# American International Group, Inc.

## Goal Update - Selected Slides

Earnings Conference Call Presentation – 4Q 2016

February 15, 2017

# Cautionary Statement Regarding Forward Looking Information

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# 2016 Accomplishments

| | |
|---|---|
| Reduced Operating GOE | ▪ Achieved 10%[1], or $1.1 billion, reduction in Operating GOE[1] in 2016, surpassing targeted 6% reduction.<br>▪ 2016 actions resulted in $1.3 billion of annual run-rate savings. |
| Capital Return to Shareholders | ▪ Total capital return of $13.1 billion in 2016. Additional $1.2 billion of share repurchases from January 1, 2017 through February 14, 2017.<br>▪ New share repurchase authorization of $3.5 billion. |
| Divestitures & Legacy | ▪ Completed or announced over 10 transactions generating approximately $10 billion in liquidity from 2016 activities, most of which was received in 2016.<br>– Core: sales of UGC, Advisor Group, Fuji Life, Ascot, NSM, and other local insurance operations<br>– Legacy: sales of IFC Korea, approximately 30% of the face value of the life settlement portfolio, PICC and other assets. Executed Whole Life Reinsurance transaction. |
| Strong Consumer Normalized ROE | ▪ Consumer Insurance Normalized ROE expansion of 190 bps in 2016.<br>▪ Personal Insurance PTOI growth driven by strategic and portfolio actions to reduce total expenses while maintaining a strong loss ratio. Continued momentum in high net worth market delivering double digit growth.<br>▪ Retained leadership position in U.S. Retirement while streamlining distribution and exercising pricing discipline. |
| Commercial Business Mix Reshaped | ▪ Trend of accident year loss ratio, as adjusted, improving after giving effect to the 4Q16 reserve strengthening impact on historical periods.<br>▪ Maintained global product leadership in Financial Lines and strengthened our multinational capability.<br>▪ Shrunk U.S. Casualty 60% since 2011 to less than 20% of the Commercial portfolio; Adverse development cover further minimizes reserve risk. |

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1) On a constant dollar basis. Excludes expenses of AIG Advisor Group, which has been divested.

# Priorities For 2017

## Core Normalized ROE target revised to 9.5% to reflect impact of ADC transaction.

| | |
|---|---|
| Expenses | ▪ Continue expense management to appropriately size fixed-cost base to expected revenues and improve operating leverage. |
| Capital | ▪ Reaffirm goal to return $25 billion of capital to shareholders, subject to regulatory and rating agency considerations, and future profitability improvements. |
| Commercial | ▪ Continue the underwriting actions commenced in 2016 to deliver a 62%(1) Commercial Insurance AY Loss Ratio, as adjusted, in 2017.<br>▪ Maintain momentum on improving underwriting performance through portfolio optimization, underwriting tools and expense management.<br>▪ Targeted growth in higher margin lines including Financial Lines, International and Specialty. |
| Consumer | ▪ Deliver further improvement in Personal Insurance AY Combined Ratio, as adjusted, and complete Japan merger.<br>▪ Maintain strong market position and pricing discipline in Individual and Group Retirement.<br>▪ Improve Life Insurance Normalized ROE in U.S. through expense and capital efficiency.<br>▪ Continue digital enhancements. |
| Legacy | ▪ Complete goal to release at least $9 billion of capital by end of 2017. |

1) Fourth quarter exit run rate.

# 2016 Financial Targets

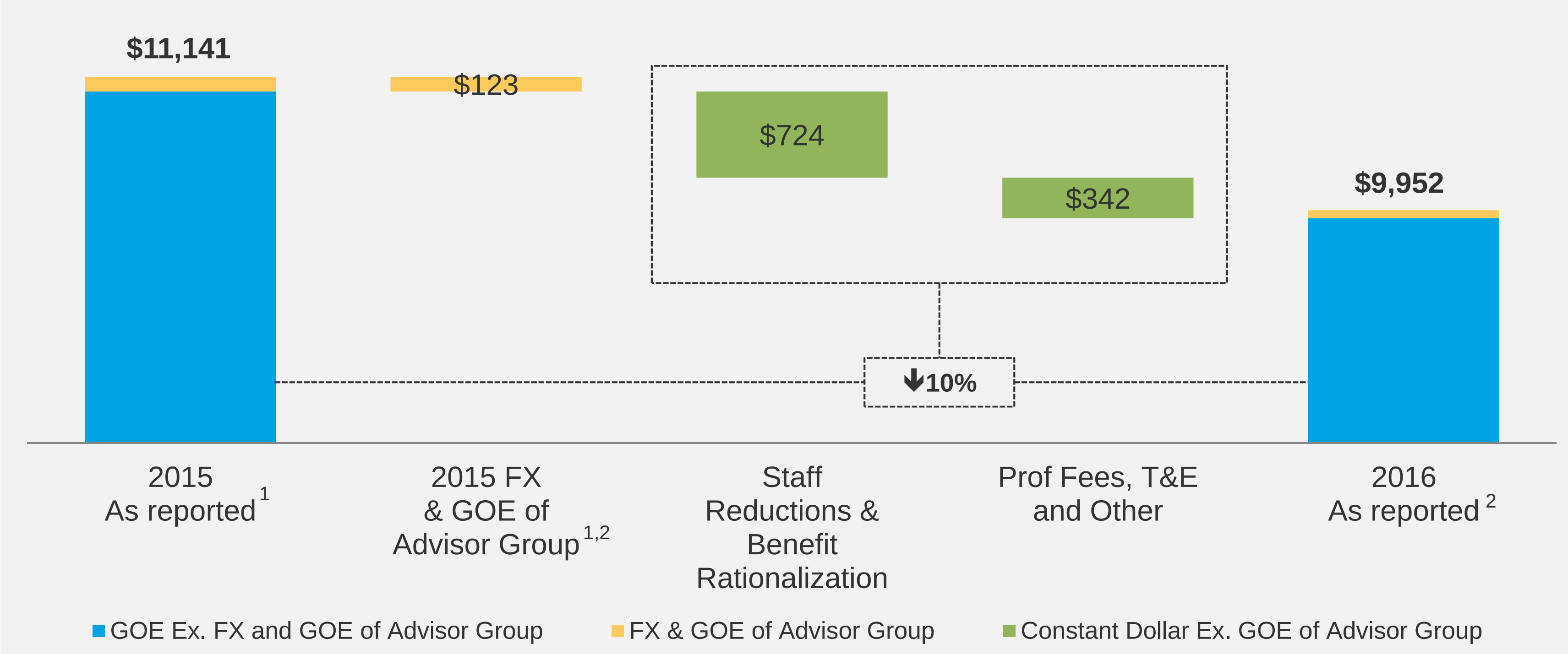
| Objective | FY 2016 Target | FY 2016 | Comments |
|---|---|---|---|
| Reduce Operating GOE | 6% Reduction (~$700mm) | 10%[1] ($1.1B) | ▪ Exceeded target by ~$400 million |
| Increase Normalized ROE | Consolidated 8.4 – 8.9%<br>Core 9.3 – 9.7% | 7.5% (Consolidated)<br>7.8% (Core) | ▪ GOE discipline, capital management actions and improved Personal Insurance underwriting margins drove improvements<br>▪ Shortfall against target largely driven by 4Q16 strengthening of Commercial AY 2016 losses |
| Adjusted Book Value Per Common Share[2] | 14 – 16% | 1% | ▪ Experienced 1% annual growth reflecting reserve strengthening |
| Return Capital to Shareholders | $12.5B | $13.1B | ▪ Exceeded 2016 target due to higher divestitures of non-core assets |
| Improve Commercial AYLR, As Adjusted[3] | ~62[3] | 66.7 (FY'16) | ▪ The 4Q16 AYLR, as adjusted, of 78.2, includes 10.8 points arising from the impact of the reserve studies on premiums earned in the first three quarters of 2016. |

1) On a constant dollar basis. Excludes expenses of AIG Advisor Group, which has been divested.
2) Adjusted for dividend growth.
3) The ratio represents quarter-end exit run rate.

# Maintaining Discipline and Focus on Expenses

($ in millions)

## General Operating Expenses, Operating Basis – FY'15 vs FY'16



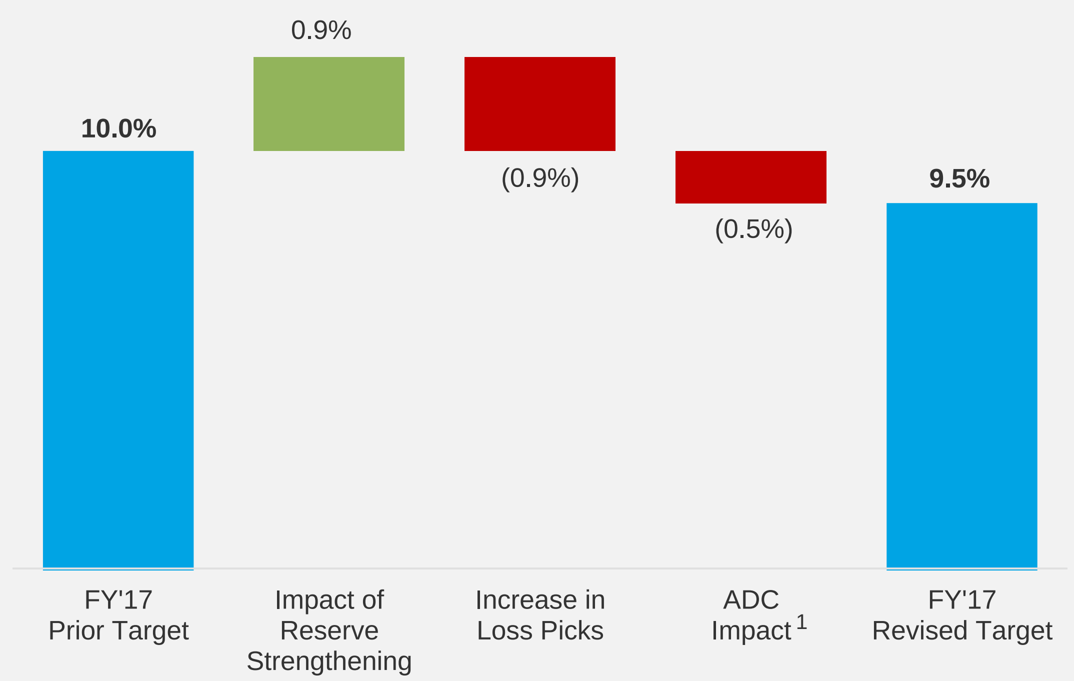

- GOE reductions in 2016 were primarily driven by staff reductions, reduced reliance on contingent workers and reduction in other professional fees.
- 2016 actions resulted in $1.3 billion of annual run-rate savings.

1) As reported GOE in 2015 includes $206 million of Advisor Group expenses offset by $15 million of foreign exchange impact.
2) As reported GOE in 2016 includes $68 million of 2016 Advisor Group expenses.

# Revised Core Normalized ROE Target

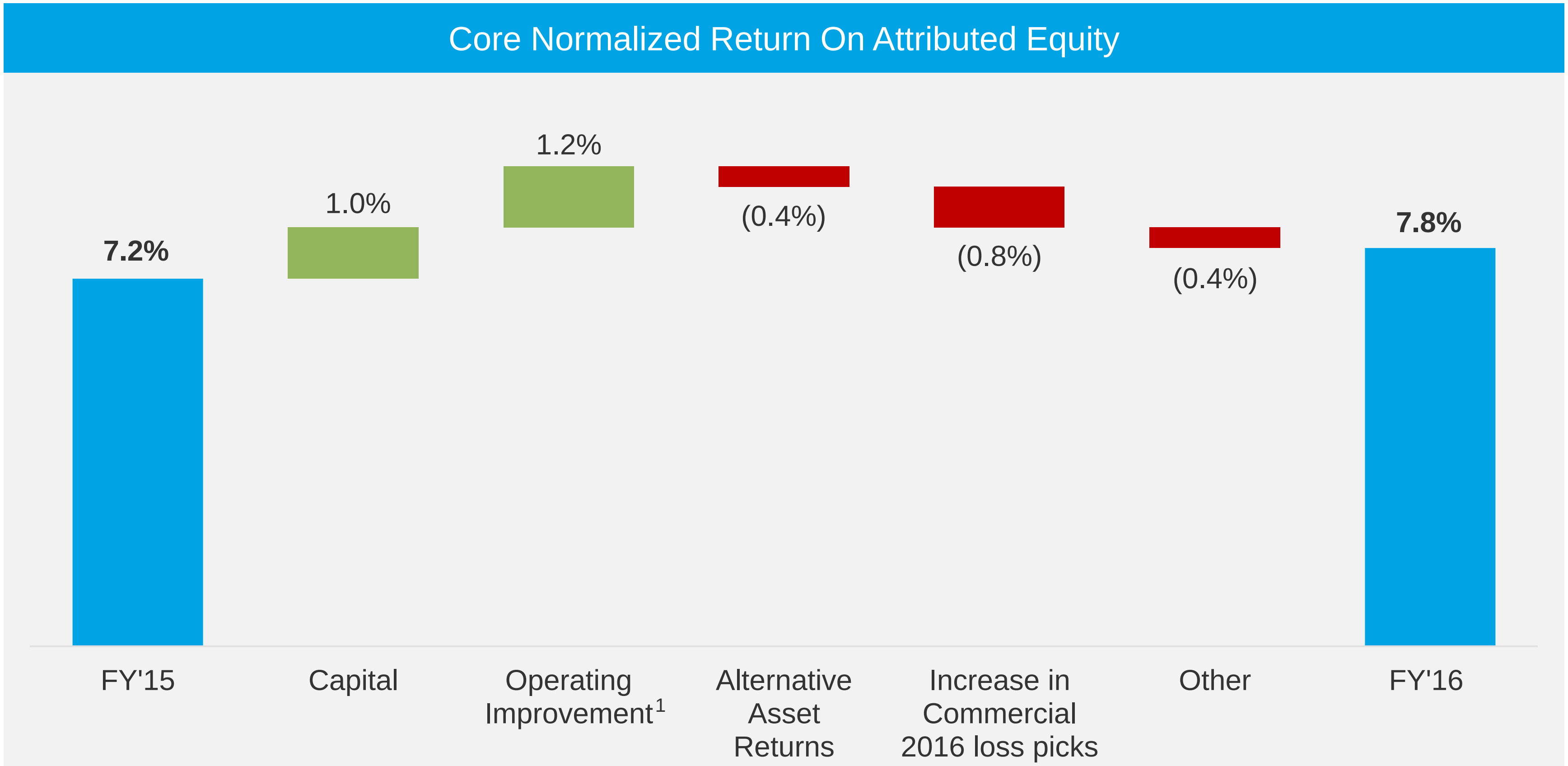
| FY'16 Normalized ROE | |
|---|---|
| ***Core:*** | |
| Liability and Financial Lines | 8.8% |
| Property and Special Risks | (0.2)% |
| **Total Commercial** | **6.0%** |
| Individual Retirement | 11.6% |
| Group Retirement | 11.6% |
| Life Insurance | 1.7% |
| Personal Insurance | 10.2% |
| **Total Consumer** | **10.3%** |
| Other Operations | NM |
| **Total Core** | **7.8%** |
| **Legacy** | **6.3%** |
| **Consolidated** | **7.5%** |

## FY'17 Targeted Core Normalized Return On Equity



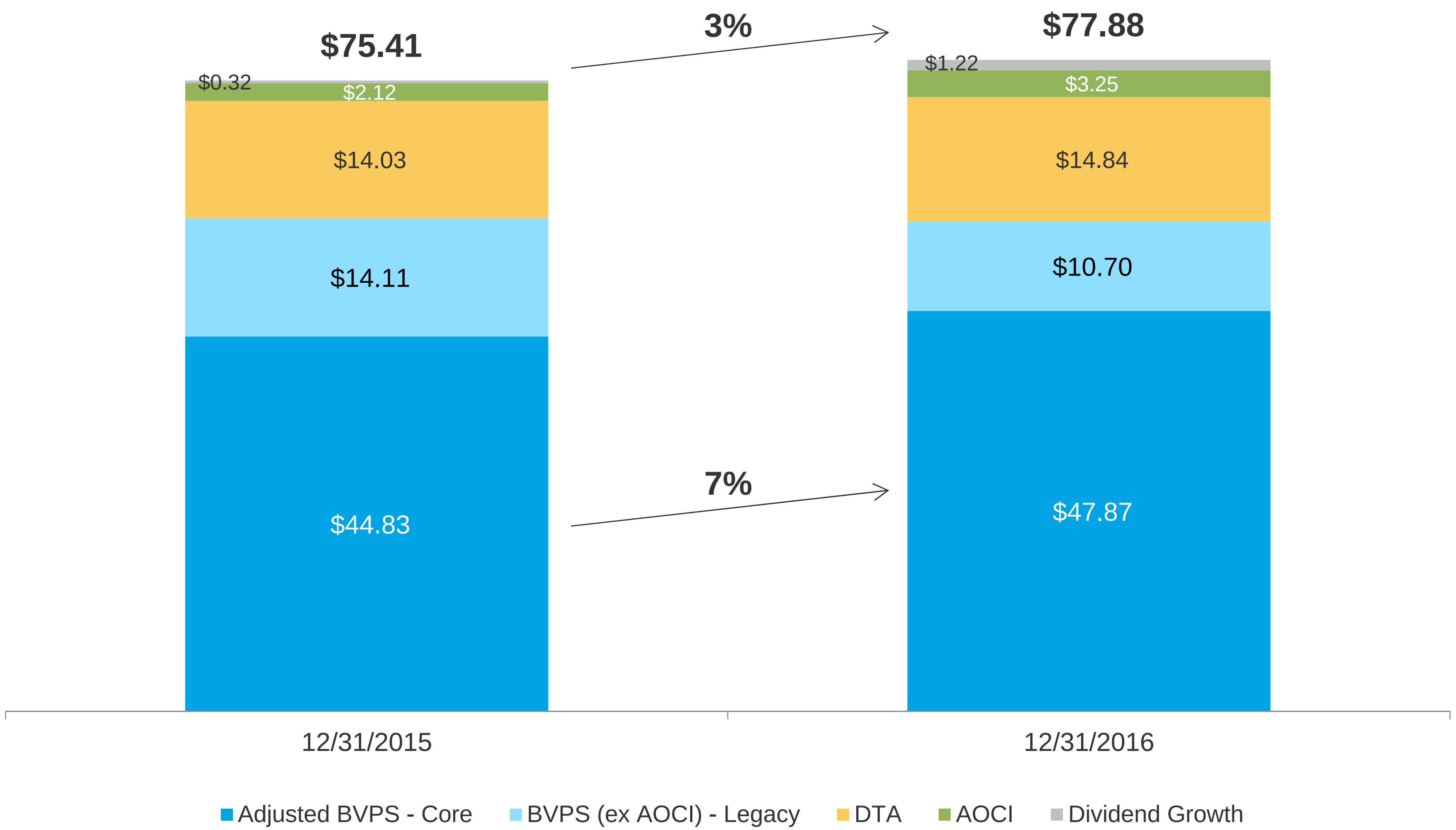

1) 2017 impact due to lower NII due to lower invested assets as a result of ADC. Assuming no additional redeployment of excess capital in 2017 as a result of the ADC.

# Core Normalized ROE Expansion

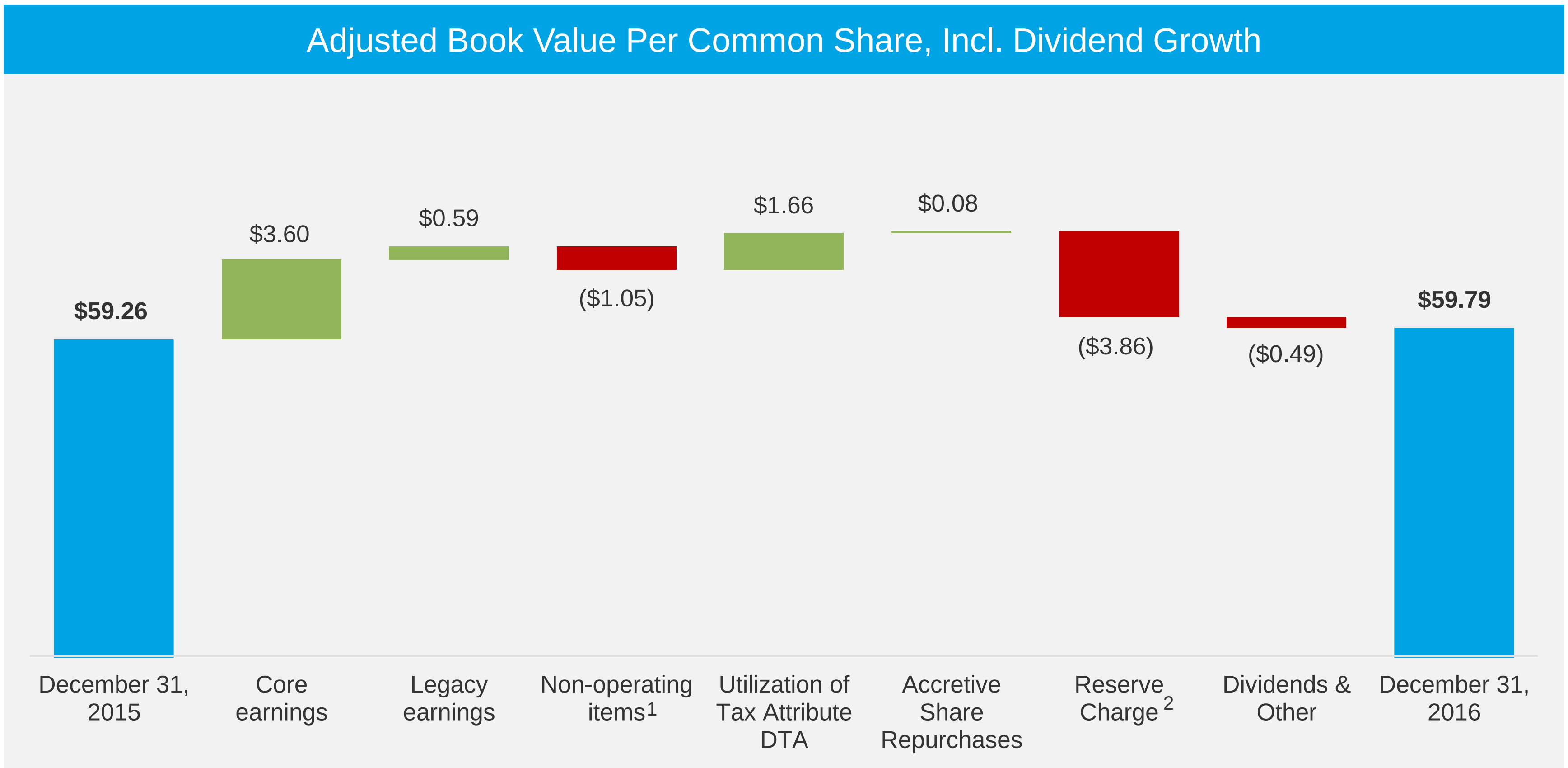



1) Primarily driven by reduced GOE, operating basis.

# Book Value Per Share Growth

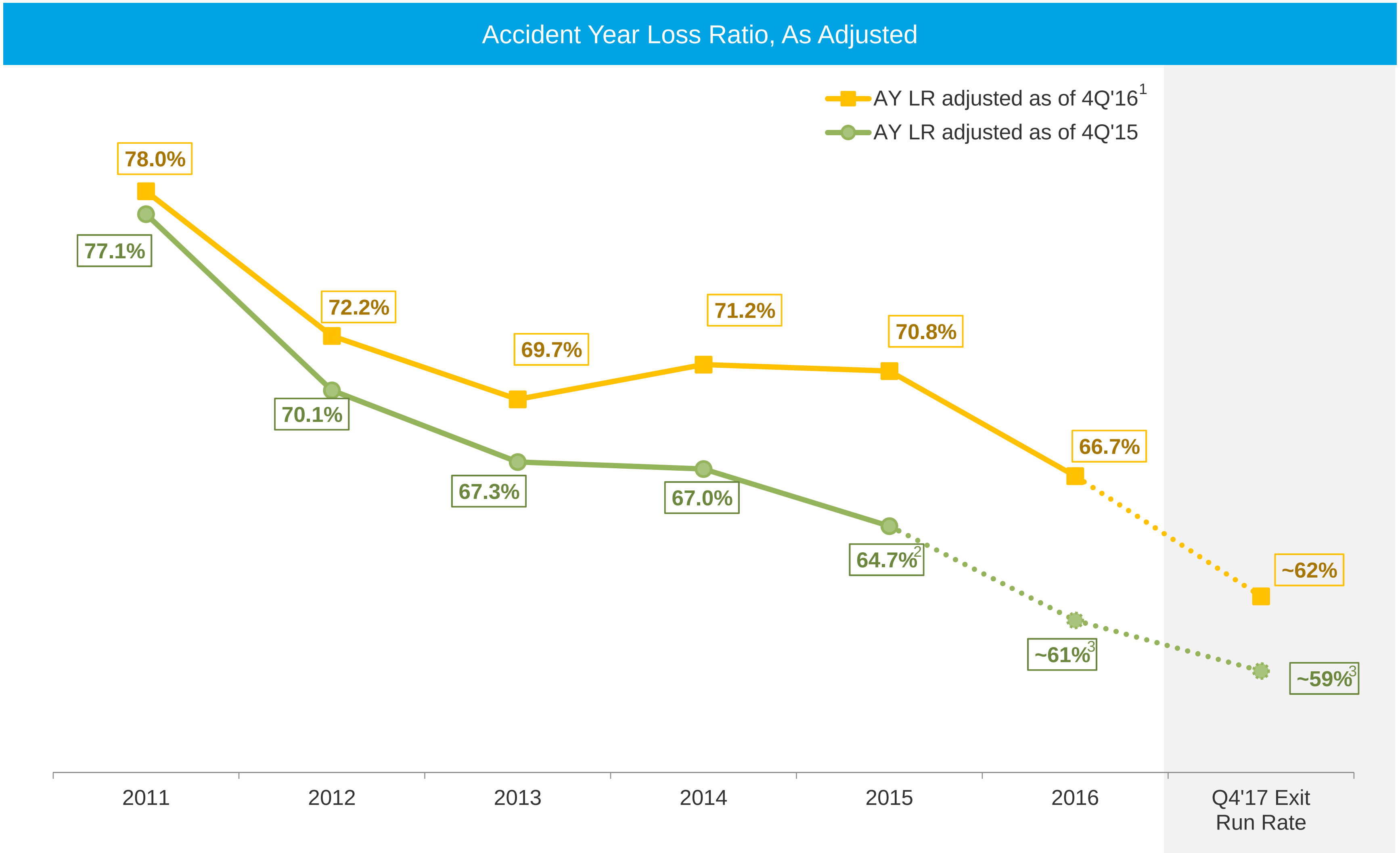


# Adjusted Book Value Per Common Share, Incl. Dividend Growth




1) Primarily represents net realized capital losses, including foreign exchange losses related to foreign exchange remeasurement on intercompany liabilities denominated in GBP that are offset in AOCI with no impact to total book value.
2) Primarily represents prior year reserve development and loss recognition.

# Commercial Insurance AYLR, As Adjusted, Trend

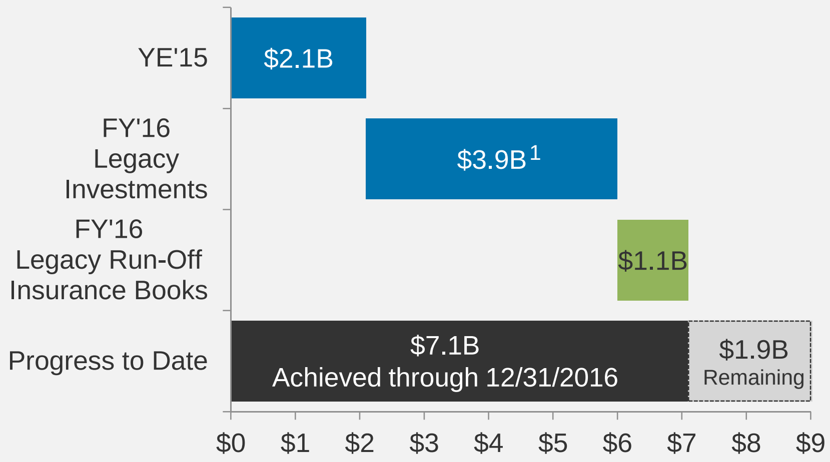



1) Amounts presented reflect the impact of 2015 and 2016 prior year development in each accident year.
2) The change from the prior reported Adjusted Accident Year Loss Ratio of 66.2% to 64.7% is due to businesses exited in 2016 and transferred to Legacy (~1%), the benefit from the UGC Quota Share agreement (0.4%).
3) The change from the prior reported Adjusted Accident Year Loss Ratio targets of 62.2% and ~60% reflect the benefit of the UGC Quota Share agreement (~1%).

# Legacy

($ in billions)

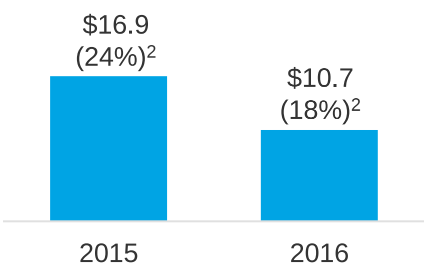
**Legacy Monetization – Progress to date**



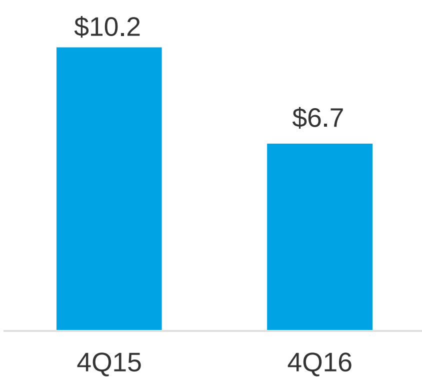

- Legacy is managed in three sub-segments: Legacy Investments, Legacy Life Insurance Run-off Lines, and Legacy Property and Casualty Run-off Lines.
- Legacy Investments decreased as a result of significant dispositions in 2016, including PICC, Korea real estate, and approximately 30% of the face value of the life settlement portfolio.
- Legacy Property and Casualty reserves reflect continued run off, partially offset by PYD.
- Legacy Life Insurance reserves increased, primarily due to the 3Q loss recognition charge on structured settlements.

## Attributed Equity

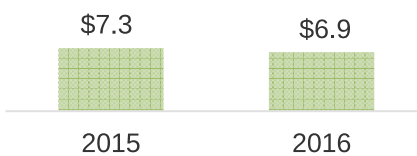
(As of December 31)



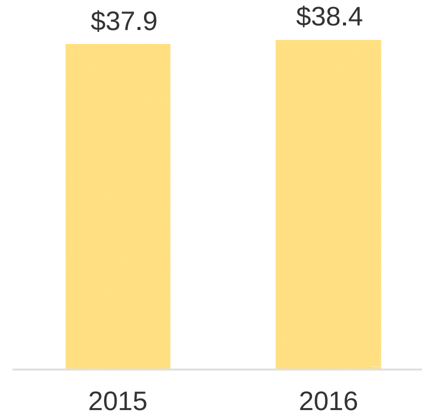

## Legacy Investments[1]



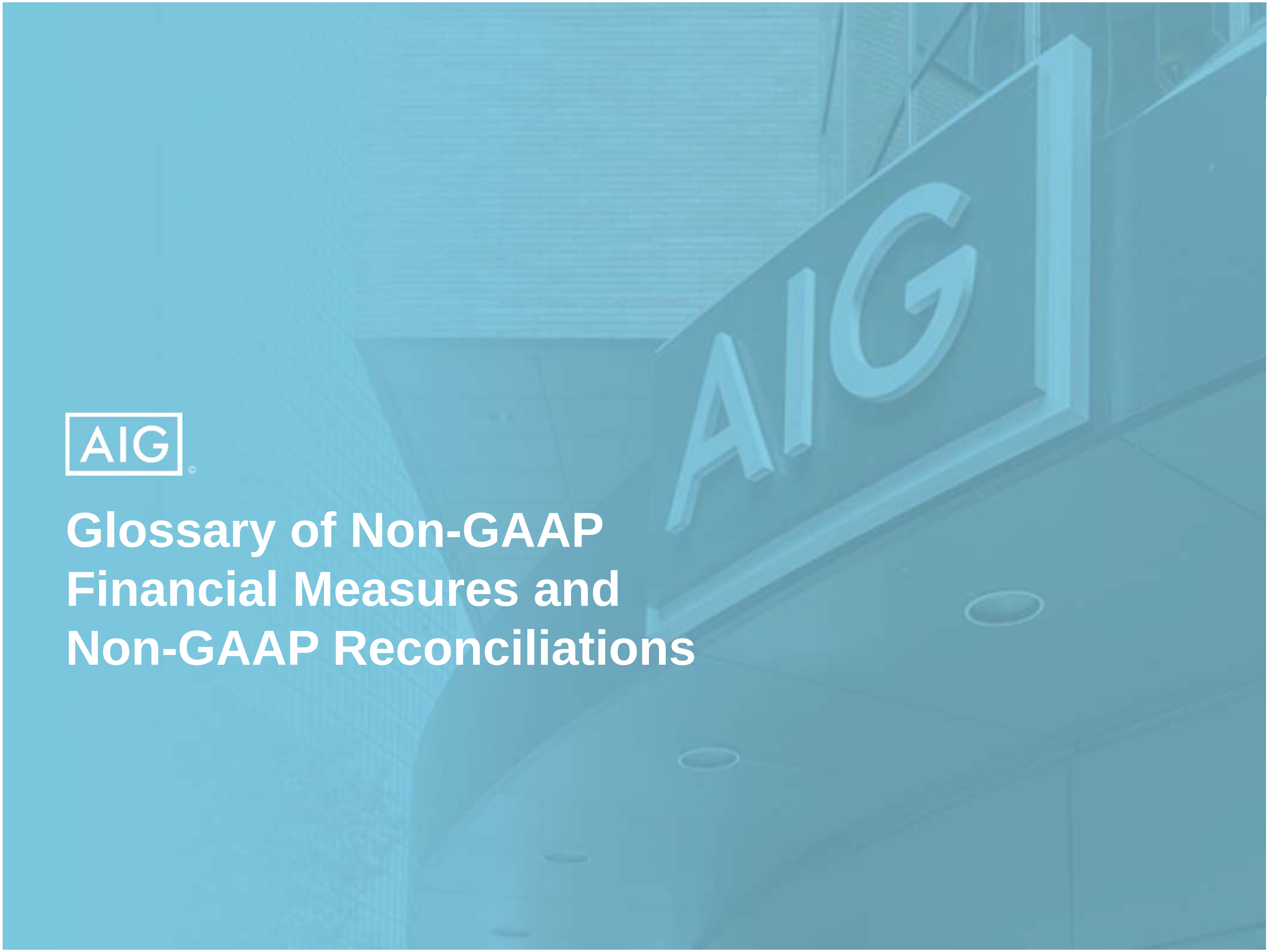

## Legacy P&C Run-off Reserves




## Legacy Life Insurance Run-off Reserves




1) Excludes assets backing run-off insurance reserves.
2) Legacy Attributed equity as a percentage of AIG adjusted shareholders' equity.

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# Glossary of Non-GAAP Financial Measures and Non-GAAP Reconciliations

# Glossary of Non-GAAP Financial Measures

| Glossary of Non-GAAP |
|---|

**We use certain of our operating performance measures, as discussed beginning in the next paragraph below, to define our forward-looking financial targets.** Our financial targets are provided based on management's estimates. The most directly comparable GAAP financial targets would be heavily dependent upon results that are beyond management's controls and the outcome of these items could be significantly different than management's estimates. Therefore, we do not provide quantitative reconciliations for these financial targets as we cannot predict with accuracy future actual events (e.g., catastrophe losses) and impacts from changes in macro economic market conditions, including the interest rate environment (e.g. estimate for DIB & GCM returns, fair value changes on PICC Investments, net reserve discount change and returns on alternative investments).

- **Book Value per Common Share Excluding Accumulated Other Comprehensive Income (AOCI) and Book Value per Common Share Excluding AOCI and Deferred Tax Assets (DTA) (Adjusted Book Value per Common Share) and Adjusted Book Value per Common Share Including Dividend Growth** are used to show the amount of our net worth on a per-share basis. We believe these measures are useful to investors because they eliminate items that can fluctuate significantly from period to period, including changes in fair value of our available for sale securities portfolio, foreign currency translation adjustments and U.S. tax attribute deferred tax assets. These measures also eliminate the asymmetrical impact resulting from changes in fair value of our available for sale securities portfolio wherein there is largely no offsetting impact for certain related insurance liabilities. We exclude deferred tax assets representing U.S. tax attributes related to net operating loss carryforwards and foreign tax credits as they have not yet been utilized. Amounts for interim periods are estimates based on projections of full-year attribute utilization. As net operating loss carryforwards and foreign tax credits are utilized, the portion of the DTA utilized is included in these book value per common share metrics. Book value per common share excluding AOCI, is derived by dividing Total AIG Shareholders' equity, excluding AOCI, by total common shares outstanding. Adjusted Book Value per Common Share is derived by dividing Total AIG shareholders' equity, excluding AOCI and DTA **(Adjusted Shareholders' Equity)**, by total common shares outstanding. Adjusted Book Value per Common Share including dividend growth is derived by dividing Adjusted Shareholders' Equity including growth in quarterly dividends above $0.125 per share to shareholders, by total common shares outstanding.
- **AIG Return on Equity – After-tax Operating Income Excluding AOCI and DTA (Adjusted Return on Equity)** is used to show the rate of return on shareholders' equity. We believe this measure is useful to investors because it eliminates items that can fluctuate significantly from period to period, including changes in fair value of our available for sale securities portfolio, foreign currency translation adjustments and U.S. tax attribute deferred tax assets. This measure also eliminates the asymmetrical impact resulting from changes in fair value of our available for sale securities portfolio wherein there is largely no offsetting impact for certain related insurance liabilities. We exclude deferred tax assets representing U.S. tax attributes related to net operating loss carryforwards and foreign tax credits as they have not yet been utilized. Amounts for interim periods are estimates based on projections of full-year attribute utilization. As net operating loss carryforwards and foreign tax credits are utilized, the portion of the DTA utilized is included in Adjusted Return on Equity. Adjusted Return on Equity is derived by dividing actual or annualized after-tax operating income attributable to AIG by average Adjusted Shareholders' Equity.
- **AIG Normalized Return on Equity** further adjusts Adjusted Return on Equity for the effects of certain volatile or market related items. We believe this measure is useful to investors because it presents the trends in our consolidated return on equity without the impact of certain items that can experience volatility in our short-term results. Normalized Return on Equity is derived by excluding the following tax adjusted effects from Adjusted Return on Equity: the difference between actual and expected (i) catastrophe losses, (ii) alternative investment returns, and (iii) Direct Investment book (DIB) and Global Capital Markets (GCM) returns; fair value changes on PICC investments; update of actuarial assumptions; Life insurance incurred but not reported (IBNR) death claim charge; and prior year loss reserve development.
- **Core and Legacy Portfolio Attributed Equity –** is an attribution of total AIG Adjusted Shareholders' Equity to each of our modules within Core and Legacy Portfolio based on our internal capital model, which incorporates the respective risk profiles. Attributed equity represents our best estimates based on current facts and circumstances and will change over time.
- **Core and Legacy Portfolio Return on Equity – After-tax Operating Income (Adjusted Return on Attributed Equity)** is used to show the rate of return on attributed equity. Return on Attributed Equity is derived by dividing actual or annualized After-tax Operating Income by Average Attributed Equity.
- **Core and Legacy Portfolio Normalized Return on Attributed Equity (Normalized Return on Attributed Equity)** further adjusts Adjusted Return on Attributed Equity for the effects of certain volatile or market-related items. We believe this measure is useful to investors because it presents the trends in our Return on Attributed Equity without the impact of certain items that can experience volatility in our short-term results. Normalized Return on Attributed Equity is derived by excluding the following tax adjusted effects from Return on Attributed Equity: the difference between actual and expected (i) catastrophe losses, (ii) alternative investment returns, and (iii) DIB and GCM returns; fair value changes on PICC investments; update of actuarial assumptions; Life insurance IBNR death claim charge; and prior year loss reserve development.

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# Glossary of Non-GAAP Financial Measures

## Glossary of Non-GAAP

- **After-tax Operating Income Attributable to Core and Legacy Portfolio** is derived by subtracting attributed interest expense and income tax expense from pre-tax operating income. Attributed debt and the related interest expense is calculated based on our internal capital model. Tax expense or benefit is calculated based on an internal attribution methodology that considers among other things the taxing jurisdiction in which the operating segments and geographies conduct business, as well as the deductibility of expenses in those jurisdictions.
- **Normalized After-tax Operating Income Attributable to Core and Legacy Portfolio** further adjusts After-tax Operating Income attributable to Core and Legacy Portfolio for the effects of certain volatile or market related items. We believe this measure is useful to investors because it presents the trends in after tax operating income without the impact of certain items that can experience volatility in our short-term results. Normalized After-tax Operating Income attributable to Core and Legacy Portfolio is derived by excluding the following tax adjusted effects from After-tax Operating Income: the difference between actual and expected (i) catastrophe losses, (ii) alternative investment returns, and (iii) DIB and GCM returns; fair value changes on PICC investments; update of actuarial assumptions; Life insurance IBNR death claim charge; and prior year loss reserve development.
- **Operating Revenues** exclude Net realized capital gains (losses), income from non-operating litigation settlements (included in Other income for GAAP purposes) and changes in fair value of securities used to hedge guaranteed living benefits (included in Net investment income for GAAP purposes). Operating revenues are a GAAP measure for our operating segments.
- **General Operating Expenses, Operating Basis (Operating GOE),** is derived by making the following adjustments to general operating and other expenses: include (i) certain loss adjustment expenses, reported as policyholder benefits and losses incurred and (ii) certain investment and other expenses reported as net investment income, and exclude (i) advisory fee expenses, (ii) non-deferrable insurance commissions, (iii) direct marketing and acquisition expenses, net of deferrals, (iv) non-operating litigation reserves and (v) other expense related to an asbestos retroactive reinsurance agreement. We use general operating expenses, operating basis, because we believe it provides a more meaningful indication of our ordinary course of business operating costs, regardless of within which financial statement line item these expenses are reported externally within our segment results. The majority of these expenses are employee-related costs. For example, other acquisition and loss adjustment expenses primarily represent employee-related costs in the underwriting and claims functions, respectively. Excluded from this measure are non-operating expenses (such as restructuring costs and litigation reserves), direct marketing expenses, insurance company assessments and non-deferrable commissions. We also exclude the impact of foreign exchange and the expenses of AIG Advisor Group, which has been divested, when measuring period-over-period fluctuations in General operating expenses, Operating basis.

We use the following operating performance measures because we believe they enhance the understanding of the underlying profitability of continuing operations and trends of our business segments. We believe they also allow for more meaningful comparisons with our insurance competitors. When we use these measures, reconciliations to the most comparable GAAP measure are provided on a consolidated basis.

- **Pre-tax Operating Income (PTOI)** is derived by excluding the following items from income from continuing operations before income tax. This definition is consistent across our modules (including geography). These items generally fall into one or more of the following broad categories: legacy matters having no relevance to our current businesses or operating performance; adjustments to enhance transparency to the underlying economics of transactions; and measures that we believe to be common to the industry. PTOI is a GAAP measure for our operating segments.
  - changes in fair value of securities used to hedge guaranteed living benefits;
  - changes in benefit reserves and deferred policy acquisition costs (DAC), value of business acquired (VOBA), and sales inducement assets (SIA) related to net realized capital gains and losses;
  - other income and expense — net, related to Legacy Portfolio run-off insurance lines;
  - loss (gain) on extinguishment of debt;
  - net realized capital gains and losses;
  - non-qualifying derivative hedging activities, excluding net realized capital gains and losses;
  - income or loss from discontinued operations;
  - net loss reserve discount benefit (charge);
  - pension expenses related to a one-time lump sum payment to former employees;
  - income and loss from divested businesses;
  - non-operating litigation reserves and settlements;
  - reserve development related to non-operating run-off insurance business; and
  - restructuring and other costs related to initiatives designed to reduce operating expenses, improve efficiency and simplify our organization.

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# Glossary of Non-GAAP Financial Measures

**Glossary of Non-GAAP**

- **After-tax Operating Income Attributable to AIG (ATOI)** is derived by excluding the tax effected PTOI adjustments described above and the following tax items from net income attributable to AIG:
  - deferred income tax valuation allowance releases and charges;
  - uncertain tax positions and other tax items related to legacy matters having no relevance to our current businesses or operating performance.
- **Ratios:** We, along with most property and casualty insurance companies, use the loss ratio, the expense ratio and the combined ratio as measures of underwriting performance. These ratios are relative measurements that describe, for every $100 of net premiums earned, the amount of losses and loss adjustment expenses (which for Commercial Insurance excludes net loss reserve discount), and the amount of other underwriting expenses that would be incurred. A combined ratio of less than 100 indicates underwriting income and a combined ratio of over 100 indicates an underwriting loss. Our ratios are calculated using the relevant segment information calculated under GAAP, and thus may not be comparable to similar ratios calculated for regulatory reporting purposes. The underwriting environment varies across countries and products, as does the degree of litigation activity, all of which affect such ratios. In addition, investment returns, local taxes, cost of capital, regulation, product type and competition can have an effect on pricing and consequently on profitability as reflected in underwriting income and associated ratios.
- Accident year loss and combined ratios, as adjusted: both the accident year loss and combined ratios, as adjusted, exclude catastrophe losses and related reinstatement premiums, prior year development, net of premium adjustments, and the impact of reserve discounting. Natural catastrophe losses are generally weather or seismic events having a net impact in excess of $10 million each. Catastrophes also include certain man-made events, such as terrorism and civil disorders that meet the $10 million threshold. We believe the as adjusted ratios are meaningful measures of our underwriting results on an on-going basis as they exclude catastrophes and the impact of reserve discounting which are outside of management's control. We also exclude prior year development to provide transparency related to current accident year results.
- Accident year loss ratio, as adjusted (Adjusted for Prior Year Development) further adjusts the Accident Year Loss Ratio, as adjusted to include the impact of the prior year reserve development into each respective accident year.

<u>Underwriting ratios are computed as follows:</u>

a) Loss ratio = Loss and loss adjustment expenses incurred ÷ Net premiums earned (NPE)

b) Acquisition ratio = Total acquisition expenses ÷ NPE

c) General operating expense ratio = General operating expenses ÷ NPE

d) Expense ratio = Acquisition ratio + General operating expense ratio

e) Combined ratio = Loss ratio + Expense ratio

f) Accident year loss ratio, as adjusted (AYLR) = [Loss and loss adjustment expenses incurred – CATs – PYD] ÷ [NPE +/(-) Reinstatement premiums (RIPs) related to catastrophes +/(-) RIPs related to prior year catastrophes + (Additional) returned premium related to PYD]

g) Accident year combined ratio = AYLR + Expense ratio

h) Catastrophe losses (CATs) and reinstatement premiums = [Loss and loss adjustment expenses incurred – (CATs)] ÷ [NPE +/(-) RIPs related to catastrophes] – Loss ratio

i) Prior year development net of premium adjustments = [Loss and loss adjustment expenses incurred – Prior year loss reserve development unfavorable (favorable) (PYD), net of reinsurance] ÷ [NPE +/(-) RIPs related to prior year catastrophes + (Additional) returned premium related to prior year development] – Loss ratio

- **Premiums and deposits:** includes direct and assumed amounts received and earned on traditional life insurance policies, group benefit policies and life-contingent payout annuities, as well as deposits received on universal life, investment-type annuity contracts and mutual funds.

Results from discontinued operations are excluded from all of these measures.

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# Non-GAAP Reconciliations

## Book Value Per Share and Return on Equity

| **(in millions, except per share data)** | **Twelve Months Ended December 31, 2016** | **2015** |
|---|---|---|
| **Book Value Per Share** | | |
| Total AIG shareholders' equity (a) | $ 76,300 | $ 89,658 |
| Less: Accumulated other comprehensive income (AOCI) | 3,230 | 2,537 |
| Total AIG shareholders' equity, excluding AOCI (b) | 73,070 | 87,121 |
| Less: Deferred tax assets (DTA) | 14,770 | 16,751 |
| Total adjusted shareholders' equity (c) | 58,300 | 70,370 |
| Add: Cumulative quarterly common stock dividends above $0.125 per share | 1,216 | 378 |
| Total adjusted shareholders' equity, including dividend growth (d) | $ 59,516 | $ 70,748 |
| Total common shares outstanding (e) | 995.3 | 1,193.9 |
| Book value per common share (a÷e) | $ 76.66 | $ 75.10 |
| Book value per common share, excluding AOCI (b÷e) | 73.41 | 72.97 |
| Adjusted book value per common share (c÷e) | 58.57 | 58.94 |
| Adjusted book value per common share, including dividend growth (d÷e) | 59.79 | 59.26 |

| **(in millions, except per share data)** | **Quarterly 2016** | **Quarterly 2015** | **Twelve Months Ended December 31, 2016** | **Twelve Months Ended December 31, 2015** |
|---|---|---|---|---|
| **Return On Equity (ROE) Computations** | | | | |
| Actual or Annualized net income (loss) attributable to AIG (a) | $ (12,164) | $ (7,364) | $ (849) | $ 2,196 |
| Actual or Annualized after-tax operating income (loss) attributable to AIG (b) | $ (11,148) | $ (5,272) | $ 406 | $ 2,872 |
| Average AIG Shareholders' equity (c) | $ 82,482 | $ 94,329 | $ 86,617 | $ 101,558 |
| Less: Average AOCI | 6,144 | 4,547 | 5,722 | 7,598 |
| Less: Average DTA | 15,169 | 16,002 | 15,905 | 15,803 |
| **Average adjusted shareholders' equity (d)** | 61,169 | 73,780 | 64,990 | 78,157 |
| ROE (a÷c) | (14.7%) | (7.8%) | (1.0%) | 2.2% |
| **After-tax operating income (loss) as reported (e)** | $ (2,787) | $ (1,318) | $ 406 | $ 2,872 |
| **Adjustments to arrive at Normalized after-tax operating income (loss):** | | | | |
| Catastrophe losses above (below) expectations | (1) | (103) | (143) | (520) |
| (Better) worse than expected alternative returns (1) | (67) | 344 | 356 | 434 |
| (Better) worse than expected DIB & GCM returns | (49) | (3) | 112 | (80) |
| Fair value changes on PICC investments | 7 | (12) | 98 | (26) |
| Update of actuarial assumptions | - | (7) | 250 | 4 |
| Life Insurance - IBNR death claims | - | (13) | (16) | (13) |
| Unfavorable (favorable) prior year loss reserve development | 3,632 | 2,329 | 3,782 | 2,690 |
| **Normalized after-tax operating income (loss) (f)** | $ 735 | $ 1,217 | $ 4,845 | $ 5,361 |
| Adjusted return on equity (e÷d) | -18.2% | -7.1% | 0.6% | 3.7% |
| **Normalized return on equity (f÷d)** | 4.8% | 6.6% | 7.5% | 6.9% |

(1) The expected rate of return on alternative investments used was 8% and 9% for all periods presented in 2016 and 2015, respectively.

AIG

# Non-GAAP Reconciliations

## Pre-tax and After-tax Operating Income - Consolidated

| (in millions) | Quarterly | | Twelve Months Ended December 31, | |
|---|---|---|---|---|
| | 4Q16 | 4Q15 | 2016 | 2015 |
| **Pre-tax income (loss) from continuing operations** | $ (3,455) | $ (2,932) | $ (74) | $ 3,281 |
| **Adjustments to arrive at Pre-tax operating income (loss)** | | | | |
| Changes in fair value of securities used to hedge guaranteed living benefits | 150 | 4 | (120) | 43 |
| Changes in benefit reserves and DAC, VOBA and SIA related to net realized capital gains (losses) | (286) | (69) | (195) | 15 |
| Loss (gain) on extinguishment of debt | (2) | - | 74 | 756 |
| Net realized capital (gains) losses | 1,115 | 349 | 1,944 | (776) |
| (Income) loss from divested businesses | (194) | 1 | (545) | 59 |
| Non-operating litigation reserves and settlements | 2 | 4 | (41) | (82) |
| Other (income) expense - net | (27) | 233 | (42) | 233 |
| Reserve development related to non-operating run-off insurance business | - | - | - | 30 |
| Net loss reserve discount benefit (charge) | (750) | 86 | (427) | (71) |
| Pension expense related to a one-time lump sum payment to former employees | 147 | - | 147 | - |
| Restructuring and other costs | 206 | 222 | 694 | 496 |
| **Pre-tax operating income (loss)** | $ (3,094) | $ (2,102) | $ 1,415 | $ 3,984 |
| **Net income (loss) attributable to AIG** | $ (3,041) | $ (1,841) | $ (849) | $ 2,196 |
| **Adjustments to arrive at After-tax operating income (loss) (amounts net of tax, at a rate of 35%, except where noted):** | | | | |
| Uncertain tax positions and other tax adjustments(a) | (247) | (30) | (63) | 112 |
| Deferred income tax valuation allowance (releases) charges(a) | 87 | 49 | 83 | 110 |
| Changes in fair value of securities used to hedge guaranteed living benefits | 97 | 3 | (78) | 28 |
| Changes in benefit reserves and DAC, VOBA and SIA related to net realized capital gains (losses) | (186) | (45) | (127) | 10 |
| Loss (gain) on extinguishment of debt | (2) | - | 48 | 491 |
| Net realized capital (gains) losses (b) | 750 | 215 | 1,322 | (476) |
| (Income) loss from discontinued operations(a) | 36 | - | 90 | - |
| (Income) loss from divested businesses (c) | (8) | 2 | (236) | 16 |
| Non-operating litigation reserves and settlements | 1 | 3 | (27) | (53) |
| Other (income) expense - net | (17) | 151 | (27) | 151 |
| Reserve development related to non-operating run-off insurance business | - | - | - | 20 |
| Net loss reserve discount benefit (charge) | (487) | 30 | (277) | (55) |
| Pension expense related to a one-time lump sum payment to former employees | 96 | - | 96 | - |
| Restructuring and other costs | 134 | 145 | 451 | 322 |
| **After-tax operating income (loss)** | $ (2,787) | $ (1,318) | $ 406 | $ 2,872 |

(a) Includes impact of tax only adjustments

(b) The tax effect includes the impact of non-U.S. tax rates lower than 35% applied to foreign exchange (gains) or losses attributable to those jurisdictions where foreign earnings are considered to be indefinitely reinvested.

(c) The tax effect included the impact of non-U.S. tax rates lower than 35% applied to (income) or losses on dispositions by foreign affiliates whose tax bases in divested subsidiaries differed from U.S. GAAP carrying values.

AIG

# Non-GAAP Reconciliations
## General Operating and Other Expenses

| (in millions) | Twelve Months Ended December 31, 2016 | 2015 |
|---|---|---|
| **General operating and other expenses, GAAP basis** | **$ 10,989** | **$ 12,686** |
| Restructuring and other costs | (694) | (496) |
| Other expense related to retroactive reinsurance agreement | 18 | (233) |
| Pension expense related to a one-time lump sum payment to former employees | (147) | - |
| Non-operating litigation reserves | (3) | (12) |
| **Total general operating and other expenses included in pre-tax operating income** | **10,163** | **11,945** |
| Loss adjustment expenses, reported as policyholder benefits and losses incurred | 1,345 | 1,632 |
| Advisory fee expenses | (645) | (1,349) |
| Non-deferrable insurance commissions | (467) | (504) |
| Direct marketing and acquisition expenses, net of deferrals | (501) | (659) |
| Investment expenses reported as net investment income and other | 57 | 76 |
| **Total general operating expenses, operating basis** | **9,952** | **11,141** |
| Less: FX Impact | - | (15) |
| Less: GOE of Advisor Group | 68 | 206 |
| **Total general operating expenses, operating basis, Ex. FX & GOE of AIG Advisor Group** | **9,884** | **10,950** |
| Less: GOE of UGC | 223 | 238 |
| **Total general operating expenses, operating basis, Ex. FX & GOE of AIG Advisor Group and UGC** | **$ 9,661** | **$ 10,712** |

# Non-GAAP Reconciliations

## PTOI, ATOI and Normalized ATOI*

**Commercial Insurance - Liability and Financial Lines**

| (in millions) | Quarterly 4Q16 | Quarterly 4Q15 | Twelve Months Ended December 31, 2016 | Twelve Months Ended December 31, 2015 |
|---|---|---|---|---|
| **Pre-tax operating income (loss)** | $ **(4,981)** | $ **(2,479)** | $ **(2,649)** | $ **(661)** |
| Interest expense on attributed financial debt | 63 | 49 | 220 | 189 |
| **Operating income (loss) before taxes:** | (5,044) | (2,528) | (2,869) | (850) |
| Income tax expense (benefit) | (1,524) | (900) | (930) | (467) |
| **After-tax operating income (loss) (a)** | **(3,520)** | **(1,628)** | **(1,939)** | **(383)** |
| **Adjustments to arrive at normalized after-tax operating income (loss):** | | | | |
| Catastrophe losses above (below) expectations | (2) | (1) | (5) | (3) |
| (Better) worse than expected alternative returns | (2) | 99 | 135 | 172 |
| Fair value changes on PICC investments | (1) | (4) | 21 | (4) |
| Unfavorable (favorable) prior year loss reserve development | 3,443 | 2,012 | 3,500 | 2,358 |
| **Normalized after-tax operating income (b)** | $ **(82)** | $ **478** | $ **1,712** | $ **2,140** |
| **Ending attributed equity** | **18,973** | **19,901** | **18,973** | **19,901** |
| **Average attributed equity (c)** | **18,805** | **20,685** | **19,504** | **21,281** |
| **Adjusted return on attributed equity (a÷c)** | **(74.9)** % | **(31.5)** % | **(9.9)** % | **(1.8)** % |
| **Normalized return on attributed equity (b÷c)** | **(1.7)** % | **9.2** % | **8.8** % | **10.1** % |

**Commercial Insurance - Property and Special Risks**

| (in millions) | Quarterly 4Q16 | Quarterly 4Q15 | Twelve Months Ended December 31, 2016 | Twelve Months Ended December 31, 2015 |
|---|---|---|---|---|
| **Pre-tax operating income (loss)** | $ **(42)** | $ **53** | $ **(86)** | $ **1,226** |
| Interest expense on attributed financial debt | 37 | 31 | 143 | 113 |
| **Operating income (loss) before taxes:** | (79) | 22 | (229) | 1,113 |
| Income tax expense (benefit) | (23) | 8 | (90) | 376 |
| **After-tax operating income (loss) (a)** | **(56)** | **14** | **(139)** | **737** |
| **Adjustments to arrive at normalized after-tax operating income (loss):** | | | | |
| Catastrophe losses above (below) expectations | 12 | (68) | (81) | (444) |
| (Better) worse than expected alternative returns | (1) | 39 | 45 | 52 |
| Fair value changes on PICC investments | - | (1) | 9 | (1) |
| Unfavorable (favorable) prior year loss reserve development | (28) | 12 | 146 | (186) |
| **Normalized after-tax operating income (b)** | $ **(73)** | $ **(4)** | $ **(20)** | $ **158** |
| **Ending attributed equity** | **$ 8,373** | **$ 8,942** | **$ 8,373** | **$ 8,942** |
| **Average attributed equity (c)** | **8,494** | **8,473** | **8,758** | **8,226** |
| **Adjusted return on attributed equity (a÷c)** | **(2.6)** % | **0.7** % | **(1.6)** % | **9.0** % |
| **Normalized return on attributed equity (b÷c)** | **(3.4)** % | **(0.2)** % | **(0.2)** % | **1.9** % |

* Normalizing adjustments are tax effected using a 35% tax rate and computed based on average attributed equity for the respective periods.

# Non-GAAP Reconciliations
## PTOI, ATOI, Normalized ATOI*

**Total Commercial Insurance**

| (in millions) | Quarterly | | Twelve Months Ended December 31, | |
|---|---|---|---|---|
| | 4Q16 | 4Q15 | 2016 | 2015 |
| **Pre-tax operating income (loss)** | $ (5,023) | $ (2,426) | $ (2,735) | $ 565 |
| Interest expense on attributed financial debt | 100 | 80 | 363 | 302 |
| **Operating income (loss) before taxes:** | (5,123) | (2,506) | (3,098) | 263 |
| Income tax expense (benefit) | (1,547) | (892) | (1,020) | (91) |
| **After-tax operating income (loss) (a)** | $ (3,576) | $ (1,614) | $ (2,078) | $ 354 |
| **Adjustments to arrive at normalized after-tax operating income (loss):** | | | | |
| Catastrophe losses above (below) expectations | 10 | (69) | (86) | (447) |
| (Better) worse than expected alternative returns | (3) | 138 | 180 | 224 |
| Fair value changes on PICC investments | (1) | (5) | 30 | (5) |
| Unfavorable (favorable) prior year loss reserve development | 3,415 | 2,024 | 3,646 | 2,172 |
| **Normalized after-tax operating income (b)** | $ (155) | $ 474 | $ 1,692 | $ 2,298 |
| **Ending attributed equity** | 27,346 | 28,843 | 27,346 | 28,843 |
| **Average attributed equity (c)** | 27,299 | 29,158 | 28,262 | 29,507 |
| **Adjusted return on attributed equity (a÷c)** | (52.4) % | (22.1) % | (7.4) % | 1.2 % |
| **Normalized return on attributed equity (b÷c)** | (2.3) % | 6.5 % | 6.0 % | 7.8 % |

* Normalizing adjustments are tax effected using a 35% tax rate and computed based on average attributed equity for the respective periods.

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# Non-GAAP Reconciliations

## PTOI, ATOI and Normalized ATOI*

**Consumer Insurance - Individual Retirement**

| (in millions) | Quarterly 4Q16 | Quarterly 4Q15 | Twelve Months Ended December 31, 2016 | Twelve Months Ended December 31, 2015 |
|---|---|---|---|---|
| **Pre-tax operating income** | $ 542 | $ 397 | $ 2,269 | $ 1,812 |
| Interest expense on attributed financial debt | - | 15 | 37 | 61 |
| **Operating income (loss) before taxes:** | 542 | 382 | 2,232 | 1,751 |
| Income tax expense (benefit) | 179 | 125 | 743 | 575 |
| **After-tax operating income (a)** | 363 | 257 | 1,489 | 1,176 |
| **Adjustments to arrive at normalized after-tax operating income (loss):** | | | | |
| (Better) worse than expected alternative returns | (18) | 68 | 56 | 95 |
| Update of actuarial assumptions | - | - | (240) | (60) |
| **Normalized after-tax operating income (b)** | $ 345 | $ 325 | $ 1,305 | $ 1,211 |
| **Ending attributed equity** | $ 10,913 | $ 11,525 | $ 10,913 | $ 11,525 |
| **Average attributed equity (c)** | 11,059 | 11,521 | 11,287 | 11,464 |
| **Adjusted return on attributed equity (a÷c)** | 13.1 % | 8.9 % | 13.2 % | 10.3 % |
| **Normalized return on attributed equity (b÷c)** | 12.5 % | 11.3 % | 11.6 % | 10.6 % |

**Consumer Insurance - Group Retirement**

| (in millions) | Quarterly 4Q16 | Quarterly 4Q15 | Twelve Months Ended December 31, 2016 | Twelve Months Ended December 31, 2015 |
|---|---|---|---|---|
| **Pre-tax operating income (loss)** | $ 261 | $ 228 | $ 931 | $ 1,100 |
| Interest expense on attributed financial debt | - | 8 | 20 | 35 |
| **Operating income (loss) before taxes:** | 261 | 220 | 911 | 1,065 |
| Income tax expense (benefit) | 78 | 64 | 250 | 334 |
| **After-tax operating income (a)** | 183 | 156 | 661 | 731 |
| **Adjustments to arrive at normalized after-tax operating income (loss):** | | | | |
| (Better) worse than expected alternative returns | (9) | 32 | 26 | 46 |
| Update of actuarial assumptions | - | - | 30 | (31) |
| **Normalized after-tax operating income (b)** | $ 174 | $ 188 | $ 717 | $ 746 |
| **Ending attributed equity** | 5,984 | 6,280 | 5,984 | 6,280 |
| **Average attributed equity (c)** | 6,064 | 6,486 | 6,166 | 6,577 |
| **Adjusted return on attributed equity (a÷c)** | 12.1 % | 9.6 % | 10.7 % | 11.1 % |
| **Normalized return on attributed equity (b÷c)** | 11.5 % | 11.6 % | 11.6 % | 11.3 % |

* Normalizing adjustments are tax effected using a 35% tax rate and computed based on average attributed equity for the respective periods.

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# Non-GAAP Reconciliations

## PTOI, ATOI and Normalized ATOI*

**Consumer Insurance - Life Insurance**

| (in millions) | Quarterly 4Q16 | Quarterly 4Q15 | Twelve Months Ended December 31, 2016 | Twelve Months Ended December 31, 2015 |
|---|---|---|---|---|
| **Pre-tax operating income (loss)** | **(10)** | **24** | **(37)** | **(51)** |
| Interest expense on attributed financial debt | 6 | 8 | 31 | 31 |
| **Operating income (loss) before taxes:** | (16) | 16 | (68) | (82) |
| Income tax expense (benefit) | (3) | 11 | (40) | (121) |
| **After-tax operating income (loss) (a)** | $ **(13)** | $ **5** | $ **(28)** | $ **39** |
| **Adjustments to arrive at normalized after-tax operating income (loss):** | | | | |
| (Better) worse than expected alternative returns | (3) | 16 | 13 | 22 |
| Update of actuarial assumptions | - | - | 60 | 76 |
| **Normalized after-tax operating income (b)** | $ **(16)** | $ **21** | $ **45** | $ **137** |
| **Ending attributed equity** | **2,529** | **2,667** | **2,529** | **2,667** |
| **Average Attributed equity (c)** | **2,570** | **2,820** | **2,654** | **2,876** |
| **Adjusted return on attributed equity (a÷c)** | **(2.0)** % | **0.7** % | **(1.1)** % | **1.4** % |
| **Normalized return on attributed equity (b÷c)** | **(2.5)** % | **3.0** % | **1.7** % | **4.8** % |

**Consumer Insurance - Personal Insurance**

| (in millions) | Quarterly 4Q16 | Quarterly 4Q15 | Twelve Months Ended December 31, 2016 | Twelve Months Ended December 31, 2015 |
|---|---|---|---|---|
| **Pre-tax operating income (loss)** | $ **176** | $ **(27)** | $ **686** | $ **68** |
| Interest expense on attributed financial debt | 24 | 25 | 94 | 109 |
| **Operating income (loss) before taxes:** | 152 | (52) | 592 | (41) |
| Income tax expense (benefit) | 50 | (17) | 207 | 2 |
| **After-tax operating income (loss) (a)** | $ **102** | $ **(35)** | $ **385** | $ **(43)** |
| **Adjustments to arrive at normalized after-tax operating income (loss):** | | | | |
| Catastrophe losses above (below) expectations | (8) | (33) | (50) | (65) |
| (Better) worse than expected alternative returns | 2 | 17 | 38 | 21 |
| Fair value changes on PICC investments | - | - | 2 | - |
| Unfavorable (favorable) prior year loss reserve development | (11) | 27 | (88) | (11) |
| **Normalized after-tax operating income (b)** | $ **85** | $ **(24)** | $ **287** | $ **(98)** |
| **Ending attributed equity** | **2,742** | **2,847** | **2,742** | **2,847** |
| **Average attributed equity (c)** | **2,739** | **2,904** | **2,821** | **2,927** |
| **Adjusted return on attributed equity (a÷c)** | **14.9** % | **(4.8)** % | **13.6** % | **(1.5)** % |
| **Normalized return on attributed equity (b÷c)** | **12.4** % | **(3.3)** % | **10.2** % | **(3.3)** % |

* Normalizing adjustments are tax effected using a 35% tax rate and computed based on average attributed equity for the respective periods.

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# Non-GAAP Reconciliations

## PTOI, ATOI and Normalized ATOI*

**Total Consumer Insurance**

| (in millions) | Quarterly 4Q16 | Quarterly 4Q15 | Twelve Months Ended December 31, 2016 | Twelve Months Ended December 31, 2015 |
|---|---|---|---|---|
| **Pre-tax operating income (loss)** | $ 969 | $ 622 | $ 3,849 | $ 2,929 |
| Interest expense on attributed financial debt | 30 | 56 | 182 | 236 |
| **Operating income (loss) before taxes:** | 939 | 566 | 3,667 | 2,693 |
| Income tax expense (benefit) | 304 | 183 | 1,160 | 790 |
| **After-tax operating income (loss) (a)** | **635** | **383** | **2,507** | **1,903** |
| **Adjustments to arrive at normalized after-tax operating income (loss):** | | | | |
| (Better) worse than expected alternative returns | (28) | 133 | 133 | 184 |
| Update of actuarial assumptions | - | - | (150) | (15) |
| Catastrophe losses above (below) expectations | (8) | (33) | (50) | (65) |
| Fair value changes on PICC investments | - | - | 2 | - |
| Unfavorable (favorable) prior year loss reserve development | (11) | 27 | (88) | (11) |
| **Normalized after-tax operating income (b)** | **$ 588** | **$ 510** | **$ 2,354** | **$ 1,996** |
| **Ending attributed equity** | **$ 22,168** | **$ 23,319** | **$ 22,168** | **$ 23,319** |
| **Average attributed equity (c)** | **22,432** | **23,731** | **22,928** | **23,844** |
| **Adjusted return on attributed equity (a÷c)** | **11.3 %** | **6.5 %** | **10.9 %** | **8.0 %** |
| **Normalized return on attributed equity (b÷c)** | **10.5 %** | **8.6 %** | **10.3 %** | **8.4 %** |

**Other Operations (including consolidations and eliminations)**

| (in millions) | Quarterly 4Q16 | Quarterly 4Q15 | Twelve Months Ended December 31, 2016 | Twelve Months Ended December 31, 2015 |
|---|---|---|---|---|
| **Pre-tax operating income (loss)** | $ (141) | $ (123) | $ (706) | $ (643) |
| Interest expense (benefit) on attributed financial debt | (175) | (175) | (667) | (752) |
| **Operating income (loss) before taxes:** | 34 | 52 | (39) | 109 |
| Income tax expense (benefit) | (22) | (54) | (20) | 101 |
| **After-tax operating income (loss)** | **56** | **106** | **(19)** | **8** |
| **Adjustments to arrive at normalized after-tax operating income (loss):** | | | | |
| (Better) worse than expected alternative returns | (6) | 12 | 19 | 16 |
| (Better) worse than expected DIB & GCM returns | 2 | (1) | 6 | (5) |
| Fair value changes on PICC investments | 9 | - | (3) | 1 |
| Update of actuarial assumptions | - | - | 1 | - |
| Unfavorable (favorable) prior year loss reserve development | (14) | (23) | (38) | (45) |
| **Normalized after-tax operating income (loss)** | **$ 47** | **$ 94** | **$ (34)** | **$ (25)** |

* Normalizing adjustments are tax effected using a 35% tax rate and computed based on average attributed equity for the respective periods.

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# Non-GAAP Reconciliations

## PTOI, ATOI and Normalized ATOI*

**Total Core**

| (in millions) | Quarterly 4Q16 | Quarterly 4Q15 | Twelve Months Ended December 31, 2016 | Twelve Months Ended December 31, 2015 |
|---|---|---|---|---|
| **Pre-tax operating income (loss)** | **$ (4,195)** | **$ (1,927)** | **$ 408** | **$ 2,851** |
| Interest expense (benefit) on attributed financial debt | (45) | (39) | (122) | (214) |
| **Operating income (loss) before taxes:** | (4,150) | (1,888) | 530 | 3,065 |
| Income tax expense (benefit) | (1,265) | (763) | 120 | 800 |
| **After-tax operating income (loss) (a)** | **(2,885)** | **(1,125)** | **410** | **2,265** |
| **Adjustments to arrive at normalized after-tax operating income (loss):** | | | | |
| Catastrophe losses above (below) expectations | 2 | (102) | (136) | (512) |
| (Better) worse than expected alternative returns | (37) | 283 | 332 | 424 |
| (Better) worse than expected DIB & GCM returns | 2 | (1) | 6 | (5) |
| Fair value changes on PICC investments | 8 | (5) | 29 | (4) |
| Update of actuarial assumptions | - | - | (149) | (15) |
| Unfavorable (favorable) prior year loss reserve development | 3,390 | 2,028 | 3,520 | 2,116 |
| **Normalized after-tax operating income (b)** | **$ 480** | **$ 1,078** | **$ 4,012** | **$ 4,269** |
| **Ending attributed equity** | **47,651** | **53,519** | **47,651** | **53,519** |
| **Average attributed equity (c)** | **50,302** | **56,607** | **51,319** | **58,912** |
| **Adjusted return on attributed equity (a÷c)** | **(22.9) %** | **(8.0) %** | **0.8 %** | **3.8 %** |
| **Normalized return on attributed equity (b÷c)** | **3.8 %** | **7.6 %** | **7.8 %** | **7.2 %** |

**Legacy Portfolio**

| (in millions) | Quarterly 4Q16 | Quarterly 4Q15 | Twelve Months Ended December 31, 2016 | Twelve Months Ended December 31, 2015 |
|---|---|---|---|---|
| **Pre-tax operating income (loss)** | **$ 1,101** | **$ (175)** | **$ 1,007** | **$ 1,133** |
| Interest expense on attributed financial debt | 43 | 39 | 120 | 214 |
| **Operating income (loss) before taxes:** | 1,058 | (214) | 887 | 919 |
| Income tax expense (benefit) | 404 | (24) | 330 | 315 |
| After-tax Non-controlling interest (income) loss on Korea Fund | (533) | - | (533) | - |
| **After-tax operating income (loss) (a)** | **121** | **(190)** | **24** | **604** |
| **Adjustments to arrive at normalized after-tax operating income (loss):** | | | | |
| Catastrophe losses above (below) expectations | (3) | (1) | (7) | (8) |
| (Better) worse than expected alternative returns | (30) | 61 | 24 | 10 |
| (Better) worse than expected DIB & GCM returns | (50) | (2) | 107 | (75) |
| Fair value changes on PICC investments | (1) | (7) | 69 | (22) |
| Update of actuarial assumptions | - | (7) | 399 | 19 |
| Life Insurance - IBNR death claims | - | (13) | (16) | (13) |
| Unfavorable (favorable) prior year loss reserve development | 241 | 301 | 261 | 574 |
| **Normalized after-tax operating income (b)** | **$ 278** | **$ 142** | **$ 861** | **$ 1,089** |
| **Ending attributed equity** | **10,649** | **16,851** | **10,649** | **16,851** |
| **Average attributed equity (c)** | **10,867** | **17,173** | **13,671** | **19,245** |
| **Adjusted return on attributed equity (a÷c)** | **4.5 %** | **(4.4) %** | **0.2 %** | **3.1 %** |
| **Normalized return on attributed equity (b÷c)** | **10.2 %** | **3.3 %** | **6.3 %** | **5.7 %** |

* Normalizing adjustments are tax effected using a 35% tax rate and computed based on average attributed equity for the respective periods.

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# Non-GAAP Reconciliations

## Accident Year Loss Ratio, as adjusted, and Accident Year Combined Ratio, as adjusted

**Total Commercial Insurance**

| | Quarterly | | Twelve Months Ended December 31, | |
|---|---|---|---|---|
| | **4Q16** | **4Q15** | **2016** | **2015** |
| Loss ratio | 211.5 | 133.1 | 104.0 | 84.5 |
| Catastrophe losses and reinstatement premiums | (8.1) | (4.3) | (6.5) | (3.0) |
| Prior year development net of premium adjustments | (125.2) | (63.2) | (30.8) | (16.8) |
| **Accident year loss ratio, as adjusted** | **78.2** | **65.6** | **66.7** | **64.7** |
| Combined ratio | 241.6 | 163.3 | 133.1 | 114.5 |
| Catastrophe losses and reinstatement premiums | (8.1) | (4.3) | (6.5) | (3.0) |
| Prior year development net of premium adjustments | (125.2) | (63.2) | (30.8) | (16.8) |
| **Accident year combined ratio, as adjusted** | **108.3** | **95.8** | **95.8** | **94.7** |

**Commercial Insurance - Liability and Financial Lines**

| | Quarterly | | Twelve Months Ended December 31, | |
|---|---|---|---|---|
| | **4Q16** | **4Q15** | **2016** | **2015** |
| Loss ratio | 312.0 | 174.6 | 124.2 | 100.7 |
| Catastrophe losses and reinstatement premiums | - | (0.1) | - | (0.1) |
| Prior year development net of premium adjustments | (220.6) | (103.9) | (50.9) | (30.4) |
| **Accident year loss ratio, as adjusted** | **91.4** | **70.6** | **73.3** | **70.2** |
| Combined ratio | 338.7 | 203.1 | 150.6 | 129.4 |
| Catastrophe losses and reinstatement premiums | - | (0.1) | - | (0.1) |
| Prior year development net of premium adjustments | (220.6) | (103.9) | (50.9) | (30.4) |
| **Accident year combined ratio, as adjusted** | **118.1** | **99.1** | **99.7** | **98.9** |

**Commercial Insurance - Property and Special Risks**

| | Quarterly | | Twelve Months Ended December 31, | |
|---|---|---|---|---|
| | **4Q16** | **4Q15** | **2016** | **2015** |
| Loss ratio | 77.0 | 69.8 | 75.6 | 60.1 |
| Catastrophe losses and reinstatement premiums | (18.9) | (10.8) | (15.4) | (7.3) |
| Prior year development net of premium adjustments | 2.4 | (0.9) | (2.8) | 3.6 |
| **Accident year loss ratio, as adjusted** | **60.5** | **58.1** | **57.4** | **56.4** |
| Combined ratio | 111.7 | 102.5 | 108.7 | 92.1 |
| Catastrophe losses and reinstatement premiums | (18.9) | (10.8) | (15.4) | (7.3) |
| Prior year development net of premium adjustments | 2.4 | (0.9) | (2.8) | 3.6 |
| **Accident year combined ratio, as adjusted** | **95.2** | **90.8** | **90.5** | **88.4** |

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# Non-GAAP Reconciliations

## Accident Year Loss Ratio, as adjusted, and Accident Year Combined Ratio, as adjusted

**Consumer Personal Insurance**

| | Quarterly | | Twelve Months Ended December 31, | |
|---|---|---|---|---|
| | **4Q16** | **4Q15** | **2016** | **2015** |
| Loss ratio | 52.7 | 55.4 | 54.3 | 55.2 |
| Catastrophe losses and reinstatement premiums | (1.6) | (0.3) | (1.4) | (1.3) |
| Prior year development net of premium adjustments | 0.6 | (1.5) | 1.2 | 0.1 |
| **Accident year loss ratio, as adjusted** | **51.7** | **53.6** | **54.1** | **54.0** |
| | | | | |
| Combined ratio | 96.9 | 103.1 | 96.4 | 102.3 |
| Catastrophe losses and reinstatement premiums | (1.6) | (0.3) | (1.4) | (1.3) |
| Prior year development net of premium adjustments | 0.6 | (1.5) | 1.2 | 0.1 |
| **Accident year combined ratio, as adjusted** | **95.9** | **101.3** | **96.2** | **101.1** |

# Non-GAAP Reconciliations

## Accident Year Combined Ratio, as adjusted

**Total Commercial Insurance**

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|
| Loss ratio | 84.3 | 81.0 | 70.3 | 69.7 | 84.5 | 104.0 |
| Catastrophe losses and reinstatement premiums | (11.9) | (10.9) | (3.4) | (3.0) | (3.0) | (6.5) |
| Prior year development net of premium adjustments | 1.9 | (1.2) | (1.5) | (2.1) | (16.8) | (30.8) |
| **Accident year loss ratio, as adjusted** | **74.3** | **68.9** | **65.4** | **64.6** | **64.7** | **66.7** |

| | 2015 | 2016 |
|---|---|---|
| Combined ratio | 114.5 | 133.1 |
| Catastrophe losses and reinstatement premiums | (3.0) | (6.5) |
| Prior year development net of premium adjustments | (16.8) | (30.8) |
| **Accident year combined ratio, as adjusted** | **94.7** | **95.8** |

| Commercial Insurance Accident Year Loss Ratio, as Adjusted (incl. PYD) | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|
| Accident year loss ratio, as adjusted | 74.3 | 68.9 | 65.4 | 64.6 | 64.7 | 66.7 |
| Effect of 2015 Prior Year Development on 2011 - 2015 | 2.8 | 1.2 | 1.9 | 2.4 | | |
| Accident year loss ratio, as adjusted (incl. 2015 PYD) | **77.1** | **70.1** | **67.3** | **67.0** | **64.7** | **66.7** |
| Effect of 2016 Prior Year Development on 2011 - 2015 | 0.9 | 2.1 | 2.4 | 4.2 | 6.1 | |
| **Accident year loss ratio, as adjusted (incl. PYD)** | **78.0** | **72.2** | **69.7** | **71.2** | **70.8** | **66.7** |

| Commercial Insurance Accident Year Combined Ratio, as Adjusted (incl. PYD) | 2015 | 2016 |
|---|---|---|
| Accident year combined ratio, as adjusted | 94.7 | 95.8 |
| Effect of 2016 Prior Year Development on 2011 - 2015 | 6.1 | |
| **Accident year combined ratio, as adjusted (incl. PYD)** | **100.8** | **95.8** |

| | Quarterly | | Year Ended December 31, | |
|---|---|---|---|---|
| **Impact of UGC reinsurance treaty in Commercial** | **4Q16** | **4Q15** | **2016** | **2015** |
| Accident year loss ratio, as adjusted - before UGC reinsurance treaty | 79.3% | 66.2% | 67.5% | 65.1% |
| Impact of UGC reinsurance treaty | -1.1% | -0.5% | -0.8% | -0.4% |
| **Accident year loss ratio, as adjusted - as reported - Commercial** | 78.2% | 65.7% | 66.7% | 64.7% |
| Pre-tax operating income (loss) - before UGC reinsurance treaty | $ (5,063) | $ (2,453) | $ (2,881) | $ 479 |
| Impact of UGC reinsurance treaty* | 40 | 27 | 146 | 86 |
| **Pre-tax operating income (loss) - as reported - Commercial** | $ (5,023) | $ (2,426) | $ (2,735) | $ 565 |
| **Impact of UGC reinsurance treaty in PSR** | | | | |
| Accident year loss ratio, as adjusted - before UGC reinsurance treaty | 62.5% | 59.3% | 59.0% | 57.3% |
| Impact of UGC reinsurance treaty | -2.0% | -1.2% | -1.6% | -0.9% |
| **Accident year loss ratio, as adjusted - as reported - PSR** | 60.5% | 58.1% | 57.4% | 56.4% |
| Pre-tax operating income (loss) - before UGC reinsurance treaty | $ (82) | $ 26 | $ (232) | $ 1,140 |
| Impact of UGC reinsurance treaty* | 40 | 27 | 146 | 86 |
| **Pre-tax operating income (loss) - as reported -PSR** | $ (42) | $ 53 | $ (86) | $ 1,226 |

* PSR and United Guaranty each use models that are consistent with their core underlying business to defer and amortize ceding commissions related to the intercompany reinsurance agreement.

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# Non-GAAP Reconciliations

## Premiums

| *(in millions)* | Quarterly | | Twelve Months Ended December 31, | |
|---|---|---|---|---|
| | 4Q16 | 4Q15 | 2016 | 2015 |
| **Consumer Insurance - Individual Retirement:** | | | | |
| Premiums and deposits | $ 3,078 | $ 5,109 | $ 16,062 | $ 18,376 |
| Deposits | (3,044) | (5,077) | (15,898) | (18,238) |
| Other | - | 2 | (1) | (3) |
| **Premiums** | **$ 34** | **$ 34** | **$ 163** | **$ 137** |
| **Consumer Insurance - Individual Retirement (Fixed Annuities):** | | | | |
| Premiums and deposits | $ 546 | $ 1,259 | $ 3,982 | $ 3,747 |
| Deposits | (512) | (1,228) | (3,820) | (3,609) |
| Other | 2 | 4 | 7 | 6 |
| **Premiums** | **$ 36** | **$ 35** | **$ 169** | **$ 144** |
| **Consumer Insurance - Individual Retirement (Variable Annuities):** | | | | |
| Premiums and deposits | $ 923 | $ 1,814 | $ 4,507 | $ 8,012 |
| Deposits | (923) | (1,814) | (4,507) | (8,012) |
| Other | (1) | (2) | (7) | (7) |
| **Premiums** | **$ (1)** | **$ (2)** | **$ (7)** | **$ (7)** |
| **Consumer Insurance - Individual Retirement (Index Annuities):** | | | | |
| Premiums and deposits | $ 548 | $ 867 | $ 2,687 | $ 2,826 |
| Deposits | (548) | (867) | (2,687) | (2,826) |
| Other | - | - | - | (1) |
| **Premiums** | **$ -** | **$ -** | **$ -** | **$ (1)** |
| **Consumer Insurance - Individual Retirement (Retail Mutual Funds):** | | | | |
| Premiums and deposits | $ 1,061 | $ 1,169 | $ 4,886 | $ 3,791 |
| Deposits | (1,061) | (1,169) | (4,886) | (3,791) |
| Other | - | - | - | - |
| **Premiums** | **$ -** | **$ -** | **$ -** | **$ -** |
| **Consumer Insurance - Group Retirement:** | | | | |
| Premiums and deposits | $ 2,056 | $ 1,944 | $ 7,570 | $ 6,920 |
| Deposits | (2,050) | (1,938) | (7,543) | (6,899) |
| Other | - | - | - | 1 |
| **Premiums** | **$ 6** | **$ 6** | **$ 27** | **$ 22** |
| **Consumer Insurance - Life Insurance:** | | | | |
| Premiums and deposits | $ 911 | $ 879 | $ 3,519 | $ 3,370 |
| Deposits | (369) | (388) | (1,419) | (1,451) |
| Other | (203) | (176) | (693) | (608) |
| **Premiums** | **$ 339** | **$ 315** | **$ 1,407** | **$ 1,311** |
| **Legacy Life Insurance Run-off Lines:** | | | | |
| Premiums and deposits | $ 159 | $ 190 | $ 666 | $ 743 |
| Deposits | (27) | (47) | (116) | (136) |
| Other | (14) | (9) | (33) | (41) |
| **Premiums** | **$ 118** | **$ 134** | **$ 517** | **$ 566** |

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