Judgment approving the class settlement and dismissing the action with prejudice, and the AIG settlement became final on June 29, 2015.

Individual Securities Litigations. Between November 18, 2011 and February 9, 2015, eleven separate, though similar, securities actions (Individual Securities Litigations) were filed asserting claims substantially similar to those in the Consolidated 2008 Securities Litigation against AIG and certain directors and officers of AIG and AIGFP. Two of the actions were voluntarily dismissed. On September 10, 2015, the Southern District of New York granted AIG's motion to dismiss some of the claims in the Individual Securities Litigations in whole or in part. AIG has settled eight of the nine remaining actions.

On March 27, 2015, an additional securities action was filed in state court in Orange County, California asserting a claim against AIG pursuant to Section 11 of the Securities Act (the California Action) that is substantially similar to those in the Consolidated 2008 Securities Litigation and the remaining Individual Securities Litigation pending in the Southern District of New York. On July 10, 2015, AIG filed a motion to stay the California Action. On September 18, 2015, the court denied AIG's motion to stay the California Action. On October 23, 2015, AIG filed an appeal of the court's denial. On January 28, 2016, the California appellate court summarily denied AIG's appeal. On February 8, 2016, AIG filed a petition for review in the California Supreme Court, which was denied on March 30, 2016. On April 11, 2016, AIG filed a demurrer to dismiss all of the claims asserted in the California Action. On May 31, 2016, the court overruled AIG's demurrer in the California Action. On June 24, 2016, AIG filed a petition for writ of mandate in appellate court of the court's decision overruling AIG's demurrer.

We have accrued our current estimate of probable loss with respect to these litigations.

Starr International Litigation

On November 21, 2011, Starr International Company, Inc. (SICO) filed a complaint against the United States in the United States Court of Federal Claims (the Court of Federal Claims), bringing claims, both individually and on behalf of the classes defined below and derivatively on behalf of AIG (the SICO Treasury Action). The complaint challenges the government's assistance of AIG, pursuant to which AIG entered into a credit facility with the Federal Reserve Bank of New York (the FRBNY, and such credit facility, the FRBNY Credit Facility) and the United States received an approximately 80 percent ownership in AIG. The complaint alleges that the interest rate imposed on AIG and the appropriation of approximately 80 percent of AIG's equity was discriminatory, unprecedented, and inconsistent with liquidity assistance offered by the government to other comparable firms at the time and violated the Equal Protection, Due Process, and Takings Clauses of the U.S. Constitution.

In the SICO Treasury Action, the only claims naming AIG as a party (as a nominal defendant) are derivative claims on behalf of AIG. On September 21, 2012, SICO made a pre litigation demand on our Board demanding that we pursue the derivative claims or allow SICO to pursue the claims on our behalf. On January 9, 2013, our Board unanimously refused SICO's demand

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in its entirety and on January 23, 2013, counsel for the Board sent a letter to counsel for SICO describing the process by which our Board considered and refused SICO’s demand and stating the reasons for our Board’s determination.

On March 11, 2013, SICO filed a second amended complaint in the SICO Treasury Action alleging that its demand was wrongfully refused. On June 26, 2013, the Court of Federal Claims granted AIG’s and the United States’ motions to dismiss SICO’s derivative claims in the SICO Treasury Action due to our Board’s refusal of SICO’s demand and denied the United States’ motion to dismiss SICO’s direct, non-derivative claims.

On March 11, 2013, the Court of Federal Claims in the SICO Treasury Action granted SICO’s motion for class certification of two classes with respect to SICO’s non derivative claims: (1) persons and entities who held shares of AIG Common Stock on or before September 16, 2008 and who owned those shares on September 22, 2008 (the Credit Agreement Shareholder Class); and (2) persons and entities who owned shares of AIG Common Stock on June 30, 2009 and were eligible to vote those shares at AIG’s June 30, 2009 annual meeting of shareholders (the Reverse Stock Split Shareholder Class). SICO has provided notice of class certification to potential members of the classes, who, pursuant to a court order issued on April 25, 2013, had to return opt in consent forms by September 16, 2013 to participate in either class. 286,908 holders of AIG Common Stock during the two class periods have opted into the classes.

On June 15, 2015, the Court of Federal Claims issued its opinion and order in the SICO Treasury Action. The Court found that the United States exceeded its statutory authority by exacting approximately 80 percent of AIG’s equity in exchange for the FRBNY Credit Facility, but that AIG shareholders suffered no damages as a result. SICO argued during trial that the two classes are entitled to a total of approximately $40 billion in damages, plus interest. The Court also found that the United States was not liable to the Reverse Stock Split Class in connection with the reverse stock split vote at the June 30, 2009 annual meeting of shareholders.

On June 17, 2015, the Court of Federal Claims entered judgment stating that “the Credit Agreement Shareholder Class shall prevail on liability due to the Government's illegal exaction, but shall recover zero damages, and that the Reverse Stock Split Shareholder Class shall not prevail on liability or damages.” SICO filed a notice of appeal of the July 2, 2012 dismissal of SICO’s unconstitutional conditions claim, the June 26, 2013 dismissal of SICO’s derivative claims, the Court’s June 15, 2015 opinion and order, and the Court’s June 17, 2015 judgment to the United States Court of Appeals for the Federal Circuit. The United States filed a notice of cross appeal of the Court’s July 2, 2012 opinion and order denying in part its motion to dismiss, the Court’s June 26, 2013 opinion and order denying its motion to dismiss SICO’s direct claims, the Court’s June 15, 2015 opinion and order, and the Court’s June 17, 2015 judgment to the United States

Court of Appeals for the Federal Circuit.

On August 25, 2015, SICO filed its appellate brief, in which it stated SICO does not appeal the dismissal of the derivative claims it asserted on behalf of AIG.

In the Court of Federal Claims, the United States has alleged, as an affirmative defense in its answer, that AIG is obligated to indemnify the FRBNY and its representatives, including the Federal Reserve Board of Governors and the United States (as the FRBNY's principal), for any recovery in the SICO Treasury Action.

AIG believes that any indemnification obligation would arise only if: (a) SICO prevails on its appeal and ultimately receives an award of damages; (b) the United States then commences an action against AIG seeking indemnification; and (c) the United States is successful in such an action through any appellate process. If SICO prevails on its claims and the United States seeks indemnification from AIG, AIG intends to assert defenses thereto. A reversal of the Court of Federal Claim's June 17, 2015 decision and judgment and a final determination that the United States is liable for damages, together with a final determination that AIG is obligated to indemnify the United States for any such damages, could have a material adverse effect on our business, consolidated financial condition and results of operations.

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False Claims Act Complaint

On February 25, 2010, a complaint was filed in the United States District Court for the Southern District of California by two individuals (Relators) seeking to assert claims on behalf of the United States against AIG and certain other defendants, including Goldman Sachs and Deutsche Bank, under the False Claims Act. Relators filed a first amended complaint on September 30, 2010, adding certain additional defendants, including Bank of America and Société Générale. The first amended complaint alleged that defendants engaged in fraudulent business practices in respect of their activities in the over-the-counter market for collateralized debt obligations, and submitted false claims to the United States in connection with the FRBNY Credit Facility and Maiden Lane II LLC and Maiden Lane III LLC entities (the Maiden Lane Interests) through, among other things, misrepresenting AIG's ability and intent to repay amounts drawn on the FRBNY Credit Facility, and misrepresenting the value of the securities that the Maiden Lane Interests acquired from AIG and certain of its counterparties. The first amended complaint sought unspecified damages pursuant to the False Claims Act in the amount of three times the damages allegedly sustained by the United States as well as interest, attorneys' fees, costs and expenses. The complaint and the first amended complaint were initially filed and maintained under seal while the United States considered whether to intervene in the action. On or about April 28, 2011, after the United States declined to intervene, the District Court lifted the seal, and Relators served the first amended complaint on AIG on July 11, 2011. On April 19, 2013, the Court granted AIG's motion to dismiss, dismissing the first amended complaint in its entirety, without prejudice, giving the Relators the opportunity to file a second amended complaint. On May 24, 2013, the Relators filed a second amended complaint, which attempted to plead the same claims as the prior complaints and did not specify an amount of alleged damages. AIG and its co-defendants filed motions to dismiss the second amended complaint on August 9, 2013. On March 29, 2014, the Court dismissed the second amended complaint with prejudice. On April 30, 2014, the Relators filed a Notice of Appeal to the Ninth Circuit. On May 5, 2016, the Ninth Circuit affirmed the decision of the trial court. We are unable to reasonably estimate the possible loss or range of losses, if any, arising from this litigation.

Litigation Matters Relating to AIG's Insurance Operations

Caremark. AIG and certain of its subsidiaries have been named defendants in two putative class actions in state court in Alabama that arise out of the 1999 settlement of class and derivative litigation involving Caremark Rx, Inc. (Caremark). The plaintiffs in the second filed action intervened in the first filed action, and the second filed action was dismissed. An excess policy issued by a subsidiary of AIG with respect to the 1999 litigation was expressly stated to be without limit of liability. In the current actions, plaintiffs allege that the judge approving the 1999 settlement was misled as to the extent of available insurance coverage and would not have approved the settlement had he known of the existence and/or unlimited nature of the excess policy. They further allege that AIG, its subsidiaries, and Caremark are liable for fraud and suppression for misrepresenting and/or concealing the nature and extent of coverage.

The complaints filed by the plaintiffs and the intervenors request compensatory damages for the 1999 class in the amount of $3.2 billion, plus punitive damages. AIG and its subsidiaries deny the allegations of fraud and suppression, assert that information concerning the excess policy was publicly disclosed months prior to the approval of the settlement, that the claims are barred by the statute of limitations, and that the statute cannot be tolled in light of the public disclosure of the excess coverage. The plaintiffs and intervenors, in turn, have asserted that the disclosure was insufficient to inform them of the nature of the coverage and did not start the running of the statute of limitations.

On August 15, 2012, the trial court entered an order granting plaintiffs' motion for class certification, and on September 12, 2014, the Alabama Supreme Court affirmed that order. AIG and the other defendants' petition for rehearing of that decision was denied on February 27, 2015. The matter was remanded to the trial court for general discovery and adjudication of the merits. On November 24, 2015, the trial court ruled that the defendants had a duty to disclose the amount of insurance available at the settlement approval hearings and that the defendants breached that duty. The parties have settled this matter in principle, subject to formal documentation and court approval. Preliminary approval of the settlement was entered by the trial court on June 1, 2016. The hearing on final approval is expected in the third quarter. We have accrued our current estimate of loss with respect to this litigation.

Regulatory and Related Matters

In April 2007, the National Association of Insurance Commissioners (NAIC) formed a Settlement Review Working Group, directed by the State of Indiana, to review the Workers' Compensation Residual Market Assessment portion of the settlement between AIG, the Office of the New York Attorney General, and the New York State Department of Insurance. In late 2007, the Settlement Review Working Group, under the direction of Indiana, Minnesota and Rhode Island, recommended that a multi-state targeted market conduct examination focusing on workers' compensation insurance be commenced under the direction of the NAIC's Market Analysis Working Group. AIG was informed of the multi-state targeted market conduct examination in January 2008. The lead states in the multi-state examination were Delaware, Florida, Indiana, Massachusetts, Minnesota, New York, Pennsylvania and Rhode Island. All other states (and the District of Columbia) agreed to participate in the multi-state examination. The examination focused on legacy issues related to certain AIG entities' writing and reporting of workers compensation insurance between 1985 and 1996.

On December 17, 2010, AIG and the lead states reached an agreement to settle all regulatory liabilities arising out of the subjects of the multistate examination. This regulatory settlement agreement, which was agreed to by all 50 states and the District of Columbia, included, among other terms, (i) AIG's payment of $100 million in regulatory fines and penalties; (ii) AIG's payment of $46.5 million in outstanding premium taxes and assessments; (iii) AIG's agreement to enter into a compliance plan describing agreed-upon specific steps and standards for evaluating AIG's ongoing compliance with state regulations governing the setting of workers' compensation insurance premium rates and the reporting of workers' compensation premiums; and (iv) AIG's agreement to pay up to $150 million in contingent fines in the event that AIG fails to comply substantially with the compliance plan requirements. In furtherance of the compliance plan, the agreement provided for a monitoring period from May 29, 2012 to May 29, 2014 leading up to a compliance plan examination. After the close of the monitoring period, as part of preparation for the actual conduct of the compliance plan examination, on or about October 1, 2014, AIG and the lead states agreed upon corrective action plans to address particular issues identified during the monitoring period. The compliance plan examination is ongoing. There can be no assurance that the result of the compliance plan examination will not result in a fine, have a material adverse effect on AIG's ongoing operations or lead to civil litigation.

In connection with a multi state examination of certain accident and health products, including travel products, issued by National Union Fire Insurance Company of Pittsburgh, Pa. (National Union), AIG

Property Casualty Inc. (formerly Chartis Inc.), on behalf of itself, National Union, and certain of AIG Property Casualty Inc.'s insurance and non insurance companies (collectively, the AIG PC parties) entered into a Regulatory Settlement Agreement with regulators from 50 U.S. jurisdictions effective November 29, 2012. Under the agreement, and without admitting any liability for the issues raised in the examination, the AIG PC parties (i) paid a civil penalty of $50 million, (ii) entered into a corrective action plan describing agreed upon specific steps and standards for evaluating the AIG PC parties' ongoing compliance with laws and regulations governing the issues identified in the examination, and (iii) agreed to pay a contingent fine in the event that the AIG PC parties fail to satisfy certain terms of the corrective action plan. On April 29, 2016, National Union and other AIG companies achieved a settlement in principle of civil litigation relating to the conduct of their accident and health business, subject to formal documentation and court approval. We have accrued our current estimate of loss with respect to this settlement. On May 23, 2016, the managing lead state in the multi-state examination ordered that the companies subject to the Regulatory Settlement Agreement have "complied with the terms" of the Regulatory Settlement Agreement and that no contingent fine or civil penalty would be due.

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 $3.2 billion at June 30, 2016.

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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 AIGFP and of 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, 2016 was $208 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.

Asset Dispositions

General

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.

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.

Other

- See Note 7 to the Condensed Consolidated Financial Statements for additional discussion of commitments and guarantees associated with VIEs.

- See Note 8 to the Condensed Consolidated Financial Statements for additional disclosures about derivatives.

- See Note 14 to the Condensed Consolidated Financial Statements for additional disclosures about guarantees of outstanding debt.

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10. EQUITY

Shares Outstanding

The following table presents a rollforward of outstanding shares:

	Common Stock Issued	Treasury Stock	Common Stock Outstanding
Six Months Ended June 30, 2016			
Shares, beginning of year	1,906,671,492	(712,754,875)	1,193,916,617
Shares issued	-	2,017,200	2,017,200
Shares repurchased	-	(113,244,455)	(113,244,455)
Shares, end of period	1,906,671,492	(823,982,130)	1,082,689,362

Dividends

Payment of future dividends to our shareholders and repurchases of AIG Common Stock depends in part on the regulatory framework that we are currently subject to and that will ultimately be applicable to us, including as a nonbank systemically important financial institution under the Dodd Frank Wall Street Reform and Consumer Protection Act (Dodd Frank) and a global systemically important insurer. In addition, 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 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.

On March 28, 2016, we paid a dividend of $0.32 per share on AIG Common Stock to shareholders of record on March 14, 2016. On June 27, 2016, we paid a dividend of $0.32 per share on AIG Common Stock to shareholders of record on June 13, 2016.

See Note 18 to the Consolidated Financial Statements in the 2015 Annual Report for a discussion of restrictions on payments of dividends to AIG Parent by its subsidiaries.

Repurchase of AIG Common Stock

Our Board of Directors has authorized the repurchase of shares of AIG Common Stock through a series of actions. On February 11, 2016, our Board of Directors authorized an additional increase of $5.0 billion to its previous share repurchase authorization. As of June 30, 2016, approximately $1.8 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.

We repurchased approximately 113 million shares of AIG Common Stock in the six-month period ended June 30, 2016 for an aggregate purchase price of approximately $6.2 billion, and we repurchased 15 million warrants to purchase shares of AIG Common Stock for an aggregate purchase price of $263 million.