AMERICAN INTERNATIONAL GROUP INC
Form 10-Q
May 07, 2010

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

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

Form 10-Q

(Mark One)

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended March 31, 2010

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to
Commission File Number 1-8787

American International Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**13-2592361**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
70 Pine Street, New York, New York	**10270**
(Address of principal executive offices)	(Zip Code)

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

Former name, former address and former fiscal year, if changed since last report: Not applicable

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 þ No o

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 þ No o

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

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

As of April 30, 2010, there were 135,070,621 shares outstanding of the registrant's common stock.

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American International Group, Inc., and Subsidiaries

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American International Group, Inc., and Subsidiaries

Part I FINANCIAL INFORMATION

ITEM 1. Financial Statements (unaudited)

Consolidated Balance Sheet

(in millions)		March 31, 2010		December 31, 2009
Assets:				
Investments:				
Fixed maturity securities:				
Bonds available for sale, at fair value (amortized cost: 2010 $254,416; 2009 $364,491)	**$**	**256,870**	$	365,551
Bond trading securities, at fair value		**26,365**		31,243
Equity securities:				
Common and preferred stock available for sale, at fair value (cost: 2010 $4,882; 2009 $6,464)		**6,831**		9,522
Common and preferred stock trading, at fair value		**613**		8,318
Mortgage and other loans receivable, net of allowance (portion measured at fair value: 2010 $157; 2009 $119)		**22,533**		27,461
Finance receivables, net of allowance		**18,912**		20,327
Flight equipment primarily under operating leases, net of accumulated depreciation		**43,258**		44,091
Other invested assets (portion measured at fair value: 2010 $10,154; 2009 $18,888)		**33,250**		45,235
Securities purchased under agreements to resell, at fair value		**1,615**		2,154
Short-term investments (portion measured at fair value: 2010 $22,184; 2009 $23,975)		**38,800**		47,263
Total investments		**449,047**		601,165
Cash		**2,133**		4,400
Accrued investment income		**3,467**		5,152
Premiums and other receivables, net of allowance		**18,718**		16,549
Reinsurance assets, net of allowance		**25,791**		22,425
Current and deferred income taxes		**6,805**		4,108
Deferred policy acquisition costs		**19,064**		40,814
Real estate and other fixed assets, net of accumulated depreciation		**3,259**		4,142
Unrealized gain on swaps, options and forward transactions, at fair value		**7,383**		9,130
Goodwill		**2,565**		6,195
Other assets, including prepaid commitment asset of $6,460 in 2010 and $7,099 in 2009 (portion measured at fair value: 2010 $13; 2009 $288)		**17,072**		18,976
Separate account assets, at fair value		**51,953**		58,150
Assets of businesses held for sale		**256,440**		56,379
Total assets	**$**	**863,697**	$	847,585

See Accompanying Notes to Consolidated Financial Statements.

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American International Group, Inc., and Subsidiaries

Consolidated Balance Sheet *(Continued)*

(in millions, except share data)	March 31, 2010	December 31, 2009
Liabilities:		
Liability for unpaid claims and claims adjustment expense	**$ 86,489**	$ 85,386
Unearned premiums	**26,350**	21,363
Future policy benefits for life and accident and health insurance contracts	**47,752**	116,001
Policyholder contract deposits (portion measured at fair value: 2010 $641; 2009 $5,214)	**142,932**	220,128
Other policyholder funds	**7,493**	13,252
Commissions, expenses and taxes payable	**2,874**	4,950
Insurance balances payable	**4,004**	4,393
Funds held by companies under reinsurance treaties	**708**	774
Securities sold under agreements to repurchase (portion measured at fair value: 2010 $3,418; 2009 $3,221)	**3,418**	3,505
Securities and spot commodities sold but not yet purchased, at fair value	**458**	1,030
Unrealized loss on swaps, options and forward transactions, at fair value	**6,296**	5,403
Trust deposits and deposits due to banks and other depositors (portion measured at fair value: 2010 $16; 2009 $15)	**1,030**	1,641
Other liabilities	**21,015**	22,503
Federal Reserve Bank of New York Commercial Paper Funding Facility (portion measured at fair value: 2010 $2,285; 2009 $2,742)	**2,285**	4,739
Federal Reserve Bank of New York credit facility	**27,400**	23,435
Other long-term debt (portion measured at fair value: 2010 $12,800; 2009 $13,195)	**109,744**	113,298
Separate account liabilities	**51,953**	58,150
Liabilities of businesses held for sale	**217,837**	48,599
Total liabilities	**760,038**	748,550
Commitments, contingencies and guarantees (see Note 9)		
Redeemable noncontrolling interests in partially owned consolidated subsidiaries (including $1,270 and $211 associated with businesses held for sale in 2010 and 2009, respectively)	**1,940**	959
AIG shareholders' equity:		
Preferred stock		
Series E; $5.00 par value; shares issued: 2010 and 2009 400,000, at aggregate liquidation value	**41,605**	41,605
Series F; $5.00 par value; shares issued: 2010 and 2009 300,000, aggregate liquidation value: 2010 $7,543; 2009 $5,344	**7,378**	5,179
Series C; $5.00 par value; shares issued: 2010 and 2009 100,000, aggregate liquidation value: 2010 and 2009 $0.5	**23,000**	23,000
Common stock, $2.50 par value; 5,000,000,000 shares authorized; shares issued: 2010 141,605,834; 2009 141,732,263	**354**	354
Treasury stock, at cost; 2010 6,661,350; 2009 6,661,356 shares of common stock	**(874)**	(874)
Additional paid-in capital	**6,356**	6,358
Accumulated deficit	**(9,871)**	(11,491)
Accumulated other comprehensive income	**7,053**	5,693
Total AIG shareholders' equity	**75,001**	69,824
Noncontrolling interests:		
Noncontrolling nonvoting, callable, junior and senior preferred interests held by Federal Reserve Bank of New York	**25,059**	24,540

Other (including $374 and $2,234 associated with businesses held for sale in 2010 and 2009, respectively)	**1,659**	3,712
Total noncontrolling interests	**26,718**	28,252
Total equity	**101,719**	98,076
Total liabilities and equity	**$ 863,697**	$ 847,585

See Accompanying Notes to Consolidated Financial Statements.

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American International Group, Inc., and Subsidiaries

Consolidated Statement of Income (Loss)

(dollars in millions, except per share data)	Three Months Ended March 31, 2010	2009
Revenues:		
Premiums and other considerations	**$ 10,067**	$ 12,841
Net investment income	**4,836**	915
Net realized capital losses:		
Total other-than-temporary impairments on available for sale securities	**(309)**	(3,672)
Portion of other-than-temporary impairments on available for sale fixed maturity securities recognized in Accumulated other comprehensive loss	**(521)**	-
Net other-than-temporary impairments on available for sale securities recognized in net income (loss)	**(830)**	(3,672)
Other realized capital gains	**282**	898
Total net realized capital losses	**(548)**	(2,774)
Unrealized market valuation gains (losses) on AIGFP super senior credit default swap portfolio	**119**	(452)
Other income	**1,856**	2,785
Total revenues	**16,330**	13,315
Benefits, claims and expenses:		
Policyholder benefits and claims incurred	**8,519**	11,353
Policy acquisition and other insurance expenses	**3,262**	3,576
Interest expense	**1,734**	2,587
Restructuring expenses and related asset impairment and other expenses	**110**	338
Net loss (gain) on sale of divested businesses	**77**	(262)
Other expenses	**1,793**	2,239
Total benefits, claims and expenses	**15,495**	19,831
Income (loss) from continuing operations before income tax benefit	**835**	(6,516)
Income tax benefit	**(91)**	(1,303)
Income (loss) from continuing operations	**926**	(5,213)
Income (loss) from discontinued operations, net of income tax expense (benefit) (See Note 3)	**1,173**	80

Net income (loss)		**2,099**		(5,133)
Less:				
Net income (loss) from continuing operations attributable to noncontrolling interests:				
Noncontrolling nonvoting, callable, junior and senior preferred interests held by Federal Reserve Bank of New York		**519**		-
Other		**129**		(774)
Total net income (loss) from continuing operations attributable to noncontrolling interests		**648**		(774)
Net loss from discontinued operations attributable to noncontrolling interests		**-**		(6)
Total net income (loss) attributable to noncontrolling interests		**648**		(780)
Net income (loss) attributable to AIG	**$**	**1,451**	$	(4,353)
Net income (loss) attributable to AIG common shareholders	**$**	**294**	$	(5,365)
Income (loss) per common share attributable to AIG:				
Basic:				
Income (loss) from continuing operations	**$**	**0.41**	$	(40.29)
Income (loss) from discontinued operations	**$**	**1.75**	$	0.62
Diluted:				
Income (loss) from continuing operations	**$**	**0.41**	$	(40.29)
Income (loss) from discontinued operations	**$**	**1.75**	$	0.62
Weighted average shares outstanding:				
Basic		**135,658,680**		135,252,869
Diluted		**135,724,939**		135,252,869

See Accompanying Notes to Consolidated Financial Statements.

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American International Group, Inc., and Subsidiaries

Consolidated Statement of Comprehensive Income (Loss)

(in millions)	Three Months Ended March 31, 2010	2009
Net income (loss)	**$ 2,099**	$ (5,133)
Other comprehensive income (loss):		
Unrealized appreciation (depreciation) of fixed maturity investments on which other-than-temporary credit impairments were taken	**993**	-
Income tax benefit (expense) on above changes	**(220)**	-
Unrealized appreciation (depreciation) of all other investments net of reclassification adjustments	**2,531**	(3,372)
Income tax benefit (expense) on above changes	**(1,374)**	1,392
Foreign currency translation adjustments	**(958)**	(941)
Income tax benefit (expense) on above changes	**429**	209
Net derivative gains (losses) arising from cash flow hedging activities net of reclassification adjustments	**24**	26
Income tax benefit (expense) on above changes	**(2)**	27
Change in retirement plan liabilities adjustment	**77**	58
Income tax benefit (expense) on above changes	**(24)**	(18)
Other comprehensive income (loss)	**1,476**	(2,619)
Comprehensive income (loss)	**3,575**	(7,752)
Comprehensive income (loss) attributable to noncontrolling interests	**(31)**	(867)
Comprehensive income (loss) attributable to noncontrolling nonvoting, callable, junior and senior preferred interests held by Federal Reserve Bank of New York	**519**	-
Comprehensive income (loss) attributable to AIG	**$ 3,087**	$ (6,885)

See Accompanying Notes to Consolidated Financial Statements.

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American International Group, Inc., and Subsidiaries

Consolidated Statement of Cash Flows

(in millions)	Three Months Ended March 31, 2010	2009
Summary:		
Net cash provided by (used in) operating activities	**$ 3,195**	$ 3,770
Net cash provided by (used in) investing activities	**(4,516)**	1,432
Net cash provided by (used in) financing activities	**(266)**	(9,644)
Effect of exchange rate changes on cash	**(42)**	(171)
Change in cash	**(1,629)**	(4,613)
Cash at beginning of period	**4,400**	8,642
Reclassification of assets held for sale	**(638)**	-
Cash at end of period	**2,133**	4,029
Cash flows from operating activities:		
Net income (loss)	**$ 2,099**	$ (5,133)
(Income) loss from discontinued operations	**(1,173)**	(80)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Noncash revenues, expenses, gains and losses included in income (loss):		
Net (gains) losses on sales of securities available for sale and other assets	**(422)**	57
Net (gains) losses on sales of divested businesses	**77**	(262)
Unrealized (gains) losses in earnings net	**591**	(373)
Equity in (income) loss from equity method investments, net of dividends or distributions	**(336)**	2,084
Depreciation and other amortization	**2,529**	3,050
Provision for mortgage, other loans and finance receivables	**344**	1,019
Impairments of assets	**1,753**	4,193
Amortization of costs and accrued interest and fees related to FRBNY Credit Facility	**856**	1,495
Changes in operating assets and liabilities:		
General and life insurance reserves	**2,323**	(1,988)
Premiums and other receivables and payables net	**(1,002)**	(482)
Reinsurance assets and funds held under reinsurance treaties	**(3,637)**	1,772
Capitalization of deferred policy acquisition costs	**(1,914)**	(2,313)
Other policyholder funds	**(63)**	(1)
Current and deferred income taxes net	**(954)**	(1,761)
Other assets and liabilities net	**(791)**	49
Trading securities	**21**	1,027
Securities sold under agreements to repurchase, net of securities purchased under agreements to resell	**306**	390
Securities and spot commodities sold but not yet purchased	**(572)**	(1,528)
Finance receivables and other loans held for sale originations and purchases	**(5)**	(22)
Sales of finance receivables and other loans held for sale	**48**	32
Other, net	**267**	371
Total adjustments	**(581)**	6,809
Net cash provided by (used in) operating activities continuing operations	**345**	1,596
Net cash provided by (used in) operating activities discontinued operations	**2,850**	2,174
Net cash provided by (used in) operating activities	**$ 3,195**	$ 3,770

See Accompanying Notes to Consolidated Financial Statements.

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American International Group, Inc., and Subsidiaries

Consolidated Statement of Cash Flows *(Continued)*

(in millions)	Three Months Ended March 31, 2010	2009
Cash flows from investing activities:		
Proceeds from (payments for)		
Sales of available for sale investments	**$ 7,893**	$ 12,263
Maturities of fixed maturity securities available for sale and hybrid investments	**3,340**	3,592
Sales of trading securities	**1,746**	3,635
Sales or distributions of other invested assets (including flight equipment)	**2,157**	2,711
Sales of divested businesses, net	**1,471**	704
Principal payments received on mortgage and other loans receivable	**938**	1,010
Principal payments received on and sales of finance receivables held for investment	**1,590**	4,006
Purchases of available for sale investments	**(15,847)**	(9,974)
Purchases of trading securities	**(356)**	(2,829)
Purchases of other invested assets (including flight equipment)	**(1,915)**	(2,228)
Acquisition, net of cash acquired	**(139)**	-
Mortgage and other loans receivable issued	**(303)**	(778)
Finance receivables held for investment originations and purchases	**(746)**	(1,855)
Change in securities lending invested collateral	**-**	969
Net additions to real estate, fixed assets, and other assets	**(64)**	(101)
Net change in short-term investments	**(1,043)**	(7,778)
Net change in non-AIGFP derivative assets and liabilities	**(129)**	(48)
Other, net	**(49)**	(63)
Net cash provided by (used in) investing activities continuing operations	**(1,456)**	3,236
Net cash provided by (used in) investing activities discontinued operations	**(3,060)**	(1,804)
Net cash provided by (used in) investing activities	**$ (4,516)**	$ 1,432
Cash flows from financing activities:		
Proceeds from (payments for)		
Policyholder contract deposits	**$ 4,394**	$ 4,738
Policyholder contract withdrawals	**(3,639)**	(8,316)
Change in other deposits	**(122)**	49
Change in commercial paper and other short-term debt	**-**	(421)
Change in Federal Reserve Bank of New York Commercial Paper Funding Facility borrowings	**(3,565)**	(2,945)
Federal Reserve Bank of New York credit facility borrowings	**8,300**	10,900
Federal Reserve Bank of New York credit facility repayments	**(4,551)**	(4,600)
Issuance of other long-term debt	**4,170**	1,209
Repayments on other long-term debt	**(7,143)**	(5,953)
Change in securities lending payable	**-**	(490)
Drawdown on the Department of the Treasury Commitment	**2,199**	-
Other, net	**(462)**	(653)
Net cash provided by (used in) financing activities continuing operations	**(419)**	(6,482)
Net cash provided by (used in) financing activities discontinued operations	**153**	(3,162)
Net cash provided by (used in) financing activities	**$ (266)**	$ (9,644)
Supplementary disclosure of cash flow information:		

Cash (paid) received during the period for:				
Interest	**$**	**(1,047)**	$	(1,466)
Taxes	**$**	**(604)**	$	(179)
Non-cash financing/investing activities:				
Interest credited to policyholder contract deposits included in financing activities	**$**	**2,086**	$	1,598
Long-term debt reduction due to deconsolidations	**$**	**829**	$	-
Debt assumed on consolidation of variable interest entities	**$**	**2,591**	$	-
Debt assumed on acquisition	**$**	**164**	$	-

See Accompanying Notes to Consolidated Financial Statements.

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American International Group, Inc., and Subsidiaries

Consolidated Statement of Equity

Three Months Ended March 31, 2010 *(in millions)*	**Preferred Stock**	**Common Stock**	**Treasury Stock**	**Additional Paid-in Capital**	**Accumulated Deficit**	**Accumulated Other Comprehensive Income (Loss)**	**Total AIG Share-holders' Equity**	**Non-controlling Interests**	**Total Equity**
Balance, beginning of year	$ 69,784	$ 354	$ (874)	$ 6,358	$ (11,491)	$ 5,693	$ 69,824	$ 28,252	$ 98,076
Series F drawdowns	2,199	-	-	-	-	-	2,199	-	2,199
Common stock issued under stock plans	-	-	-	(5)	-	-	(5)	-	(5)
Cumulative effect of change in accounting principle, net of tax	-	-	-	-	169	(276)	(107)	-	(107)
Net income[(a)]	-	-	-	-	1,451	-	1,451	133	1,584
Other comprehensive income (loss)[(b)]	-	-	-	-	-	1,636	1,636	(165)	1,471
Net decrease due to deconsolidation	-	-	-	-	-	-	-	(2,161)	(2,161)
Contributions from noncontrolling interest	-	-	-	-	-	-	-	210	210
Distributions to noncontrolling interests	-	-	-	-	-	-	-	(87)	(87)
Net income (loss) attributable to noncontrolling nonvoting, callable, junior and senior preferred interests held by the Federal Reserve Bank of New York	-	-	-	-	-	-	-	519	519
Other	-	-	-	3	-	-	3	17	20
Balance, end of period	**$ 71,983**	**$ 354**	**$ (874)**	**$ 6,356**	**$ (9,871)**	**$ 7,053**	**$ 75,001**	**$ 26,718**	**$ 101,719**

(a)

Excludes $(4) million attributable to redeemable noncontrolling interests and Net income attributable to noncontrolling nonvoting, callable, junior and senior preferred interests held by the Federal Reserve Bank of New York of $519 million.

(b)

Excludes $5 million attributable to redeemable noncontrolling interests.

See Accompanying Notes to Consolidated Financial Statements.

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American International Group, Inc., and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(unaudited)*

1. Summary of Significant Accounting Policies

Basis of Presentation

These unaudited condensed consolidated financial statements do not include all disclosures required by accounting principles generally accepted in the United States (GAAP) for complete consolidated financial statements and should be read in conjunction with the audited consolidated financial statements and the related notes included in the Annual Report on Form 10-K of American International Group, Inc. (AIG) for the year ended December 31, 2009 (2009 Annual Report on Form 10-K).

In the opinion of management, these consolidated financial statements contain the normal recurring adjustments necessary for a fair statement of the results presented herein. AIG evaluated the need to disclose events that occurred subsequent to the balance sheet date. All material intercompany accounts and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires the application of accounting policies that often involve a significant degree of judgment. AIG considers its accounting policies that are most dependent on the application of estimates and assumptions, and therefore viewed as critical accounting estimates, are those relating to items considered by management in the determination of:

AIG's ability to continue as a going concern;

liability for general insurance unpaid claims and claims adjustment expenses;

future policy benefits for life and accident and health contracts;

recoverability of deferred policy acquisition costs (DAC);

estimated gross profits for investment-oriented products;

the allowance for finance receivable losses;

flight equipment recoverability;

other-than-temporary impairments;

goodwill impairment;

liabilities for legal contingencies;

estimates with respect to income taxes, including recoverability of deferred tax assets;

fair value measurements of certain financial assets and liabilities, including credit default swaps (CDS) and AIG's economic interest in Maiden Lane II LLC (ML II) and equity interest in Maiden Lane III LLC (ML III) (together, the Maiden Lane Interests);

classification of entities as held-for-sale or as discontinued operations; and

fair value of the assets and liabilities, including non-controlling interests, related to acquisitions.

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, AIG's consolidated financial condition, results of operations and cash flows would be materially affected.

Out of Period Adjustments

For the three months ended March 31, 2010, AIG recorded out of period adjustments relating to prior years that decreased Net income attributable to AIG by $158 million, primarily related to the effect of recording

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American International Group, Inc., and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(unaudited)*

impairments on certain consolidated investments held in the Institutional Asset Management operations, which affected the calculation of income taxes. While these adjustments were noteworthy for the quarter, after evaluating the quantitative and qualitative aspects of these corrections, AIG concluded that its prior period financial statements were not materially misstated and, therefore, no restatement was required.

Had these and all previously reported out of period adjustments been recorded in their appropriate periods, the net loss attributable to AIG for the year ended December 31, 2009 would have increased by $604 million, from $10.9 billion to $11.5 billion.

Going Concern Considerations

In the audited financial statements included in the 2009 Annual Report on Form 10-K, management disclosed the conditions and events that led management to conclude that AIG would have adequate liquidity to finance and operate AIG's businesses, execute its asset disposition plan and repay its obligations for at least the next twelve months.

Liquidity of Parent and Subsidiaries

AIG manages liquidity at both the parent and subsidiary levels. AIG Parent has not had access to its traditional sources of financing through the public debt markets. While no assurance can be given that AIG will be able to access its traditional sources of long-term or short-term financing through the public markets again, AIG periodically evaluates its ability to access the capital markets.

Historically, AIG depended on dividends, distributions, and other payments from subsidiaries to fund payments on its obligations. In light of AIG's current financial situation, certain of its regulated subsidiaries are restricted from making dividend payments, or advancing funds, to AIG. As a result, AIG has also been dependent on the Federal Reserve Bank of New York (FRBNY) Credit Facility (the FRBNY Credit Facility) provided by the FRBNY under the Credit Agreement, dated as of September 22, 2008 (as amended, the FRBNY Credit Agreement), between AIG and the FRBNY, and the FRBNY's Commercial Paper Funding Facility (CPFF), through April 26, 2010, as its primary sources of liquidity; and on the agreement by the United States Department of the Treasury (the Department of the Treasury) to provide up to $29.835 billion (Department of Treasury Commitment) in exchange for increases in the liquidation preference of the AIG Series F Fixed Rate Non-Cumulative Perpetual Preferred Stock, par value $5.00 per share (AIG Series F Preferred Stock), to support the capital needs of its insurance company subsidiaries. Primary uses of cash flow are debt service and subsidiary funding.

During the first four months of 2010, International Lease Finance Corporation (ILFC) and American General Finance, Inc. (AGF) made substantial progress in addressing their liquidity needs. During March and April of 2010, ILFC significantly increased its liquidity position through a combination of new secured and unsecured debt issuances of approximately $4.0 billion and an extension of the maturity date of $2.16 billion of its $2.5 billion revolving credit facility from October 2011 to October 2012. Availability of $550 million of the approximately $4.0 billion of debt issuances and the extension of $2.16 billion of the revolving credit facility are subject to the satisfaction of certain collateralization milestones. In addition, in April 2010, ILFC signed an agreement to sell 53 aircraft with an aggregate book value of approximately $2.3 billion, which is expected to generate approximately $2.0 billion in gross proceeds during 2010. As of March 31, 2010, none of these aircraft met the criteria to be recorded as held-for-sale. During March and April of 2010, AGF significantly enhanced its liquidity position through the following actions: AGF received cash proceeds of more than $500 million from a $1.0 billion asset securitization in March 2010 and executed and drew down fully a $3.0 billion secured term loan transaction in April 2010. AGF used a portion of the proceeds from these transactions, cash on hand and proceeds from AIG's repayment of two demand promissory notes to repay all of its outstanding obligations under its $2.45 billion one-year term loans in March 2010 and its $2.125 billion five-year revolving credit facility in April 2010 (both of which were due in July 2010).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(unaudited)*

Certain subsidiaries also have been dependent on the FRBNY and the Department of the Treasury to meet collateral posting requirements, to make debt repayments as amounts come due, and to meet capital or liquidity requirements.

Progress on Management's Plans for Stabilization of AIG and Repayment of AIG's Obligations as They Come Due

Since September 2008, AIG has been working to protect and enhance the value of its key businesses, execute an orderly asset disposition plan, and position itself for the future. AIG continually reassesses this plan to maximize value while maintaining flexibility in managing its liquidity and capital, and expects to accomplish these objectives over a longer time frame than originally contemplated.

Sales of Businesses and Specific Asset Dispositions

AIA Sale

As of March 1, 2010, AIG and AIA Aurora LLC, a special purpose vehicle formed by AIG and the FRBNY (AIA Holdings), entered into a definitive agreement (the AIA Share Purchase Agreement) with Prudential plc (Prudential) and Prudential Group Limited (formerly known as Petrohue (UK) Investments Limited), for the sale of AIA Group Limited (AIA) to Prudential Group Limited for approximately $35.5 billion, consisting of $25 billion in cash, approximately $5.5 billion in face value of ordinary shares in the capital of Prudential Group Limited, $3 billion in face value of mandatory convertible securities of Prudential Group Limited, and $2 billion in face value of preferred stock of Prudential (or at Prudential's election, Prudential Group Limited), subject to closing adjustments. The obligations of Prudential Group Limited under the AIA Share Purchase Agreement are guaranteed by Prudential.

The cash portion of the proceeds from the sale will be paid to the FRBNY to redeem preferred interests with a liquidation preference of approximately $16 billion plus accrued but unpaid preferred returns held by the FRBNY in AIA Holdings, and, unless otherwise agreed with the FRBNY, to repay approximately $9 billion under the FRBNY Credit Facility. AIG intends to monetize the $10.5 billion in face value of Prudential securities over time, subject to market conditions, following the lapse of agreed-upon minimum holding periods. Unless otherwise agreed with the FRBNY, net cash proceeds from the monetization of these securities will be used to repay any outstanding debt under the FRBNY Credit Facility.

ALICO Sale

As of March 7, 2010, AIG and ALICO Holdings LLC, a special purpose vehicle formed by AIG and the FRBNY (ALICO Holdings), entered into a definitive agreement (the ALICO Stock Purchase Agreement) with MetLife, Inc. (MetLife) for the sale of American Life Insurance Company (ALICO) by ALICO Holdings to MetLife, and the sale of Delaware American Life Insurance Company by AIG to MetLife, for approximately $15.5 billion, consisting of $6.8 billion in cash and the remainder in equity securities of MetLife, subject to closing adjustments.

The cash portion of the proceeds from the sale will be paid to the FRBNY to reduce the liquidation preference of a portion of the preferred interests owned by the FRBNY in ALICO Holdings and ALICO Holdings will hold the remainder of the transaction consideration, consisting of 78,239,712 shares of MetLife common stock, 6,857,000 shares of newly issued participating preferred stock convertible into 68,570,000 shares of common stock upon the approval of MetLife shareholders, and 40,000,000 equity units of MetLife with an aggregate stated value of $3 billion. AIG intends to monetize these MetLife securities over time, subject to market conditions, following the lapse of agreed-upon minimum holding periods. Unless otherwise agreed with the FRBNY, net cash proceeds from the monetization of these securities will be used to reduce the liquidation preference of the preferred interests owned by the FRBNY in ALICO Holdings and thereafter to repay any outstanding debt under the FRBNY Credit Facility.

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Dispositions of certain businesses will be subject to regulatory approval. Unless a waiver is obtained from the FRBNY, net proceeds from these dispositions, to the extent they do not represent capital of AIG's insurance subsidiaries required for regulatory or ratings purposes or are not to be utilized to redeem the preferred interests held by the FRBNY in AIA Holdings and ALICO Holdings, are contractually required to be applied toward the repayment of the FRBNY Credit Facility as mandatory prepayments.

Since September 2008 and through April 28, 2010, AIG entered into agreements to sell or completed the sale of other operations and assets, excluding AIA, ALICO and the assets held by AIG Financial Products Corp. and AIG Trading Group Inc. and their respective subsidiaries (collectively, AIGFP), that had aggregate assets and liabilities with carrying values of $95.5 billion and $77.5 billion, respectively, at March 31, 2010 or the date of sale. Of these amounts, pending transactions with aggregate assets and liabilities of $54.7 billion and $49.2 billion, respectively, at March 31, 2010 are expected to generate approximately $709 million of aggregate net cash proceeds that will be available to reduce the amount of the FRBNY Credit Facility, after taking into account taxes, transaction expenses, settlement of intercompany loan facilities, and capital required to be retained for regulatory or ratings purposes. Gains and losses recorded in connection with the dispositions of businesses include estimates that are subject to subsequent adjustment. Based on the transactions closed to date, AIG does not believe that such adjustments will be material to future consolidated results of operations or cash flows.

Management's Assessment and Conclusion

In assessing AIG's current financial position and developing operating plans for the future, management has made significant judgments and estimates with respect to the potential financial and liquidity effects of AIG's risks and uncertainties, including but not limited to:

the commitment of the FRBNY and the Department of the Treasury to the orderly restructuring of AIG and their commitment to continuing to work with AIG to maintain its ability to meet its obligations as they come due;

the potential adverse effects on AIG's businesses that could result if there are further downgrades by rating agencies, including in particular, the uncertainty of estimates relating to the derivative transactions of AIGFP, such as estimates of both the number of counterparties who may elect to terminate under contractual termination provisions and the amount that would be required to be paid in the event of a downgrade;

the potential for delays in asset dispositions and reduction in the anticipated proceeds therefrom;

the potential for declines in bond and equity markets;

pending sales of significant subsidiaries;

the potential effect on AIG if the capital levels of its regulated and unregulated subsidiaries prove inadequate to support current business plans;

the effect on AIG's businesses of continued compliance with the covenants of the FRBNY Credit Agreement and other agreements with the FRBNY and the Department of the Treasury;

AIG's highly leveraged capital structure;

the effect of the provisions of the Troubled Asset Relief Program (TARP) Standards for Compensation and Corporate Governance and the Determination Memoranda issued by the Office of the Special Master for TARP Executive Compensation with respect to AIG's compensation practices and structures on AIG's ability to retain and motivate key employees or hire new employees;

the potential that loss of key personnel could reduce the value of AIG's business and impair its ability to stabilize businesses and effect a successful asset disposition plan; and

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the potential for regulatory actions in one or more countries, including possible actions resulting from the execution of management's plans for stabilization of AIG and repayment of AIG's obligations as they come due.

Based on the U.S. government's continuing commitment, the already completed transactions and the other expected transactions with the FRBNY, management's plans and progress made to stabilize AIG's businesses and dispose of certain assets, and after consideration of the risks and uncertainties of such plans, management believes that it will have adequate liquidity to finance and operate AIG's businesses, execute its asset disposition plan and repay its obligations for at least the next twelve months.

It is possible that the actual outcome of one or more of management's plans could be materially different, or that one or more of management's significant judgments or estimates about the potential effects of these risks and uncertainties could prove to be materially incorrect or that the transactions with the FRBNY discussed above fail to achieve the desired objectives. If one or more of these possible outcomes is realized and third party financing is not available, AIG may need additional U.S. government support to meet its obligations as they come due. Under these adverse assumptions, without additional support from the U.S. government in the future there could exist substantial doubt about AIG's ability to continue as a going concern.

In connection with making the going concern assessment and conclusion, management and the Board of Directors of AIG have confirmed in connection with the filing in February 2010 of the 2009 Annual Report on Form 10-K that "As first stated by the U.S. Treasury and the Federal Reserve in connection with the announcement of the AIG Restructuring Plan on March 2, 2009, the U.S. Government remains committed to continuing to work with AIG to maintain its ability to meet its obligations as they come due."

AIG's consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets or relating to the amounts and classification of liabilities that may be necessary should AIG be unable to continue as a going concern.

Accounting Policies

Transfers of Financial Assets

Securities purchased (sold) under agreements to resell (repurchase), at contract value: Securities purchased under agreements to resell and Securities sold under agreements to repurchase (other than those entered into by AIGFP) generally are accounted for as collateralized borrowing or lending transactions and are recorded at their contracted resale or repurchase amounts plus accrued interest. AIGFP carries such agreements at fair value based on market observable interest rates and credit spreads. AIG's policy is to take possession of or obtain a security interest in securities purchased under agreements to resell.

When AIG does not obtain cash collateral sufficient to fund substantially all of the cost of purchasing identical replacement securities during the term of the contract, AIG accounts for the transaction as a sale of the security and reports the obligation to repurchase the security as a derivative contract. Where securities are carried in the available for sale category, AIG records a gain or loss in income. Where changes in fair value of securities are recognized through income, no additional gain or loss is recognized. The fair value of securities transferred under repurchase agreements accounted for as sales was $2.1 billion and $2.3 billion at March 31, 2010 and December 31, 2009, respectively, and the related cash collateral obtained was $1.7 billion and $1.5 billion at March 31, 2010 and December 31, 2009, respectively.

AIG minimizes the risk that counterparties to transactions might be unable to fulfill their contractual obligations by monitoring customer credit exposure and collateral value and generally requiring additional collateral to be deposited with AIG when necessary.

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Securities lending invested collateral, at fair value and Securities lending payable: In 2008, AIG exited the domestic securities lending program, and as of March 31, 2010, AIG had exited its foreign securities lending activities.

Recent Accounting Standards

Accounting Changes

AIG adopted the following accounting standards during the first quarter of 2010:

Accounting for Transfers of Financial Assets

In June 2009, the Financial Accounting Standards Board (FASB) issued an accounting standard addressing transfers of financial assets that removes the concept of a qualifying special-purpose entity (QSPE) from the FASB Accounting Standards Codification and removes the exception that exempted transferors from applying the consolidation rules to QSPEs. The new standard is effective for interim and annual periods beginning on January 1, 2010 for AIG. Earlier application is prohibited. The adoption of this standard increased both assets and liabilities by approximately $1.3 billion as a result of consolidating two previously unconsolidated QSPEs. The adoption of this new standard did not have a material effect on AIG's consolidated results of operations or cash flows.

Consolidation of Variable Interest Entities

In June 2009, the FASB issued an accounting standard that amends the rules addressing consolidation of certain variable interest entities with an approach focused on identifying which enterprise has the power to direct the activities of a variable interest entity that most significantly affect the entity's economic performance and has (1) the obligation to absorb losses of the entity or (2) the right to receive benefits from the entity. The new standard also requires enhanced financial reporting by enterprises involved with variable interest entities.

AIG adopted the new standard on January 1, 2010. The adoption of this standard resulted in an increase in excess of amounts previously recorded for assets, liabilities, redeemable noncontrolling interest, other noncontrolling interest and accumulated deficit of approximately $8.2 billion, $7.1 billion, $1.1 billion, $0.1 billion and $0.2 billion, respectively, and a net decrease in accumulated other comprehensive income of approximately $0.3 billion, as a result of consolidating previously unconsolidated VIEs.

The following table describes the two methods applied by AIG and the amount and classification in the Consolidated Balance Sheet of the assets and liabilities consolidated as a result of the adoption:

	Transition Methods	
(in millions)	Fair Value Option	Carrying Value
Assets:		
Bond trading securities, at fair value	$ 1,239	$ 1,262
Other invested assets	-	480
Mortgage and other loans receivable	-	1,980
Other asset accounts	194	150
Assets of businesses held for sale	4,630	-
Total Assets	$ 6,063	$ 3,872
Liabilities:		
FRBNY commercial paper funding facility	$ 1,088	$ -

Other long-term debt	-	1,533
Other liability accounts	1	31
Liabilities of businesses held for sale	4,525	-
Total Liabilities	$ 5,614	$ 1,564

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The cumulative effect adjustment of electing the fair value option was not material to AIG's accumulated deficit.

In February 2010, the FASB also issued an update to the aforementioned accounting standard that defers the revised consolidation rules for variable interest entities with attributes of, or similar to, an investment company or money market fund. The primary effect of this deferral for AIG is that AIG will continue to apply the consolidation rules in effect before the amended guidance discussed above for its interests in eligible entities, such as certain mutual funds.

Future Application of Accounting Standards

In March 2010, the FASB issued an accounting standard that amends the scope for embedded credit derivative features related to the redistribution of credit risk in the form of subordination of one financial instrument to another in a securitization vehicle. The new standard clarifies how to determine which embedded credit derivative features, including those in collateralized debt obligations (CDOs), credit linked notes (CLNs) and synthetic CDOs and CLNs, are considered to be embedded derivatives that should not be analyzed for potential bifurcation and separate accounting. The new standard is effective for interim and annual periods beginning on July 1, 2010 for AIG. AIG is assessing the effect adopting this new standard will have on its consolidated financial condition, results of operations, and cash flows.

2. Segment Information

AIG reports the results of its operations through four reportable segments: General Insurance, Domestic Life Insurance & Retirement Services, Foreign Life Insurance & Retirement Services, and Financial Services. AIG evaluates performance based on pre-tax income (loss), excluding results from discontinued operations and net gains (losses) on sales of divested businesses, because AIG believes that this provides more meaningful information on how its operations are performing.

The following table presents AIG's operations by reportable segment:

Three Months Ended March 31, *(in millions)*	**2010**	**2009**
Total revenues:		
General Insurance	**$ 8,849**	$ 8,099
Domestic Life Insurance & Retirement Services	**3,226**	1,703
Foreign Life Insurance & Retirement Services*	**1,075**	763
Financial Services	**1,508**	1,265
Other	**2,062**	2,180
Consolidation and eliminations	**(390)**	(695)
Total revenues	**16,330**	13,315
Pre-tax income (loss) from continuing operations:		
General Insurance	**1,016**	102
Domestic Life Insurance & Retirement Services	**327**	(1,827)
Foreign Life Insurance & Retirement Services*	**85**	(128)
Financial Services	**(439)**	(1,130)
Other	**(294)**	(3,444)
Consolidation and eliminations	**140**	(89)
Total pre-tax income (loss) from continuing operations	**$ 835**	$ (6,516)

*

As a result of the announced AIA and ALICO transactions, and their treatment as discontinued operations, Foreign Life Insurance & Retirement Services operations consist of a single operating segment. See Note 3 herein for information on these transactions.

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The following table presents AIG's operations by operating segment:

Three Months Ended March 31, *(in millions)*	**2010**	**2009**
General Insurance		
Total revenues:		
Commercial Insurance	**$ 5,403**	$ 5,024
Foreign General Insurance	**3,446**	3,075
Total revenues	**$ 8,849**	$ 8,099
Pre-tax income (loss):		
Commercial Insurance	**$ 730**	$ (224)
Foreign General Insurance	**286**	326
Total pre-tax income (loss)	**$ 1,016**	$ 102
Domestic Life Insurance & Retirement Services		
Total revenues:		
Domestic Life Insurance	**$ 1,934**	$ 1,526
Domestic Retirement Services	**1,292**	177
Total revenues	**$ 3,226**	$ 1,703
Pre-tax income (loss):		
Domestic Life Insurance	**$ 227**	$ (298)
Domestic Retirement Services	**100**	(1,529)
Total pre-tax income (loss)	**$ 327**	$ (1,827)
Financial Services		
Total revenues:		
Aircraft Leasing	**$ 882**	$ 1,281
Capital Markets	**(234)**	(969)
Consumer Finance	**779**	813
Other, including intercompany adjustments	**81**	140
Total revenues	**$ 1,508**	$ 1,265
Pre-tax income (loss):		
Aircraft Leasing	**$ (81)**	$ 316
Capital Markets	**(298)**	(1,121)
Consumer Finance	**(25)**	(306)
Other, including intercompany adjustments	**(35)**	(19)
Total pre-tax income (loss)	**$ (439)**	$ (1,130)

Other

Total revenues:				
Parent & Other	**$**	**1,119**	$	105
Mortgage Guaranty		**298**		317
Change in fair value of ML III		**751**		
Noncore Asset Management		**(19)**		(239)
Other noncore insurance		**(17)**		1,997
Consolidation and eliminations		**(70)**		-
Total revenues	**$**	**2,062**	$	2,180
Pre-tax income (loss):				
Parent & Other	**$**	**(645)**	$	(2,057)
Mortgage Guaranty		**96**		(480)
Change in fair value of ML III		**751**		
Noncore Asset Management		**(463)**		(1,012)
Other noncore insurance		**(33)**		105
Total pre-tax income (loss)	**$**	**(294)**	$	(3,444)

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3. Discontinued Operations and Held-for-Sale Classification

Discontinued Operations

As discussed in Note 1 herein, during the first quarter of 2010, AIG entered into agreements to sell AIA and ALICO. Also, on October 12, 2009, AIG entered into an agreement to sell its 97.57 percent share of Nan Shan Life Insurance Company, Ltd. (Nan Shan) for approximately $2.15 billion. AIG expects each of these sales to close in 2010. These transactions met the criteria for held-for-sale and discontinued operations accounting.

Accordingly, results of operations for these companies are included as discontinued operations in AIG's Consolidated Statement of Income (Loss) for all periods shown and their aggregated assets and liabilities are presented separately as single line items in the asset and liability sections of the Consolidated Balance Sheet at March 31, 2010 for AIA and ALICO and at March 31, 2010 and December 31, 2009 for Nan Shan. Each of these companies previously had been a component of the Foreign Life Insurance & Retirement Services reportable segment.

Income (loss) from discontinued operations includes interest expense, including periodic amortization of the prepaid commitment fee asset, on debt to be assumed by the buyers of AIA and ALICO and on debt required to be repaid as a result of the disposition transactions associated with the FRBNY Credit Facility totaling $183 million and $258 million in the three months ended March 31, 2010 and 2009, respectively. The interest expense allocated to discontinued operations for the three-month periods ended March 31, 2010 and 2009 was based on the estimated funds of $8.6 billion committed to repay the FRBNY Credit Facility multiplied by the daily interest rate. The periodic amortization of the prepaid commitment fee allocated to discontinued operations was determined based on the ratio of funds committed to repay the FRBNY Credit Facility to the total outstanding available amount under the FRBNY Credit Facility.

A summary of income (loss) from discontinued operations is as follows:

Three Months Ended March 31, *(in millions)*	**2010**	**2009**
Premiums and other considerations	**$ 6,525**	$ 6,024
Net investment income	**2,252**	1,449
Net realized capital gains (losses)	**63**	(587)
Total revenues	**8,840**	6,886
Income (loss) from discontinued operations	**1,142**	152
Loss on sale	**(106)**	(3)
Income (loss) from discontinued operations, before income tax expense (benefit)	**1,036**	149
Income tax expense (benefit)	**(137)**	69
Income (loss) from discontinued operations, net of tax	**$ 1,173**	$ 80

Certain other sales completed during 2010 and 2009 were not classified as discontinued operations due to AIG's continued involvement or because associated assets, liabilities and results of operations were not material to AIG's consolidated financial position or results of operations.

Held-for-Sale Classification

On September 5, 2009, AIG entered into an agreement to sell its investment advisory and third party asset management business for a $277 million cash payment at closing plus contingent consideration to be received over time. Prior to the closing of this transaction on March 26, 2010, these businesses were a component of the Noncore Asset Management business included within Other operations. This transaction met the criteria for held-for-sale accounting, and its assets and liabilities were included as single line items in the asset and liability sections of the Consolidated Balance Sheet at December 31, 2009. This transaction did not meet the criteria for

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discontinued operations accounting because of a significant continuation of activities between AIG and the business sold.

On July 28, 2009, AIG entered into an agreement to combine its consumer finance business in Poland, conducted through AIG Bank Polska S.A., into the Polish consumer finance business of Santander Consumer Finance S.A. (SCB). In exchange, AIG will receive an equity interest in SCB. The closing is expected to occur in the second quarter of 2010. This transaction met the criteria for held-for-sale accounting and, as a result, its assets and liabilities are included as single line items in the asset and liability sections of the Consolidated Balance Sheet at March 31, 2010 and December 31, 2009. AIG Bank Polska is a component of the Financial Services reportable segment. This transaction did not meet the criteria for discontinued operations accounting because of AIG's retained equity interest in SCB.

A summary of assets and liabilities held for sale at March 31, 2010 and December 31, 2009 is as follows:

(in millions)		**March 31, 2010**		**December 31, 2009**
Assets:				
Fixed maturity securities	**$**	**163,336**	$	34,495
Deferred policy acquisition costs		**24,204**		3,322
Equity securities		**15,366**		2,947
Other invested assets		**13,269**		4,256
Short-term investments		**13,170**		3,501
Separate account assets		**10,675**		3,467
Mortgage and other loans receivable, net		**9,096**		3,997
Goodwill		**3,457**		25
Other assets		**3,867**		369
Total Assets of businesses held for sale	**$**	**256,440**	$	56,379
Liabilities:				
Future policy benefits for life and accident and health insurance contracts	**$**	**108,812**	$	38,023
Policyholder contract deposits		**79,312**		3,133
Separate account liabilities		**10,675**		3,467
Other liabilities		**19,038**		3,976
Total Liabilities of businesses held for sale	**$**	**217,837**	$	48,599

4. Business Combination

On March 31, 2010, AIG, through a Chartis International subsidiary, purchased additional voting shares in Fuji Fire & Marine Insurance Company Limited (Fuji), a publicly traded Japanese insurance company with general insurance and some life insurance operations. The acquisition of the additional voting shares for $145 million increased Chartis' total voting ownership interest in Fuji from 41.7 percent to 54.8 percent, which resulted in Chartis International obtaining control of Fuji. This acquisition was made to maintain Chartis International's share in the substantial Japanese market, which is undergoing significant consolidation.

The purchase was accounted for under the acquisition method. Chartis identified and estimated certain of the fair values of assets acquired, liabilities assumed, and noncontrolling interests of Fuji as of the acquisition date. Because the acquisition was completed on the last day of the quarter, Chartis has not obtained final appraisals of Fuji's insurance contracts, loans, certain real estate or intangible assets.

Based on the estimated fair values assigned to the assets acquired, liabilities assumed and noncontrolling interests, Chartis recorded an unallocated purchase price of $581 million in Other liabilities in the Consolidated Balance Sheet. Chartis is in the process of reassessing the recognition and measurement of identifiable assets acquired, including the value of the business acquired and other intangibles, and liabilities assumed. Upon

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completion of the reassessment process, Chartis will adjust the fair value of the assets acquired and liabilities assumed for any significant differences to the provisional fair values. An adjustment to the purchase price allocation may also occur if new information on Fuji becomes known or discovered within one year from the acquisition date. To the extent an unallocated purchase price credit remains, AIG will record a bargain purchase gain. It is anticipated that any gain recognized will not be subject to U.S. or foreign income tax, because such gain would only be recognized for tax purposes upon sale of the Fuji shares.

The following table summarizes the estimated preliminary fair values of major classes of assets acquired and liabilities assumed and the unallocated purchase price at the date of acquisition:

(in millions)	**At March 31, 2010**
Identifiable net assets:	
Investments	$ 10,121
Cash	6
Premiums and other receivables	889
Reinsurance assets	517
Real estate and other fixed assets	428
Other assets	108
Liability for unpaid claims and claims adjustment expense	(1,561)
Unearned premiums	(3,139)
Future policy benefits for life and accident and health insurance contracts	(1,934)
Other policyholder funds	(3,536)
Other liabilities	(460)
Total preliminary identifiable net assets acquired	1,439
Less:	
Cash consideration transferred	145
Fair value of the noncontrolling interest	421
Fair value of AIG's previous equity interest in Fuji	292
Unallocated purchase price	$ 581

In accordance with the acquisition method of accounting, Chartis remeasured its equity interest in Fuji, held prior to the acquisition of the additional shares, to fair value which resulted in a gain of $47 million offset by a $72 million charge resulting from the reversal through income of Chartis' share of Fuji's accumulated other comprehensive income. The loss was recorded in Other realized capital gains (losses) in the Consolidated Statement of Income (Loss). The fair value of AIG's previous equity interest and the noncontrolling interest were based on the publicly-traded share price on the Tokyo Stock Exchange as of the acquisition date. The acquisition-related costs, consisting primarily of legal and transaction fees, were recorded in Other expenses in the Consolidated Statement of Income (Loss).

The following unaudited summarized pro forma consolidated income statement information assumes that the acquisition occurred as of January 1, 2009. The pro forma amounts are for comparative purposes only and may not necessarily reflect the results of operations which would have resulted had the acquisition been completed at the beginning of the applicable period and may not be indicative of the results that will be attained in the future.

Three Months Ended March 31, *(in millions)*	**2010**	**2009**
Total revenues	**$ 17,327**	$ 13,863
Net income (loss)	**2,181**	(5,416)
Net income (loss) attributable to AIG	**1,471**	(4,500)

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5. Fair Value Measurements

Fair Value Measurements on a Recurring Basis

AIG measures the following financial instruments at fair value on a recurring basis:

- trading and available for sale securities portfolios;
- certain mortgage and other loans receivable;
- derivative assets and liabilities;
- securities purchased/sold under agreements to resell/repurchase;
- non-traded equity investments and certain private limited partnerships and certain hedge funds included in other invested assets;
- certain short-term investments;
- separate and variable account assets;
- certain policyholder contract deposits;
- securities and spot commodities sold but not yet purchased;
- certain trust deposits and deposits due to banks and other depositors;
- certain CPFF;
- certain long-term debt; and
- certain hybrid financial instruments included in Other liabilities.

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing, able and knowledgeable market participants at the measurement date.

The degree of judgment used in measuring the fair value of financial instruments generally correlates with the level of pricing observability. Financial instruments with quoted prices in active markets generally have more pricing observability and less judgment is used in measuring fair value. Conversely, financial instruments traded in other-than-active markets or that do not have quoted prices have less observability and are measured at fair value using valuation models or other pricing techniques that require more judgment. An active market is one in which transactions for the asset or liability being valued occur with sufficient frequency and volume to provide pricing information on an ongoing basis. An other-than-active market is one in which there are few transactions, the prices are not current, price quotations vary substantially either over time or among market makers, or in which little information is released publicly for the asset or liability being valued. Pricing observability is affected by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established, the characteristics specific to the transaction and general market conditions.

Fair Value Hierarchy

Assets and liabilities recorded at fair value in the Consolidated Balance Sheet are measured and classified in a hierarchy for disclosure purposes consisting of three "levels" based on the observability of inputs available in the marketplace used to measure the fair values as discussed below:

Level 1: Fair value measurements that are quoted prices (unadjusted) in active markets that AIG has the ability to access for identical assets or liabilities. Market price data generally is obtained from exchange or dealer markets. AIG does not adjust the quoted price for such instruments. Assets and liabilities measured at fair value on a recurring basis and classified as Level 1 include certain government and agency securities,

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actively traded listed common stocks and derivative contracts, most separate account assets and most mutual funds.

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, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. Assets and liabilities measured at fair value on a recurring basis and classified as Level 2 generally include certain government and agency securities, most investment-grade and high-yield corporate bonds, certain residential mortgage-backed securities (RMBS), commercial mortgage-backed securities (CMBS) and collateralized debt obligations/asset backed securities (CDO/ABS), certain listed equities, state, municipal and provincial obligations, hybrid securities, mutual fund and hedge fund investments, certain derivative contracts, guaranteed investment agreements (GIAs) and CPFF at AIGFP, other long-term debt and physical commodities.

Level 3: Fair value measurements based on valuation techniques that use significant inputs that are unobservable. These measurements include circumstances in which there is little, if any, market activity for the 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. AIG's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment. In making the assessment, AIG considers factors specific to the asset or liability. Assets and liabilities measured at fair value on a recurring basis and classified as Level 3 include certain RMBS, CMBS and CDO/ABS, corporate debt, certain municipal and sovereign debt, certain derivative contracts (including AIGFP's super senior credit default swap portfolio), policyholder contract deposits carried at fair value, private equity and real estate fund investments, and direct private equity investments. AIG's non-financial instrument assets that are measured at fair value on a non-recurring basis generally are classified as Level 3.

The following is a description of the valuation methodologies used for instruments carried at fair value:

Valuation Methodologies

Incorporation of Credit Risk in Fair Value Measurements

AIG's Own Credit Risk. Fair value measurements for AIGFP's debt, GIAs, structured note liabilities and freestanding derivatives incorporate AIG's own credit risk by determining the explicit cost for each counterparty to protect against its net credit exposure to AIG at the balance sheet date by reference to observable AIG credit default swap or cash bond spreads. A counterparty's net credit exposure to AIG is determined based on master netting agreements, when applicable, which take into consideration all positions with AIG, as well as collateral posted by AIG with the counterparty at the balance sheet date.

Fair value measurements for embedded policy derivatives and policyholder contract deposits take into consideration that policyholder liabilities are senior in priority to general creditors of AIG and therefore are much less sensitive to changes in AIG credit default swap or cash issuance spreads.

Counterparty Credit Risk. Fair value measurements for freestanding derivatives incorporate counterparty credit by determining the explicit cost for AIG to protect against its net credit exposure to each counterparty at the balance sheet date by reference to observable counterparty credit default swap spreads, when available. When not available, other directly or indirectly observable credit spreads are used to derive the best estimates of the counterparty spreads. AIG's net credit exposure to a counterparty is determined based on master netting agreements, which take into consideration all derivative positions with the counterparty, as well as collateral posted by the counterparty at the balance sheet date.

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A CDS is a derivative contract that allows the transfer of third party credit risk from one party to the other. The buyer of the CDS pays an upfront and/or annual premium to the seller. The seller's payment obligation is triggered by the occurrence of a credit event under a specified reference security and is determined by the loss on that specified reference security. The present value of the amount of the annual and/or upfront premium therefore represents a market-based expectation of the likelihood that the specified reference party will fail to perform on the reference obligation, a key market observable indicator of non-performance risk (the CDS spread).

Fair values for fixed maturity securities based on observable market prices for identical or similar instruments implicitly incorporate counterparty credit risk. Fair values for fixed maturity securities based on internal models incorporate counterparty credit risk by using discount rates that take into consideration cash issuance spreads for similar instruments or other observable information.

The cost of credit protection is determined under a discounted present value approach considering the market levels for single name CDS spreads for each specific counterparty, the mid market value of the net exposure (reflecting the amount of protection required) and the weighted average life of the net exposure. CDS spreads are provided to AIG by an independent third party. AIG utilizes an interest rate based on the benchmark London Interbank Offered Rate (LIBOR) curve to derive its discount rates.

While this approach does not explicitly consider all potential future behavior of the derivative transactions or potential future changes in valuation inputs, AIG believes this approach provides a reasonable estimate of the fair value of the assets and liabilities, including consideration of the impact of non-performance risk.

Fixed Maturity Securities Trading and Available for Sale

AIG maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. Whenever available, AIG obtains quoted prices in active markets for identical assets at the balance sheet date to measure at fair value fixed maturity securities in its trading and available for sale portfolios. Market price data is generally obtained from dealer markets.

AIG estimates the fair value of fixed maturity securities not traded in active markets, including receivables (payables) arising from securities purchased (sold) under agreements to resell (repurchase), and mortgage and other loans receivable for which AIG elected the fair value option, by referring to traded securities with similar attributes, using dealer quotations, a matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating and tenor, its coupon rate, its position in the capital structure of the issuer, yield curves, credit curves, prepayment rates and other relevant factors. For certain fixed maturity instruments (for example, private placements) that are not traded in active markets or that are subject to transfer restrictions, valuations are adjusted to reflect illiquidity and/or non-transferability, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Maiden Lane II and Maiden Lane III

At their inception, ML II and ML III were valued and recorded at the transaction prices of $1 billion and $5 billion, respectively. Subsequently, the Maiden Lane Interests are valued using a discounted cash flow methodology that uses the estimated future cash flows of the Maiden Lane assets. AIG applies model-determined market discount rates to its interests. These discount rates are calibrated to the changes in the estimated asset values for the underlying assets commensurate with AIG's interests in the capital structure of the respective entities. Estimated cash flows and discount rates used in the valuations are validated, to the extent possible, using market observable information for securities with similar asset pools, structure and terms.

The fair value methodology used assumes that the underlying collateral in the Maiden Lane Interests will continue to be held and generate cash flows into the foreseeable future and does not assume a current liquidation of the assets underlying the Maiden Lane Interests. Other methodologies employed or assumptions made in

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determining fair value for these investments could result in amounts that differ significantly from the amounts reported.

Adjustments to the fair value of AIG's interest in ML II are recorded on the Consolidated Statement of Income (Loss) in Net investment income for AIG's Domestic Life Insurance companies. Adjustments to the fair value of AIG's interest in ML III are recorded on the Consolidated Statement of Income (Loss) in Net investment income and, beginning in the second quarter of 2009, were included in Other Noncore business results, reflecting the contribution to an AIG subsidiary. Prior to the second quarter of 2009, such amounts had been included in Other Parent company results. AIG's Maiden Lane Interests are included in bond trading securities, at fair value, on the Consolidated Balance Sheet.

As of March 31, 2010, AIG expected to receive cash flows (undiscounted) in excess of AIG's initial investment, and any accrued interest, in the Maiden Lane Interests over the remaining life of the investments after repayment of the first priority obligations owed to the FRBNY. AIG's cash flow methodology considers the capital structure of the collateral securities and their expected credit losses from the underlying asset pools. The fair values of the Maiden Lane Interests are most affected by changes in the discount rates and changes in the underlying estimated future collateral cash flow assumptions used in the valuation model.

The LIBOR interest rate curve changes are determined based on observable prices, interpolated or extrapolated to derive a LIBOR for a specific maturity term as necessary. The spreads over LIBOR for the Maiden Lane Interests (including collateral-specific credit and liquidity spreads) can change as a result of changes in market expectations about the future performance of these investments as well as changes in the risk premium that market participants would demand at the time of the transactions.

Changes in estimated future cash flows would primarily be the result of changes in expectations for defaults, recoveries, and prepayments on underlying loans.

Changes in the discount rate or the estimated future cash flows used in the valuation would alter AIG's estimate of the fair value of the Maiden Lane Interests as shown in the table below.

March 31, 2010	**Fair Value Change**	
(in millions)	**Maiden Lane II**	**Maiden Lane III**
Discount Rates:		
200 basis point increase	$ (90)	$ (659)
200 basis point decrease	101	769
400 basis point increase	(170)	(1,225)
400 basis point decrease	215	1,672
Estimated Future Cash Flows:		
10% increase	292	833
10% decrease	(296)	(831)
20% increase	579	1,661
20% decrease	(588)	(1,653)

AIG believes that the ranges of discount rates used in these analyses are reasonable based on implied spread volatilities of similar collateral securities and implied volatilities of LIBOR interest rates. The ranges of estimated future cash flows were determined based on variability in estimated future cash flows implied by cumulative loss estimates for similar instruments. Because of these factors, the fair values of the Maiden Lane Interests are likely to vary, perhaps materially, from the amount estimated.

Equity Securities Traded in Active Markets Trading and Available for Sale

AIG maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. Whenever available, AIG obtains quoted prices in active markets for identical assets at the balance sheet

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date to measure at fair value marketable equity securities in its trading and available for sale portfolios. Market price data is generally obtained from exchange or dealer markets.

Direct Private Equity Investments Other Invested Assets

AIG initially estimates the fair value of equity instruments not traded in active markets, which includes direct private equity investments, by reference to the transaction price. This valuation is adjusted for changes in inputs and assumptions which are corroborated by evidence such as transactions in similar instruments, completed or pending third-party transactions in the underlying investment or comparable entities, subsequent rounds of financing, recapitalizations and other transactions across the capital structure, offerings in the equity capital markets, and/or changes in financial ratios or cash flows. For equity securities that are not traded in active markets or that are subject to transfer restrictions, valuations are adjusted to reflect illiquidity and/or non-transferability and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Hedge Funds, Private Equity Funds and Other Investment Partnerships Other Invested Assets

AIG initially estimates the fair value of investments in certain hedge funds, private equity funds and other investment partnerships by reference to the transaction price. Subsequently, AIG generally obtains the fair value of these investments from net asset value information provided by the general partner or manager of the investments, the financial statements of which are generally audited annually. AIG considers observable market data and performs diligence procedures in validating the appropriateness of using the net asset value as a fair value measurement.

Separate Account Assets

Separate account assets are composed primarily of registered and unregistered open-end mutual funds that generally trade daily and are measured at fair value in the manner discussed above for equity securities traded in active markets.

Freestanding Derivatives

Derivative assets and liabilities can be exchange-traded or traded over-the-counter (OTC). AIG generally values exchange-traded derivatives using quoted prices in active markets for identical derivatives at the balance sheet date.

OTC derivatives are valued using market transactions and other market evidence whenever possible, including market-based inputs to models, model calibration to market clearing transactions, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. When models are used, the selection of a particular model to value an OTC derivative depends on the contractual terms of, and specific risks inherent in the instrument, as well as the availability of pricing information in the market. AIG generally uses similar models to value similar instruments. Valuation models require a variety of inputs, including contractual terms, market prices and rates, yield curves, credit curves, measures of volatility, prepayment rates and correlations of such inputs. For OTC derivatives that trade in liquid markets, such as generic forwards, swaps and options, model inputs can generally be corroborated by observable market data by correlation or other means, and model selection does not involve significant management judgment.

Certain OTC derivatives trade in less liquid markets with limited pricing information, and the determination of fair value for these derivatives is inherently more difficult. When AIG does not have corroborating market evidence to support significant model inputs and cannot verify the model to market transactions, the transaction price is initially used as the best estimate of fair value. Accordingly, when a pricing model is used to value such an instrument, the model is adjusted so the model value at inception equals the transaction price. Subsequent to initial recognition, AIG updates valuation inputs when corroborated by evidence such as similar market

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transactions, third party pricing services and/or broker or dealer quotations, or other empirical market data. When appropriate, valuations are adjusted for various factors such as liquidity, bid/offer spreads and credit considerations. Such adjustments are generally based on available market evidence. In the absence of such evidence, management's best estimate is used.

Embedded Policy Derivatives

The fair value of embedded policy derivatives contained in certain variable annuity and equity-indexed annuity and life contracts is measured based on actuarial and capital market assumptions related to projected cash flows over the expected lives of the contracts. These cash flow estimates primarily include benefits and related fees assessed, when applicable, and incorporate expectations about policyholder behavior. Estimates of future policyholder behavior are subjective and based primarily on AIG's historical experience. With respect to embedded policy derivatives in AIG's variable annuity contracts, because of the dynamic and complex nature of the expected cash flows, risk neutral valuations are used. Estimating the underlying cash flows for these products involves many estimates and judgments, including those regarding expected market rates of return, market volatility, correlations of market index returns to funds, fund performance, discount rates and policyholder behavior. With respect to embedded policy derivatives in AIG's equity-indexed annuity and life contracts, option pricing models are used to estimate fair value, taking into account assumptions for future equity index growth rates, volatility of the equity index, future interest rates, and determinations on adjusting the participation rate and the cap on equity indexed credited rates in light of market conditions and policyholder behavior assumptions. These methodologies incorporate an explicit risk margin to take into consideration market participant estimates of projected cash flows and policyholder behavior.

AIGFP's Super Senior Credit Default Swap Portfolio

AIGFP values its CDS transactions written on the super senior risk layers of designated pools of debt securities or loans using internal valuation models, third-party price estimates and market indices. The principal market was determined to be the market in which super senior credit default swaps of this type and size would be transacted, or have been transacted, with the greatest volume or level of activity. AIG has determined that the principal market participants, therefore, would consist of other large financial institutions who participate in sophisticated over-the-counter derivatives markets. The specific valuation methodologies vary based on the nature of the referenced obligations and availability of market prices.

The valuation of the super senior credit derivatives is challenging given the limitation on the availability of market observable information due to the lack of trading and price transparency in the structured finance market. These market conditions have increased the reliance on management estimates and judgments in arriving at an estimate of fair value for financial reporting purposes. Further, disparities in the valuation methodologies employed by market participants and the varying judgments reached by such participants when assessing volatile markets have increased the likelihood that the various parties to these instruments may arrive at significantly different estimates as to their fair values.

AIGFP's valuation methodologies for the super senior credit default swap portfolio have evolved over time in response to market conditions and the availability of market observable information. AIG has sought to calibrate the methodologies to available market information and to review the assumptions of the methodologies on a regular basis.

Regulatory capital portfolio: In the case of credit default swaps written to facilitate regulatory capital relief, AIGFP estimates the fair value of these derivatives by considering observable market transactions. The transactions with the most observability are the early terminations of these transactions by counterparties. AIGFP continues to reassess the expected maturity of the portfolio. AIGFP has not been required to make any payments as part of terminations initiated by counterparties. The regulatory benefit of these transactions for AIGFP's financial institution counterparties is generally derived from the terms of the Capital Accord of the Basel

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Committee on Banking Supervision (Basel I) that existed through the end of 2007 and which is in the process of being replaced by the Revised Framework for the International Convergence of Capital Measurement and Capital Standards issued by the Basel Committee on Banking Supervision (Basel II). It was expected that financial institution counterparties would have transitioned from Basel I to Basel II by the end of the two-year adoption period on December 31, 2009, after which they would have received little or no additional regulatory benefit from these CDS transactions, except in a small number of specific instances. However, the Basel Committee announced that it had agreed to keep in place the Basel I capital floors beyond the end of 2009, although it remains to be seen how this extension will be implemented by the various European Central Banking districts. Should certain counterparties continue to receive favorable regulatory capital benefits from these transactions, those counterparties may not exercise their options to terminate the transactions in the expected time frame. In assessing the fair value of the regulatory capital CDS transactions, AIGFP also considers other market data, to the extent relevant and available. For further discussion, see Note 8 herein.

Multi-sector CDO portfolios: AIGFP uses a modified version of the Binomial Expansion Technique (BET) model to value its credit default swap portfolio written on super senior tranches of multi-sector collateralized debt obligations (CDOs) of ABS, including maturity-shortening puts that allow the holders of the securities issued by certain CDOs to treat the securities as short-term 2a-7 eligible investments under the Investment Company Act of 1940 (2a-7 Puts). The BET model was developed in 1996 by a major rating agency to generate expected loss estimates for CDO tranches and derive a credit rating for those tranches, and remains widely used.

AIGFP has adapted the BET model to estimate the price of the super senior risk layer or tranche of the CDO. AIG modified the BET model to imply default probabilities from market prices for the underlying securities and not from rating agency assumptions. To generate the estimate, the model uses the price estimates for the securities comprising the portfolio of a CDO as an input and converts those estimates to credit spreads over current LIBOR-based interest rates. These credit spreads are used to determine implied probabilities of default and expected losses on the underlying securities. This data is then aggregated and used to estimate the expected cash flows of the super senior tranche of the CDO.

Prices for the individual securities held by a CDO are obtained in most cases from the CDO collateral managers, to the extent available. CDO collateral managers provided market prices for 63.4 percent of the underlying securities used in the valuation at March 31, 2010. When a price for an individual security is not provided by a CDO collateral manager, AIGFP derives the price through a pricing matrix using prices from CDO collateral managers for similar securities. Matrix pricing is a mathematical technique used principally to value debt securities without relying exclusively on quoted prices for the specific securities, but rather by relying on the relationship of the security to other benchmark quoted securities. Substantially all of the CDO collateral managers who provided prices used dealer prices for all or part of the underlying securities, in some cases supplemented by third-party pricing services.

The BET model also uses diversity scores, weighted average lives, recovery rates and discount rates. AIGFP employs a Monte Carlo simulation to assist in quantifying the effect on the valuation of the CDO of the unique aspects of the CDO's structure such as triggers that divert cash flows to the most senior part of the capital structure. The Monte Carlo simulation is used to determine whether an underlying security defaults in a given simulation scenario and, if it does, the security's implied random default time and expected loss. This information is used to project cash flow streams and to determine the expected losses of the portfolio.

In addition to calculating an estimate of the fair value of the super senior CDO security referenced in the credit default swaps using its internal model, AIGFP also considers the price estimates for the super senior CDO securities provided by third parties, including counterparties to these transactions, to validate the results of the model and to determine the best available estimate of fair value. In determining the fair value of the super senior CDO security referenced in the credit default swaps, AIGFP uses a consistent process which considers all available pricing data points and eliminates the use of outlying data points. When pricing data points are within a reasonable range an averaging technique is applied.

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Corporate debt/Collateralized loan obligation (CLO) portfolios: In the case of credit default swaps written on portfolios of investment-grade corporate debt, AIGFP uses a mathematical model that produces results that are closely aligned with prices received from third parties. This methodology is widely used by other market participants and uses the current market credit spreads of the names in the portfolios along with the base correlations implied by the current market prices of comparable tranches of the relevant market traded credit indices as inputs. One transaction, representing one percent of the total notional amount of the corporate arbitrage transactions, is valued using third party quotes given its unique attributes.

AIGFP estimates the fair value of its obligations resulting from credit default swaps written on CLOs to be equivalent to the par value less the current market value of the referenced obligation. Accordingly, the value is determined by obtaining third-party quotes on the underlying super senior tranches referenced under the credit default swap contract.

Policyholder Contract Deposits

Policyholder contract deposits accounted for at fair value are measured using an earnings approach by taking into consideration the following factors:

Current policyholder account values and related surrender charges;

The present value of estimated future cash inflows (policy fees) and outflows (benefits and maintenance expenses) associated with the product using risk neutral valuations, incorporating expectations about policyholder behavior, market returns and other factors; and

A risk margin that market participants would require for a market return and the uncertainty inherent in the model inputs.

The change in fair value of these policyholder contract deposits is recorded as Policyholder benefits and claims incurred in the Consolidated Statement of Income (Loss).

Securities and spot commodities sold but not yet purchased

Fair values for securities sold but not yet purchased are based on current market prices. Fair values of spot commodities sold but not yet purchased are based on current market prices of reference spot futures contracts traded on exchanges.

Other long-term debt

When fair value accounting has been elected, the fair value of non-structured liabilities is generally determined by using market prices from exchange or dealer markets, when available, or discounting expected cash flows using the appropriate discount rate for the applicable maturity. The discount rate is based on an implicit rate determined with the use of observable CDS market spreads to determine the risk of non-performance for AIG. Such instruments are generally classified in Level 2 of the fair value hierarchy as substantially all inputs are readily observable. AIG determines the fair value of structured liabilities (where performance is linked to structured interest rates, inflation or currency risks) and hybrid financial instruments (performance linked to risks other than interest rates, inflation or currency risks) using the appropriate derivative valuation methodology (described above) given the nature of the embedded risk profile. Such instruments are classified in Level 2 or Level 3 depending on the observability of significant inputs to the model. In addition, adjustments are made to the valuations of both non-structured and structured liabilities to reflect AIG's own credit worthiness based on observable credit spreads of AIG.

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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 levels of the inputs used:

At March 31, 2010 *(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	$ 100	$ 4,756	$ -	$ -	$ -	$ 4,856
Obligations of states, municipalities and Political subdivisions	320	50,885	948	-	-	52,153
Non-U.S. governments	197	23,615	5	-	-	23,817
Corporate debt	-	130,435	3,917	-	-	134,352
Residential mortgage-backed securities (RMBS)	-	20,387	6,832	-	-	27,219
Commercial mortgage-backed securities (CMBS)	-	3,549	4,396	-	-	7,945
Collateralized Debt Obligations/Asset Backed Securities (CDO/ABS)	-	1,952	4,576	-	-	6,528
Total bonds available for sale	617	235,579	20,674	-	-	256,870
Bond trading securities:						
U.S. government and government sponsored entities	433	6,313	-	-	-	6,746
Obligations of states, municipalities and Political subdivisions	-	348	-	-	-	348
Non-U.S. governments	1	395	2	-	-	398
Corporate debt	-	1,658	7	-	-	1,665
RMBS	-	2,534	5	-	-	2,539
CMBS	-	2,282	294	-	-	2,576
CDO/ABS	-	4,198	7,895	-	-	12,093
Total bond trading securities	434	17,728	8,203	-	-	26,365
Equity securities available for sale:						
Common stock	4,219	7	36	-	-	4,262
Preferred stock	-	685	52	-	-	737
Mutual funds	1,800	32	-	-	-	1,832
Total equity securities available for sale	6,019	724	88	-	-	6,831
Equity securities trading:						
Common stock	416	95	1	-	-	512
Mutual funds	101	-	-	-	-	101
Total equity securities trading	517	95	1	-	-	613
Mortgage and other loans receivable	-	157	-	-	-	157
Other invested assets[(c)]	1,432	2,869	5,853	-	-	10,154
Unrealized gain on swaps, options and forward transactions:						
Interest rate contracts	-	26,308	207	-	-	26,515
Foreign exchange contracts	-	393	32	-	-	425
Equity contracts	59	567	202	-	-	828
Commodity contracts	-	46	20	-	-	66

Credit contracts	-	3	556	-	-	559
Other contracts	4	562	72	-	-	638
Counterparty netting and cash collateral	-	-	-	(16,816)	(4,832)	(21,648)
Total unrealized gain on swaps, options and forward transactions	63	27,879	1,089	(16,816)	(4,832)	7,383
Securities purchased under agreements to resell	-	1,615	-	-	-	1,615
Short-term investments	3,986	18,198	-	-	-	22,184
Separate account assets	49,740	2,213	-	-	-	51,953
Other assets	-	13	-	-	-	13
Total	$ 62,808	$ 307,070	$ 35,908	$ (16,816)	$ (4,832)	$ 384,138
Liabilities:						
Policyholder contract deposits	$ -	$ -	$ 641	$ -	$ -	$ 641
Securities sold under agreements to repurchase	-	3,418	-	-	-	3,418
Securities and spot commodities sold but not yet purchased	303	155	-	-	-	458
Unrealized loss on swaps, options and forward transactions:						
Interest rate contracts	-	20,214	1,493	-	-	21,707
Foreign exchange contracts	-	702	3	-	-	705
Equity contracts	3	631	147	-	-	781
Commodity contracts	-	53	-	-	-	53
Credit contracts[(d)]	-	41	5,466	-	-	5,507
Other contracts	-	218	202	-	-	420
Counterparty netting and cash collateral	-	-	-	(16,816)	(6,061)	(22,877)
Total unrealized loss on swaps, options and forward transactions	3	21,859	7,311	(16,816)	(6,061)	6,296
Trust deposits and deposits due to banks and other depositors	-	16	-	-	-	16
Federal Reserve Bank of New York Commercial Paper Funding Facility	-	2,285	-	-	-	2,285
Other long-term debt	-	11,677	1,123	-	-	12,800
Total	$ 306	$ 39,410	$ 9,075	$ (16,816)	$ (6,061)	$ 25,914

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At December 31, 2009 *(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	$ 146	$ 5,077	$ -	$ -	$ -	$ 5,223
Obligations of states, municipalities and Political subdivisions	219	53,270	613	-	-	54,102
Non-U.S. governments	312	64,519	753	-	-	65,584
Corporate debt	10	187,337	4,791	-	-	192,138
Residential mortgage-backed securities (RMBS)	-	21,670	6,654	-	-	28,324
Commercial mortgage-backed securities (CMBS)	-	8,350	4,939	-	-	13,289
Collateralized Debt Obligations/Asset Backed Securities (CDO/ABS)	-	2,167	4,724	-	-	6,891
Total bonds available for sale	687	342,390	22,474	-	-	365,551
Bond trading securities:						
U.S. government and government sponsored entities	394	6,317	16	-	-	6,727
Obligations of states, municipalities and Political subdivisions	-	371	-	-	-	371
Non-U.S. governments	2	1,363	56	-	-	1,421
Corporate debt	-	5,205	121	-	-	5,326
RMBS	-	3,671	4	-	-	3,675
CMBS	-	2,152	325	-	-	2,477
CDO/ABS	-	4,381	6,865	-	-	11,246
Total bond trading securities	396	23,460	7,387	-	-	31,243
Equity securities available for sale:						
Common stock	7,254	9	35	-	-	7,298
Preferred stock	-	760	54	-	-	814
Mutual funds	1,348	56	6	-	-	1,410
Total equity securities available for sale	8,602	825	95	-	-	9,522
Equity securities trading:						
Common stock	1,254	104	1	-	-	1,359
Mutual funds	6,460	492	7	-	-	6,959
Total equity securities trading	7,714	596	8	-	-	8,318
Mortgage and other loans receivable	-	119	-	-	-	119
Other invested assets[(c)]	3,322	8,656	6,910	-	-	18,888
Unrealized gain on swaps, options and forward transactions	123	32,617	1,761	(19,054)	(6,317)	9,130
Securities purchased under agreements to resell	-	2,154	-	-	-	2,154
Short-term investments	1,898	22,077	-	-	-	23,975
Separate account assets	56,165	1,984	1	-	-	58,150
Other assets	-	18	270	-	-	288
Total	$ 78,907	$ 434,896	$ 38,906	$ (19,054)	$ (6,317)	$ 527,338
Liabilities:						
Policyholder contract deposits	$ -	$ -	$ 5,214	$ -	$ -	$ 5,214

Securities sold under agreements to repurchase	-	3,221	-	-	-	3,221
Securities and spot commodities sold but not yet purchased	159	871	-	-	-	1,030
Unrealized loss on swaps, options and forward transactions[(d)]	8	24,789	7,826	(19,054)	(8,166)	5,403
Trust deposits and deposits due to banks and other depositors	-	15	-	-	-	15
Federal Reserve Bank of New York Commercial Paper Funding Facility	-	2,742	-	-	-	2,742
Other long-term debt	-	12,314	881	-	-	13,195
Total	$ 167	$ 43,952	$ 13,921	$ (19,054)	$ (8,166)	$ 30,820

(a)

Represents netting of derivative exposures covered by a qualifying master netting agreement.

(b)

Represents cash collateral posted and received. Securities collateral posted for derivative transactions that is reflected in Fixed maturity securities in the Consolidated Balance Sheet, and collateral received, not reflected in the Consolidated Balance Sheet, were $1.4 billion and $125 million, respectively, at March 31, 2010 and $1.6 billion and $289 million, respectively, at December 31, 2009.

(c)

Approximately 5 percent and 6 percent of the fair value of the assets recorded as Level 3 relates to various private equity, real estate, hedge fund and fund-of-funds investments that are consolidated by AIG at March 31, 2010 and December 31, 2009, respectively. AIG's ownership in these funds represented 51.7 percent, or $0.8 billion, of Level 3 assets at March 31, 2010 and 71.1 percent, or $1.6 billion, of Level 3 assets at December 31, 2009.

(d)

Included in Level 3 is the fair value derivative liability of $4.6 billion and $4.8 billion at March 31, 2010 and December 31, 2009, respectively, on the AIGFP super senior credit default swap portfolio.

Transfers of Level 1 and Level 2 Assets and Liabilities

AIG had no significant transfers between Level 1 and Level 2 during the three-month period ended March 31, 2010.

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Changes in Level 3 Recurring Fair Value Measurements

The following tables present changes during the three-month periods ended March 31, 2010 and 2009 in Level 3 assets and liabilities measured at fair value on a recurring basis, and the realized and unrealized gains (losses) recorded in the Consolidated Statement of Income (Loss) during those periods related to the Level 3 assets and liabilities that remained on the Consolidated Balance Sheet at March 31, 2010 and 2009:

(in millions)	Balance Beginning of Period[a]	Net Realized and Unrealized Gains (Losses) Included in Income[b]	Accumulated Other Comprehensive Income (Loss)	Purchases, Sales, Issuances and Settlements-Net	Transfers[c]	Activity of Discontinued Operations	Reclassified to Assets of Businesses Held for Sale	Balance End of Period	Changes in Unrealized Gains (Losses) on Instruments Held at End of Period
Three Months Ended March 31, 2010									
Assets:									
Bonds available for sale:									
Obligations of states, municipalities and political subdivisions	$ 613	$ (14)	$ (7)	$ 109	$ 257	$ (10)	$ -	$ 948	$ -
Non-U.S. governments	753	-	-	-	-	35	(783)	5	-
Corporate debt	4,791	(19)	86	(67)	(660)	(47)	(167)	3,917	-
RMBS	6,654	(119)	442	(142)	31	(3)	(31)	6,832	-
CMBS	4,939	(480)	816	(133)	509	306	(1,561)	4,396	-
CDO/ABS	4,724	21	234	(16)	31	27	(445)	4,576	-
Total bonds available for sale	22,474	(611)	1,571	(249)	168	308	(2,987)	20,674	-
Bond trading securities:									
U.S. government and government sponsored entities	16	-	-	-	-	(16)	-	-	-
Non-U.S. governments	56	-	-	(50)	2	-	(6)	2	-
Corporate debt	121	1	-	-	-	(5)	(110)	7	1
RMBS	4	1	-	-	-	-	-	5	1
CMBS	325	40	-	(7)	34	2	(100)	294	101
CDO/ABS	6,865	1,117	-	(87)	-	20	(20)	7,895	549
Total bond trading securities	7,387	1,159	-	(144)	36	1	(236)	8,203	652
Equity securities available for sale:									
Common stock	35	(2)	5	1	-	-	(3)	36	-
Preferred stock	54	(5)	2	-	1	-	-	52	-
Mutual funds	6	-	-	-	-	-	(6)	-	-
Total equity securities available for sale	95	(7)	7	1	1	-	(9)	88	-

Equity securities trading:									
Common stock	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**-**
Mutual funds	**7**	**-**	**-**	**-**	**-**	**(1)**	**(6)**	**-**	**-**
Total equity securities trading	**8**	**-**	**-**	**-**	**-**	**(1)**	**(6)**	**1**	**-**
Other invested assets	**6,910**	**(131)**	**283**	**(926)**	**(98)**	**(3)**	**(182)**	**5,853**	**(28)**
Other assets	**270**	**-**	**-**	**(270)**	**-**	**-**	**-**	**-**	**-**
Separate account assets	**1**	**-**	**-**	**-**	**-**	**-**	**(1)**	**-**	**-**
Total	**$ 37,145**	**$ 410**	**$ 1,861**	**$ (1,588)**	**$ 107**	**$ 305**	**$ (3,421)**	**$ 34,819**	**$ 624**
Liabilities:									
Policyholder contract deposits	**$ (5,214)**	**$ 152**	**$ -**	**$ (38)**	**$ -**	**$ 32**	**$ 4,427**	**$ (641)**	**$ (141)**
Unrealized loss on swaps, options and forward transactions, net:									
Interest rate contracts	**(1,469)**	**98**	**-**	**96**	**(11)**	**-**	**-**	**(1,286)**	**(167)**
Foreign exchange contracts	**29**	**-**	**-**	**-**	**-**	**-**	**-**	**29**	**3**
Equity contracts	**74**	**(10)**	**-**	**-**	**(9)**	**-**	**-**	**55**	**(6)**
Commodity contracts	**22**	**(2)**	**-**	**-**	**-**	**-**	**-**	**20**	**(2)**
Credit contracts	**(4,545)**	**164**	**-**	**(529)**	**-**	**-**	**-**	**(4,910)**	**165**
Other contracts	**(176)**	**41**	**-**	**(3)**	**-**	**1**	**7**	**(130)**	**(3)**
Total unrealized loss on swaps, options and forward transactions, net	**(6,065)**	**291**	**-**	**(436)**	**(20)**	**1**	**7**	**(6,222)**	**(10)**
Other long-term debt	**(881)**	**(135)**	**-**	**555**	**(662)**	**-**	**-**	**(1,123)**	**136**
Total	**$ (12,160)**	**$ 308**	**$ -**	**$ 81**	**$ (682)**	**$ 33**	**$ 4,434**	**$ (7,986)**	**$ (15)**

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(in millions)	Balance Beginning of Period[(a)]	Net Realized and Unrealized Gains (Losses) Included in Income[(b)]	Accumulated Other Comprehensive Income (Loss)	Purchases, Sales, Issuances and Settlements-Net	Transfers[(c)]	Activity of Discontinued Operations	Balance End of Period	Changes in Unrealized Gains (Losses) on Instruments Held at End of Period
Three Months Ended March 31, 2009								
Assets:								
Bonds available for sale	$ 18,826	$ (1,019)	$ 614	$ (898)	$ 272	$ 58	$ 17,853	$ -
Bond trading securities	6,987	(2,544)	-	(197)	49	(15)	4,280	(1,586)
Common and preferred stock available for sale	111	(3)	-	(3)	7	(12)	100	-
Common and preferred stock trading	3	-	-	-	-	3	6	-
Other invested assets	11,168	(936)	(687)	252	(109)	-	9,688	(980)
Other assets	325	6	-	(20)	-	-	311	6
Separate account assets	830	-	-	1	-	(34)	797	-
Total	$ 38,250	$ (4,496)	$ (73)	$ (865)	$ 219	$ -	$ 33,035	$ (2,560)
Liabilities:								
Policyholder contract deposits	$ (5,458)	$ 217	$ -	$ (19)	$ -	$ (297)	$ (5,557)	$ 2,094
Securities sold under agreements to repurchase	(85)	2	-	36	-	-	(47)	(12)
Unrealized loss on swaps, options and forward transactions, net	(10,570)	(1,312)	-	277	(252)	1	(11,856)	(1,069)
Other long-term debt	(1,147)	442	-	122	52	-	(531)	(420)
Total	$ (17,260)	$ (651)	$ -	$ 416	$ (200)	$ (296)	$ (17,991)	$ 593

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

(b) *Net realized and unrealized gains and losses related to Level 3 items shown above are reported in the Consolidated Statement of Income (Loss) primarily as follows:*

Major Category of Assets/Liabilities	Consolidated Statement of Income (Loss) Line Items
Bonds available for sale	Net realized capital gains (losses)
Bond trading securities	Net investment income Other income
Other invested assets	Net realized capital gains (losses) Other income

Policyholder contract deposits	Policyholder benefits and claims incurred Net realized capital gains (losses)
Unrealized loss on swaps, options and forward transactions, net	Unrealized market valuation gains (losses) on AIGFP super senior credit default swap portfolio Net realized capital gains (losses) Other income

(c)

Transfers for the three months ended March 31, 2010 are comprised of gross transfers into Level 3 assets and liabilities of $2.0 billion and gross transfers out of Level 3 assets and liabilities of $1.2 billion. AIG's policy is to record transfers of assets and liabilities into or out of Level 3 at their fair values as of the end of each reporting period, consistent with the date of the determination of fair value. As a result, the Net realized and unrealized gains (losses) included in income or other comprehensive income and as shown in the table above exclude $6.6 million of net losses related to assets and liabilities transferred into Level 3 during the period, and include $33 million of net gains related to assets and liabilities transferred out of Level 3 during the period.

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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 March 31, 2010 and March 31, 2009 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).

Transfers of Level 3 Assets and Liabilities

AIG's policy is to transfer assets and liabilities into Level 3 when a significant input cannot be corroborated with market observable data. This may include: circumstances in which market activity has dramatically decreased and transparency to underlying inputs cannot be observed, current prices are not available, and substantial price variances in quotations among market participants exist.

In certain cases, the inputs used to measure the 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. AIG's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment. In making the assessment, AIG considers factors specific to the asset or liability.

During the three-month period ended March 31, 2010, AIG transferred into Level 3 approximately $1.2 billion of assets, consisting of certain ABS, CMBS and RMBS, as well as private placement corporate debt and certain municipal bonds related to SunAmerica Affordable Housing partnerships. A majority of the transfers into Level 3 related to investments in ABS, RMBS and CMBS and was due to a decrease in market transparency and downward credit migration in these securities. Transfers into Level 3 for private placement corporate debt are primarily the result of AIG overriding third party matrix pricing information downward to better reflect the additional risk premium associated with those securities that AIG believes was not captured in the matrix. Certain municipal bonds were transferred into Level 3 based on limited market activity for the particular issuances and related limitations on observable inputs for their valuation.

Assets are transferred out of Level 3 when circumstances change such that significant inputs can be corroborated with market observable data. This may be due to a significant increase in market activity for the asset, a specific event, one or more significant input(s) becoming observable, or when a long-term interest rate significant to a valuation becomes short-term and thus observable. During the three-month period ended March 31, 2010, AIG transferred approximately $1.1 billion of assets out of Level 3. These transfers out of Level 3 are primarily related to investments in private placement corporate debt, as well as investments in certain ABS and RMBS. Transfers out of Level 3 for private placement corporate debt and for ABS were primarily the result of AIG using observable pricing information or a third party pricing quote that appropriately reflects the fair value of those securities, without the need for adjustment based on AIG's own assumptions regarding the characteristics of a specific security or the current liquidity in the market. Transfers out of Level 3 for RMBS investments were primarily due to increased usage of pricing from valuation service providers that were reflective of market activity, where previously an internally adjusted price had been used.

During the three-month period ended March 31, 2010, AIG transferred into Level 3 approximately $710 million of liabilities related to term notes and hybrid term notes, primarily due to an unobservable credit linked component comprising a significant amount of the valuations. The remaining $64 million transfer in was due to movement in market variables. A majority of the transfers out of Level 3 liabilities, which totaled $92 million, were due to recognition of the cash flow variability on interest rate and cross currency swaps with securitization vehicles. Other transfers out of Level 3 liabilities were due to movement in market variables.

AIG uses various hedging techniques to manage risks associated with certain positions, including those classified within Level 3. Such techniques may include the purchase or sale of financial instruments that are classified within Level 1 and/or Level 2. As a result, the realized and unrealized gains (losses) for assets and liabilities classified within Level 3 presented in the table above do not reflect the related realized or unrealized gains (losses) on hedging instruments that are classified within Level 1 and/or Level 2.

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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 AIG's investments in certain other invested assets, including private equity funds, hedge funds and other alternative investments that calculate net asset value per share (or its equivalent). For these investments, which are measured at fair value on a recurring or non-recurring basis, AIG uses the net asset value per share as a practical expedient for fair value.

		March 31, 2010[a]		December 31, 2009	
(in millions)	**Investment Category Includes**	**Fair Value Using Net Asset Value**	**Unfunded Commitments**	**Fair Value Using Net Asset Value**	**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.	$ 2,538	$ 1,532	$ 3,166	$ 1,553
Non-U.S.	Investments that focus primarily on Asian and European based buyouts, expansion capital, special situations, turnarounds, venture capital, mezzanine and distressed opportunities strategies.	360	105	543	103
Venture capital	Early-stage, high-potential, growth companies expected to generate a return through an eventual realization event, such as an initial public offering or sale of the company.	281	47	427	48
Fund of funds	Funds that invest in other funds, which invest in various diversified strategies	794	166	616	40
Distressed	Securities of companies that are already in default, under bankruptcy protection, or troubled.	215	94	238	91
Other	Real estate, energy, multi-strategy, mezzanine, and industry-focused strategies.	230	130	223	117
Total private equity funds		4,418	2,074	5,213	1,952
Hedge funds:					
Event-driven	Securities of companies undergoing material structural changes, including. mergers, acquisitions, and other reorganizations.	718	-	1,373	-
Long-short	Securities the manager believes are undervalued, with corresponding short positions to hedge market risk.	352	-	825	-
Fund of funds	Funds that invest in other funds, which invest in various diversified strategies.	290	-	304	-
Relative value	Simultaneous long and short positions in closely related markets.	9	-	286	-
Distressed	Securities of companies that are already in default, under bankruptcy protection, or troubled.	297	-	272	-
Other	Non-U.S. companies, futures and commodities, and multi-strategy and industry-focused strategies.	225	-	394	-
Total hedge funds		1,891	-	3,454	-
Global real estate funds	U.S. and Non-U.S. commercial real estate.	899	87	929	64
Total		$ 7,208[b]	$ 2,161	$ 9,596[b]	$ 2,016

(a)

Due to the sale of the investment advisory business, certain partnerships and hedge funds are no longer carried at net asset value per share.

(b)

Includes investments of entities classified as held for sale of approximately $0.1 billion and $1.1 billion at March 31, 2010 and December 31, 2009, respectively.

At March 31, 2010, private equity fund investments included above are not redeemable during the lives of the funds, and have expected remaining lives that extend in some cases more than 10 years. At that date, 43 percent of the total above have expected remaining lives of less than three years, 35 percent between 3 and 7 years, and

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22 percent between 7 and 10 years. Expected lives are based upon legal maturity, which can be extended at the general manager's discretion, typically in one year increments.

At March 31, 2010, hedge fund investments included above are redeemable monthly (11 percent), quarterly (34 percent), semi-annually (11 percent) and annually (44 percent), with redemption notices ranging from 1 day to 180 days. More than 77 percent require redemption notices of less than 90 days. Investments representing approximately 14 percent of the value of the hedge fund investments cannot be redeemed because the investments include restrictions that do not allow for redemptions within a pre-defined timeframe. These restrictions expire no later than December 31, 2012. Funds that equate to 62 percent of the total value of hedge funds hold at least one investment that the general manager deems to be illiquid. In order to treat investors fairly and to accommodate subsequent subscription and redemption requests, the general manager isolates these illiquid assets from the rest of the fund until the assets become liquid.

At March 31, 2010, global real estate fund investments included above are not redeemable during the lives of the funds, and have expected remaining lives that extend in some cases more than 10 years. Twelve percent of these funds have expected remaining lives of less than three years, 69 percent between 3 and 7 years, and 19 percent between 7 and 10 years. Expected lives are based upon legal maturity, which can be extended at the general manager's discretion, typically in one year increments.

Fair Value Measurements on a Non-Recurring Basis

AIG also measures the fair value of certain assets on a non-recurring basis, generally quarterly, annually, or when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. These assets include cost and equity-method investments, life settlement contracts, flight equipment primarily under operating leases, collateral securing foreclosed loans and real estate and other fixed assets, goodwill, and other intangible assets. AIG uses a variety of techniques to measure the fair value of these assets when appropriate, as described below:

Cost and Equity-Method Investments: When AIG determines that the carrying value of these assets may not be recoverable, AIG records the assets at fair value with the loss recognized in earnings. In such cases, AIG measures the fair value of these assets using the techniques discussed in Valuation Methodologies, above, for Other invested assets.

Life Settlement Contracts: AIG measures the fair value of individual life settlement contracts (which are included in other invested assets) whenever the carrying value plus the undiscounted future costs that are expected to be incurred to keep the life settlement contract in force exceed the expected proceeds from the contract. In those situations, the fair value is determined on a discounted cash flow basis, incorporating current life expectancy assumptions. The discount rate incorporates current information about market interest rates, the credit exposure to the insurance company that issued the life settlement contract and AIG's estimate of the risk margin an investor in the contracts would require.

Flight Equipment Primarily Under Operating Leases: When AIG determines the carrying value of its commercial aircraft may not be recoverable, AIG records the aircraft at fair value with the loss recognized in earnings. AIG measures the fair value of its commercial aircraft using an earnings approach based on the present value of all cash flows from existing and projected lease payments (based on historical experience and current expectations regarding market participants), including net contingent rentals for the period extending to the end of the aircraft's economic life in its highest and best use configuration, plus its disposition value.

Collateral Securing Foreclosed Loans and Real Estate and Other Fixed Assets: When AIG takes collateral in connection with foreclosed loans, AIG generally bases its estimate of fair value on the price that would be received in a current transaction to sell the asset by itself, by reference to observable transactions for similar assets.

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Goodwill: AIG tests goodwill annually for impairment or more frequently whenever events or changes in circumstances indicate the carrying amount of goodwill may not be recoverable. When AIG determines goodwill may be impaired, AIG uses techniques including market-based earning multiples of peer companies, discounted expected future cash flows, appraisals, or, in the case of reporting units being considered for sale, third-party indications of fair value of the reporting unit, if available, to determine the amount of any impairment.

Long-Lived Assets: AIG tests its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of a long-lived asset may not be recoverable. AIG measures the fair value of long-lived assets based on an in-use premise that considers the same factors used to estimate the fair value of its real estate and other fixed assets under an in-use premise.

Finance Receivables:

Originated as held for sale AIG determines the fair value of finance receivables originated as held for sale by reference to available market indicators such as current investor yield requirements, outstanding forward sale commitments, or negotiations with prospective purchasers, if any.

Originated as held for investment AIG determines the fair value of finance receivables originated as held for investment based on negotiations with prospective purchasers, if any, or by using projected cash flows discounted at the weighted average interest rates offered in the marketplace for similar finance receivables. Cash flows are projected based on contractual payment terms, adjusted for delinquencies and estimates of prepayments and credit-related losses.

Businesses Held for Sale: When AIG determines that a business qualifies as held for sale and AIG's carrying amount is greater than the sale price less cost to sell, AIG records an impairment loss for the difference.

The following table presents assets measured at fair value on a non-recurring basis on which impairment charges were recorded, and the related impairment charges:

	Assets at Fair Value Non-Recurring Basis				**Impairment Charges Three Months Ended March 31,**	
(in millions)	**Level 1**	**Level 2**	**Level 3**	**Total**	**2010**	**2009**
At March 31, 2010						
Investment real estate	**$ -**	**$ -**	**$ 2,804**	**$ 2,804**	**$ 284**	$ 158
Other investments	**-**	**-**	**757**	**757**	**73**	290
Aircraft	**-**	**-**	**1,881**	**1,881**	**347**	-
Other assets	**-**	**-**	**173**	**173**	**18**	72
Total	**$ -**	**$ -**	**$ 5,615**	**$ 5,615**	**$ 722**	$ 520
At December 31, 2009						
Investment real estate	$ -	$ -	$ 3,148	$ 3,148		

Finance receivables	-	-	694	694
Other investments	99	-	1,005	1,104
Aircraft	-	-	62	62
Other assets	-	85	227	312
Total	$ 99	$ 85	$ 5,136	$ 5,320

The fair value disclosed in the table above is unadjusted for transaction costs. The amounts recorded on the consolidated balance sheet are net of transaction costs.

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Fair Value Option

AIG may choose to measure at fair value many financial instruments and certain other assets and liabilities that are not required to be measured at fair value. Subsequent changes in fair value for designated items are required to be reported in earnings. Unrealized gains and losses on financial instruments in AIG's insurance businesses and in AIGFP for which the fair value option was elected are classified in Other income in the Consolidated Statement of Income (Loss).

The following table presents the gains or losses recorded during the three-month periods ended March 31, 2010 and 2009 related to the eligible instruments for which AIG elected the fair value option:

	Gain (Loss) Three Months Ended March 31,	
(in millions)	**2010**	**2009**
Assets:		
Mortgage and other loans receivable	**$ 40**	$ (47)
Trading securities	**1,437**	(1,671)
Trading Maiden Lane Interests	**911**	(2,194)
Securities purchased under agreements to resell	**(4)**	(16)
Other invested assets	**(10)**	(22)
Short-term investments	**-**	(2)
Liabilities:		
Securities sold under agreements to repurchase	**52**	121
Securities and spot commodities sold but not yet purchased	**(18)**	(34)
Trust deposits and deposits due to banks and other depositors	**-**	11
Debt	**(485)**	2,587
Other liabilities	**-**	138
Total gain (loss)[(a)(b)]	**$ 1,923**	$ (1,129)

(a) *Excludes businesses held for sale in the Consolidated Balance Sheet.*

(b) *Not included in the table above were gains of $13 million and $1.4 billion for the three-month periods ended March 31, 2010 and 2009, respectively, that were primarily due to changes in the fair value of derivatives, trading securities and certain other invested assets for which the fair value option was not elected. Included in these amounts were unrealized market valuation gains of $119 million and unrealized market valuation losses of $452 million for the three-month periods ended March 31, 2010 and 2009, respectively, related to AIGFP's super senior credit default swap portfolio.*

Interest income and expense and dividend income on assets and liabilities elected under the fair value option are recognized and classified in the Consolidated Statement of Income (Loss) depending on the nature of the instrument and related market conventions. For AIGFP related activity, interest, dividend income, and interest expense are included in Other income. Otherwise, interest and dividend income are included in Net investment income in the Consolidated Statement of Income (Loss). See Note 1(a) to the Consolidated Financial Statements in the 2009 Annual Report on Form 10-K for additional information about AIG's policies for recognition, measurement, and disclosure of interest and dividend income and interest expense.

During the three-month periods ended March 31, 2010 and 2009, AIG recognized a loss of $378 million and a gain of $1.2 billion, respectively, attributable to the observable effect of changes in credit spreads on AIG's own liabilities for which the fair value option was

elected. AIG calculates the effect of these credit spread changes using discounted cash flow techniques that incorporate current market interest rates, AIG's observable credit spreads on these liabilities and other factors that mitigate the risk of nonperformance such as collateral posted.

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The following table presents the difference between fair values and the aggregate contractual principal amounts of mortgage and other loans receivable and long-term borrowings, for which the fair value option was elected:

	At March 31, 2010			At December 31, 2009		
(in millions)	Fair Value	Outstanding Principal Amount	Difference	Fair Value	Outstanding Principal Amount	Difference
Assets:						
Mortgage and other loans receivable	**$ 157**	**$ 258**	**$ (101)**	$ 119	$ 253	$ (134)
Liabilities:						
Long-term debt	**$ 11,094**	**$ 9,755**	**$ 1,339**	$ 11,308	$ 10,111	$ 1,197

At March 31, 2010 and December 31, 2009, there were no significant mortgage or other loans receivable for which the fair value option was elected that were 90 days or more past due and in non-accrual status.

Fair Value Information about Financial Instruments Not Measured at Fair Value

Information regarding the estimation of fair value for financial instruments not carried at fair value (excluding insurance contracts and lease contracts) is discussed below:

Mortgage and other loans receivable: Fair values of loans on real estate and collateral loans were estimated for disclosure purposes using discounted cash flow calculations based upon discount rates that AIG believes market participants would use in determining the price they would pay for such assets. For certain loans, AIG's current incremental lending rates for similar type loans is used as the discount rate, as it is believed that this rate approximates the rates market participants would use. The fair values of policy loans were not estimated as AIG believes it would have to expend excessive costs for the benefits derived.

Finance receivables: Fair values of net finance receivables, less allowance for finance receivable losses, were estimated for disclosure purposes using projected cash flows, computed by category of finance receivable, discounted at the weighted average interest rates offered for similar finance receivables at the balance sheet date. Cash flows were projected based on contractual payment terms adjusted for delinquencies and estimates of losses. The fair value estimates do not reflect the underlying customer relationships or the related distribution systems.

Cash, short-term investments, trade receivables, trade payables, securities purchased (sold) under agreements to resell (repurchase), and commercial paper and other short-term debt: The carrying values of these assets and liabilities approximate fair values because of the relatively short period of time between origination and expected realization.

Policyholder contract deposits associated with investment-type contracts: Fair values for policyholder contract deposits associated with investment-type contracts not accounted for at fair value were estimated for disclosure purposes using discounted cash flow calculations based upon interest rates currently being offered for similar contracts with maturities consistent with those remaining for the contracts being valued. Where no similar contracts are being offered, the discount rate is the appropriate tenor swap rates (if available) or current risk-free interest rates consistent with the currency in which the cash flows are denominated.

Trust deposits and deposits due to banks and other depositors: The fair values of certificates of deposit which mature in more than one year are estimated for disclosure purposes using discounted cash flow calculations based upon interest rates currently offered for deposits with similar maturities. For demand deposits and certificates of deposit which mature in less than one year, carrying values approximate fair value.

Long-term debt: Fair values of these obligations were determined for disclosure purposes by reference to quoted market prices, where available and appropriate, or discounted cash flow calculations based upon

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AIG's current market-observable implicit-credit-spread rates for similar types of borrowings with maturities consistent with those remaining for the debt being valued.

The following table presents the carrying value and estimated fair value of AIG's financial instruments:

	March 31, 2010		December 31, 2009	
(in millions)	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
Assets:				
Fixed maturities	**$ 283,235**	**$ 283,235**	$ 396,794	$ 396,794
Equity securities	**7,444**	**7,444**	17,840	17,840
Mortgage and other loans receivable	**22,533**	**21,536**	27,461	25,957
Finance receivables, net of allowance	**18,912**	**17,234**	20,327	18,974
Other invested assets*	**31,784**	**30,776**	43,737	42,474
Securities purchased under agreements to resell	**1,615**	**1,615**	2,154	2,154
Short-term investments	**38,800**	**38,800**	47,263	47,263
Cash	**2,133**	**2,133**	4,400	4,400
Unrealized gain on swaps, options and forward transactions	**7,383**	**7,383**	9,130	9,130
Liabilities:				
Policyholder contract deposits associated with investment-type contracts	**108,096**	**115,581**	168,846	175,612
Securities sold under agreements to repurchase	**3,418**	**3,418**	3,505	3,505
Securities and spot commodities sold but not yet purchased	**458**	**458**	1,030	1,030
Unrealized loss on swaps, options and forward transactions	**6,296**	**6,296**	5,403	5,403
Trust deposits and deposits due to banks and other depositors	**1,030**	**1,030**	1,641	1,641
Federal Reserve Bank of New York Commercial Paper Funding Facility	**2,285**	**2,285**	4,739	4,739
Federal Reserve Bank of New York credit facility	**27,400**	**27,916**	23,435	23,390
Other long-term debt	**109,744**	**108,707**	113,298	94,458

* *Excludes aircraft asset investments held by non-Financial Services subsidiaries.*

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6. Investments

Securities Available for Sale

The following table presents the amortized cost or cost and fair value of AIG's available for sale securities:

(in millions)	Amortized Cost or Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Other-Than-Temporary Impairments in AOCI[a]
March 31, 2010					
Bonds available for sale:					
U.S. government and government sponsored entities	$ 4,777	$ 106	$ (27)	$ 4,856	$ -
Obligations of states, municipalities and political subdivisions	50,427	2,018	(292)	52,153	-
Non-U.S. governments	23,305	725	(213)	23,817	(1)
Corporate debt	127,707	8,507	(1,862)	134,352	14
Mortgage-backed, asset-backed and collateralized:					
RMBS	30,089	1,027	(3,897)	27,219	(1,595)
CMBS	10,869	256	(3,180)	7,945	(451)
CDO/ABS	7,242	324	(1,038)	6,528	64
Total mortgage-backed, asset-backed and collateralized	48,200	1,607	(8,115)	41,692	(1,982)
Total bonds available for sale[b]	254,416	12,963	(10,509)	256,870	(1,969)
Equity securities available for sale:					
Common stock	2,511	1,770	(19)	4,262	-
Preferred stock	635	103	(1)	737	-
Mutual funds	1,736	102	(6)	1,832	-
Total equity securities available for sale	4,882	1,975	(26)	6,831	-
Total[c]	$ 259,298	$ 14,938	$ (10,535)	$ 263,701	$ (1,969)
December 31, 2009					

Bonds available for sale:					
U.S. government and government sponsored entities	**$ 5,098**	**$ 174**	**$ (49)**	**$ 5,223**	**$ -**
Obligations of states, municipalities and political subdivisions	**52,324**	**2,163**	**(385)**	**54,102**	**-**
Non-U.S. governments	**63,080**	**3,153**	**(649)**	**65,584**	**(1)**
Corporate debt	**185,188**	**10,826**	**(3,876)**	**192,138**	**119**
Mortgage-backed, asset-backed and collateralized:					
RMBS	**32,173**	**991**	**(4,840)**	**28,324**	**(2,121)**
CMBS	**18,717**	**195**	**(5,623)**	**13,289**	**(739)**
CDO/ABS	**7,911**	**284**	**(1,304)**	**6,891**	**(63)**
Total mortgage-backed, asset-backed and collateralized	**58,801**	**1,470**	**(11,767)**	**48,504**	**(2,923)**
Total bonds available for sale[(b)]	**364,491**	**17,786**	**(16,726)**	**365,551**	**(2,805)**
Equity securities available for sale:					
Common stock	**4,460**	**2,913**	**(75)**	**7,298**	**-**
Preferred stock	**740**	**94**	**(20)**	**814**	**-**
Mutual funds	**1,264**	**182**	**(36)**	**1,410**	**-**
Total equity securities available for sale	**6,464**	**3,189**	**(131)**	**9,522**	**-**
Total[(c)]	**$ 370,955**	**$ 20,975**	**$ (16,857)**	**$ 375,073**	**$ (2,805)**

(a) *Represents the amount of other-than-temporary impairment losses recognized in Accumulated other comprehensive income, which, starting on April 1, 2009, were not included in earnings. Amount includes unrealized gains and losses on impaired securities relating to changes in the value of such securities subsequent to the impairment measurement date.*

(b) *At March 31, 2010 and December 31, 2009, bonds available for sale held by AIG that were below investment grade or not rated totaled $18.2 billion and $24.5 billion, respectively.*

(c) *Excludes $163.0 billion and $36.1 billion of available for sale investments at fair value from businesses held for sale at March 31, 2010 and December 31, 2009, respectively. See Note 3 herein.*

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Unrealized losses on Securities Available for Sale

The following table summarizes the fair value and gross unrealized losses on AIG's available for sale securities, aggregated by major investment category and length of time that individual securities have been in a continuous unrealized loss position:

	12 Months or Less		More than 12 Months		Total	
(in millions)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
March 31, 2010*						
Bonds available for sale:						
U.S. government and government sponsored entities	$ 2,088	$ 21	$ 123	$ 6	$ 2,211	$ 27
Obligations of states, municipalities and political subdivisions	4,885	100	3,003	192	7,888	292
Non-U.S. governments	3,851	110	824	103	4,675	213
Corporate debt	16,165	640	13,341	1,222	29,506	1,862
RMBS	4,876	1,609	7,572	2,288	12,448	3,897
CMBS	1,854	1,224	3,428	1,956	5,282	3,180
CDO/ABS	1,441	379	2,443	659	3,884	1,038
Total bonds available for sale	35,160	4,083	30,734	6,426	65,894	10,509
Equity securities available for sale:						
Common stock	152	19	-	-	152	19
Preferred stock	7	1	-	-	7	1
Mutual funds	109	6	-	-	109	6
Total equity securities available for sale	268	26	-	-	268	26
Total	$ 35,428	$ 4,109	$ 30,734	$ 6,426	$ 66,162	$ 10,535
December 31, 2009*						
Bonds available for sale:						
U.S. government and government sponsored entities	$ 1,414	$ 35	$ 105	$ 14	$ 1,519	$ 49
Obligations of states, municipalities and political subdivisions	5,405	132	3,349	253	8,754	385
Non-U.S. governments	7,842	239	3,286	410	11,128	649
Corporate debt	24,696	1,386	22,139	2,490	46,835	3,876
RMBS	7,135	3,051	6,352	1,789	13,487	4,840
CMBS	5,013	3,927	4,528	1,696	9,541	5,623
CDO/ABS	2,809	1,119	1,693	185	4,502	1,304
Total bonds available for sale	54,314	9,889	41,452	6,837	95,766	16,726
Equity securities available for sale:						
Common stock	933	75	-	-	933	75
Preferred stock	172	20	-	-	172	20
Mutual funds	333	36	-	-	333	36

Total equity securities available for sale	**1,438**	**131**	**-**	**-**	**1,438**	**131**
Total	**$ 55,752**	**$ 10,020**	**$ 41,452**	**$ 6,837**	**$ 97,204**	**$ 16,857**

* *Excludes fixed maturity and equity securities of businesses held for sale. See Note 3 herein.*

At March 31, 2010, AIG held 8,229 and 392 of individual fixed maturity and equity securities, respectively, that were in an unrealized loss position, of which 3,945 individual securities were in a continuous unrealized loss position for longer than twelve months.

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AIG did not recognize in earnings the unrealized losses on these fixed maturity securities at March 31, 2010, because management neither intends to sell the securities nor does it believe that it is more likely than not that it will be required to sell these securities before recovery of their amortized cost basis. Furthermore, management expects to recover the entire amortized cost basis of these securities. In performing this evaluation, management considered the recovery periods for securities in previous periods of broad market declines. For fixed maturity securities with significant declines, management performed fundamental credit analysis 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

The following table presents the amortized cost and fair value of fixed maturity securities available for sale by contractual maturity:

March 31, 2010 *(in millions)*	Total Fixed Maturity Available for Sale Securities Amortized Cost	Total Fixed Maturity Available for Sale Securities Fair Value	Fixed Maturity Securities in a Loss Position Amortized Cost	Fixed Maturity Securities in a Loss Position Fair Value
Due in one year or less	$ 10,516	$ 10,766	$ 1,698	$ 1,666
Due after one year through five years	52,935	55,234	11,151	10,538
Due after five years through ten years	64,693	67,641	12,825	12,239
Due after ten years	78,072	81,537	21,000	19,837
Mortgage-backed, asset-backed and collateralized	48,200	41,692	29,729	21,614
Total	$ 254,416	$ 256,870	$ 76,403	$ 65,894

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 of AIG's available for sale securities:

	Three Months Ended March 31,			
	2010		2009	
(in millions)	Gross Realized Gains	Gross Realized Losses	Gross Realized Gains	Gross Realized Losses
Fixed maturities	**$ 369**	**$ 74**	$ 355	$ 355
Equity securities	**114**	**4**	63	120
Total	**$ 483**	**$ 78**	$ 418	$ 475

For the three-month period ended March 31, 2010, the aggregate fair value of available for sale securities sold at a loss was $883 million, which resulted in a net realized capital loss of $63 million. The average periods of time that securities sold at a loss during the three-month period ended March 31, 2010 were trading continuously at a price below cost or amortized cost was approximately four months.

Evaluating Investments for Other-Than-Temporary Impairments

On April 1, 2009, AIG adopted a new accounting standard on a prospective basis addressing the evaluation of fixed maturity securities for other-than-temporary impairments. These requirements have significantly altered AIG's policies and procedures for determining impairment charges recognized through earnings. The new standard requires a company to recognize the credit component (a credit impairment) of an other-than-temporary

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impairment of a fixed maturity security in earnings and the non-credit component in Accumulated other comprehensive income when the company does not intend to sell the security or it is more likely than not that the company will not be required to sell the security prior to recovery. The new standard also changes the threshold for determining when an other-than-temporary impairment has occurred on a fixed maturity security with respect to intent and ability to hold the security until recovery and requires additional disclosures. A credit impairment, which is recognized in earnings when it occurs, is the difference between the amortized cost of the fixed maturity security and the estimated present value of cash flows expected to be collected (recovery value), as determined by management. The difference between fair value and amortized cost that is not related to a credit impairment is recognized as a separate component of Accumulated other comprehensive income (loss). AIG refers to both credit impairments and impairments recognized as a result of intent to sell as "impairment charges." The impairment model for equity securities was not affected by the new standard.

Impairment Policy Effective April 1, 2009 and Thereafter

Fixed Maturity Securities

If AIG intends to sell a fixed maturity security or it is more likely than not that AIG will be required to sell a fixed maturity security before recovery of its amortized cost basis and the fair value of the security is below amortized cost, an other-than-temporary impairment has occurred and the amortized cost is written down to current fair value, with a corresponding charge to earnings.

For all other fixed maturity securities for which a credit impairment has occurred, the amortized cost is written down to the estimated recovery value with a corresponding charge to earnings. Changes in fair value compared to recovery value, if any, are charged to unrealized appreciation (depreciation) of fixed maturity investments on which other-than-temporary credit impairments were taken (a component of Accumulated other comprehensive income (loss)).

When assessing AIG's intent to sell a fixed maturity security, or whether it is more likely than not that AIG will be required to sell a fixed maturity security before recovery of its amortized cost basis, management evaluates relevant facts and circumstances including, but not limited to, decisions to reposition AIG's investment portfolio, sales of securities to meet cash flow needs and sales of securities to capitalize on favorable pricing.

AIG considers severe price declines and the duration of such price declines in its assessment of potential credit impairments. AIG also modifies its modeled outputs for certain securities when it determines that price declines are indicative of factors not accounted for in the cash flow models.

In periods subsequent to the recognition of an other-than-temporary impairment charge that is not foreign exchange related for available for sale fixed maturity securities, AIG generally prospectively accretes into earnings over the remaining expected holding period of the security the difference between the new amortized cost and the expected undiscounted recovery value.

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Credit Impairments

The following table presents a rollforward of the credit impairments recognized in earnings for available for sale fixed maturity securities held by AIG[(a)]:

(in millions)

Three Months Ended March 31, 2010	
Balance, beginning of year	$ 7,803
Increases due to:	
Credit impairments on new securities subject to impairment losses	137
Additional credit impairments on previously impaired securities	601
Reductions due to:	
Credit impaired securities fully disposed for which there was no prior intent or requirement to sell	(381)
Credit impaired securities for which there is a current intent or anticipated requirement to sell	(2)
Accretion on securities previously impaired due to credit[(b)]	(95)
Foreign exchange translation adjustments	(5)
Activity of discontinued operations	(76)
Impairments on securities reclassified to Assets of businesses held for sale	(709)
Balance, end of period	$ 7,273

(a) *Includes structured, corporate, municipal and sovereign fixed maturity securities.*

(b) *Represents accretion recognized due to changes in cash flows expected to be collected over the remaining expected term of the credit impaired securities as well as the accretion due to the passage of time.*

In assessing whether a credit impairment has occurred for a structured fixed maturity security, AIG performs evaluations of expected future cash flows. Certain critical assumptions are made with respect to the performance of the securities.

When estimating future cash flows for a structured fixed maturity security (e.g. RMBS, CMBS, CDO, ABS) management considers historical performance of underlying assets and available market information as well as bond-specific structural considerations, such as credit enhancement and priority of payment structure of the security. In addition, the process of estimating future cash flows includes, but is not limited to, the following critical inputs, which vary by asset class:

Current delinquency rates;

Expected default rates and timing of such defaults;

Loss severity and timing of any such recovery;

Expected prepayment speeds; and

Ratings of securities underlying structured products.

For corporate, municipal and sovereign fixed maturity securities determined to be credit impaired, management considers the fair value as the recovery value when available information does not indicate that another value is more relevant or reliable. When management identifies information that supports a recovery value other than the fair value, the determination of a recovery value considers scenarios specific to the issuer and the security, and may be based upon estimates of outcomes of corporate restructurings, political and macro economic factors, stability and financial strength of the issuer, the value of any secondary sources of repayment and the disposition of assets.

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Equity Securities

The impairment model for equity securities and other cost and equity method investments was not affected by the adoption of the new accounting standard related to other-than-temporary impairments in the second quarter of 2009. AIG continues to evaluate its available for sale equity securities, equity method and cost method investments for impairment by considering such securities as candidates for other-than-temporary impairment if they meet any of the following criteria:

The security has traded at a significant (25 percent or more) discount to cost for an extended period of time (nine consecutive months or longer);

A discrete credit event has occurred resulting in (i) the issuer defaulting on a material outstanding obligation; (ii) the issuer seeking protection from creditors under the bankruptcy laws or any similar laws intended for court supervised reorganization of insolvent enterprises; or (iii) the issuer proposing a voluntary reorganization pursuant to which creditors are asked to exchange their claims for cash or securities having a fair value substantially lower than par value of their claims; or

AIG has concluded that it may not realize a full recovery on its investment, regardless of the occurrence of one of the foregoing events.

The determination that an equity security is other-than-temporarily impaired requires the judgment of management and consideration of the fundamental condition of the issuer, its near-term prospects and all the relevant facts and circumstances. The above criteria also consider circumstances of a rapid and severe market valuation decline in which AIG could not reasonably assert that the impairment period would be temporary (severity losses).

Other Invested Assets

AIG's investments in funds and investment partnerships are evaluated for impairment consistent with the evaluation of equity securities for impairments as discussed above. Such evaluation considers market conditions, events and volatility that may impact the recoverability of the underlying investments within these funds and investment partnerships and is based on the nature of the underlying investments and specific inherent risks. Such risks may evolve based on the nature of the underlying investments.

AIG's investments in life settlement contracts are monitored for impairment based on the underlying life insurance policies, with cash flows reported monthly. An investment in a life settlement contract is considered impaired if the undiscounted cash flows resulting from the expected proceeds from the insurance policy are less than the carrying amount of the investment plus anticipated continuing costs. If an impairment loss is recognized, the investment is written down to fair value.

AIG's aircraft asset investments and investments in real estate are periodically evaluated for recoverability whenever changes in circumstances indicate the carrying amount of an asset may be impaired. When impairment indicators are present, AIG compares expected investment cash flows to carrying value. When the expected cash flows are less than the carrying value, the investments are written down to fair value with a corresponding charge to earnings.

Fixed Maturity Securities Impairment Policy Prior to April 1, 2009

In all periods prior to April 1, 2009, AIG assessed its ability to hold any fixed maturity available for sale security in an unrealized loss position to its recovery at each balance sheet date. The decision to sell any such fixed maturity security classified as available for sale reflected the judgment of AIG's management that the security sold was unlikely to provide, on a relative value basis, as attractive a return in the future as alternative securities entailing comparable risks. With respect to distressed securities, the sale decision reflected management's judgment that the risk-adjusted ultimate recovery was less than the value achievable on sale.

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In those periods, AIG evaluated its fixed maturity securities for other-than-temporary impairments with respect to valuation as well as credit.

After a fixed maturity security had been identified as other-than-temporarily impaired, the amount of such impairment was determined as the difference between fair value and amortized cost and the entire amount was recorded as a charge to earnings.

7. Variable Interest Entities

The accounting standards related to the consolidation of variable interest entities (VIEs) provide guidance for determining when to consolidate certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity that is at risk to allow the entity to finance its activities without additional subordinated financial support. Consolidation of a VIE by its primary beneficiary is not based on majority voting interest, but rather is based on other criteria.

While AIG enters into various arrangements with VIEs in the normal course of business, AIG's involvement with VIEs is primarily as a passive investor in debt securities (rated and unrated) and equity interests issued by VIEs via its insurance companies. In all instances, AIG determines whether it is the primary beneficiary or a variable interest holder based on a qualitative assessment of the VIE. This includes a review of the VIE's capital structure, contractual relationships and terms, nature of the VIE's operations and purpose, nature of the VIE's interests issued, and AIG's involvements with the entity. AIG also evaluates the design of the VIE and the related risks the entity was designed to expose the variable interest holders to in evaluating consolidation.

For VIEs with attributes consistent with that of an investment company or a money market fund, the primary beneficiary is the party or group of related parties that absorbs a majority of the expected losses of the VIE, receives the majority of the expected residual returns of the VIE, or both.

For all other variable interest entities, the primary beneficiary 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. While also considering these factors, the consolidation conclusion depends on the breadth of AIG's decision-making ability and its ability to influence activities that significantly affect the economic performance of the VIE.

Exposure to Loss

AIG's total off-balance sheet exposure associated with VIEs, primarily consisting of financial guarantees and commitments to real estate and investment funds, was $1.0 billion and $2.2 billion at March 31, 2010 and December 31, 2009, respectively.

The following table presents AIG's total assets, total liabilities and off-balance sheet exposure associated with its variable interests in consolidated VIEs:

	VIE Assets*		**VIE Liabilities**		**Off-Balance Sheet Exposure**	
(in billions)	**March 31, 2010**	**December 31, 2009**	**March 31, 2010**	**December 31, 2009**	**March 31, 2010**	**December 31, 2009**
Real estate and investment funds	**$ 7.5**	$ 4.6	**$ 3.4**	$ 2.9	**$ 0.2**	$ 0.6
Commercial paper conduit	**2.3**	3.6	**1.4**	3.0	**-**	-
CDOs	**-**	0.2	**-**	0.1	**-**	-
Affordable housing partnerships	**2.7**	2.5	**0.3**	-	**-**	-
Other	**7.6**	3.4	**4.7**	2.1	**-**	-
VIEs of held-for-sale entities	**8.7**	-	**2.5**	-	**-**	-

Total	**$ 28.8**	$ 14.3	**$ 12.3**	$ 8.1	**$ 0.2**	$ 0.6		

* *Each of the VIE's assets can be used only to settle specific obligations of that VIE.*

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AIG calculates its 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 AIG has 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 AIG generally have recourse only to the assets and cash flows of the VIEs and do not have recourse to AIG, except in limited circumstances when AIG has provided a guarantee to the VIE's interest holders.

The following table presents total assets of unconsolidated VIEs in which AIG holds a variable interest, as well as AIG's maximum exposure to loss associated with these VIEs:

		Maximum Exposure to Loss			
(in billions)	Total VIE Assets	On-Balance Sheet Purchased and Retained Interests	Other	Off-Balance Sheet Commitments and Guarantees	Total
March 31, 2010					
Real estate and investment funds	**$ 14.9**	**$ 2.2**	**$ 0.2**	**$ 0.6**	**$ 3.0**
Affordable housing partnerships	**1.3**	**-**	**1.3**	**-**	**1.3**
Maiden Lane Interests	**39.9**	**6.2**	**-**	**-**	**6.2**
Other	**0.9**	**0.2**	**-**	**-**	**0.2**
VIEs of held-for-sale entities	**11.5**	**2.6**	**0.6**	**0.2**	**3.4**
Total	**$ 68.5**	**$ 11.2**	**$ 2.1**	**$ 0.8**	**$ 14.1**
December 31, 2009					
Real estate and investment funds	$ 23.3	$ 3.2	$ 0.4	$ 1.6	$ 5.2
Affordable housing partnerships	1.3	-	1.3	-	1.3
Maiden Lane Interests	38.7	5.3	-	-	5.3
Other	7.6	1.2	0.5	-	1.7
Total	$ 70.9	$ 9.7	$ 2.2	$ 1.6	$ 13.5

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Balance Sheet Classification

AIG's interest in the assets and liabilities of consolidated and unconsolidated VIEs were classified on the Consolidated Balance Sheet as follows:

	Consolidated VIEs		Unconsolidated VIEs	
(in billions)	March 31, 2010	December 31, 2009	March 31, 2010	December 31, 2009
Assets:				
Available for sale securities	**$ 0.2**	$ 0.9	**$ 0.2**	$ 0.3
Trading securities	**3.6**	3.9	**6.2**	6.4
Other invested assets	**7.0**	3.6	**4.4**	3.6
Other asset accounts	**7.5**	5.9	**-**	1.6
Assets of businesses held for sale	**10.5**	-	**2.5**	-
Total	**$ 28.8**	$ 14.3	**$ 13.3**	$ 11.9
Liabilities:				
FRBNY commercial paper funding facility	**$ 2.3**	$ 2.7	**$ -**	$ -
Other long-term debt	**5.7**	4.6	**-**	-
Other liability accounts	**1.3**	0.8	**-**	-
Liabilities of businesses held for sale	**3.0**	-	**-**	-
Total	**$ 12.3**	$ 8.1	**$ -**	$ -

See Note 1 Recent Accounting Standards herein for effect of consolidation under the amended accounting standard for the consolidation of variable interest entities.

RMBS, CMBS, Other ABS and CDOs

AIG, through its insurance company subsidiaries, is a passive investor in RMBS, CMBS, CDOs and other ABS primarily issued by domestic special-purpose entities. AIG did not sponsor or transfer assets to, or act as the servicer to these asset-backed structures, and was not involved in the design of these entities.

AIG, via AIGFP, also invests in CDOs and similar structures, which can be cash-based or synthetic and are managed by third parties. AIGFP's role is generally limited to that of a passive investor. It does not manage such structures.

AIG's maximum exposure in these types of structures is limited to its investment in securities issued by these entities. Based on the nature of AIG's investments and its passive involvement in these types of structures, AIG has determined that it is not the primary beneficiary of these entities. The fair values of AIG's investments in these structures are reported in Notes 5 and 6 herein.

See Notes 5, 6 and 10 to the Consolidated Financial Statements in the 2009 Annual Report on Form 10-K for additional information on VIEs and asset-backed securities.

8. Derivatives and Hedge Accounting

AIG uses derivatives and other financial instruments as part of its financial risk management programs and as part of its investment operations. AIGFP has also transacted in derivatives as a dealer.

Derivatives are financial arrangements among two or more parties with returns linked to or "derived" from some underlying equity, debt, commodity or other asset, liability, or foreign exchange rate or other index or the occurrence of a specified payment event. Derivative payments may be based on interest rates, exchange rates, prices of certain securities, commodities, or financial or commodity indices or other variables. Derivatives, with the exception of bifurcated embedded derivatives, are reflected at fair value on the Consolidated Balance Sheet in

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Unrealized gain on swaps, options and forward transactions, at fair value and Unrealized loss on swaps, options and forward contracts, at fair value. Bifurcated embedded derivatives are recorded with the host contract on the Consolidated Balance Sheet.

The following table presents the notional amounts and fair values of AIG's derivative instruments:

	March 31, 2010				December 31, 2009			
	Derivative Assets		Derivative Liabilities		Derivative Assets		Derivative Liabilities	
(in millions)	Notional Amount[(a)]	Fair Value[(b)]	Notional Amount[(a)]	Fair Value[(b)]	Notional Amount[(a)]	Fair Value[(b)]	Notional Amount[(a)]	Fair Value[(b)]
Derivatives designated as hedging instruments:								
Interest rate contracts[(c)]	**$ 5,743**	**$ 752**	**$ 1,578**	**$ 125**	$ 10,612	$ 2,129	$ 3,884	$ 375
Derivatives not designated as hedging instruments:								
Interest rate contracts[(c)]	**291,191**	**25,763**	**266,816**	**21,582**	345,614	27,451	300,847	23,718
Foreign exchange contracts	**6,492**	**425**	**10,607**	**705**	16,662	720	9,719	939
Equity contracts	**7,577**	**828**	**5,851**	**781**	8,175	1,184	7,713	1,064
Commodity contracts	**292**	**66**	**110**	**53**	759	883	381	373
Credit contracts	**2,277**	**559**	**142,890**	**5,507**	3,706	1,210	190,275	5,815
Other contracts	**28,633**	**638**	**15,355**	**1,062**	34,605	928	23,310	1,101
Total derivatives not designated as hedging instruments	**336,462**	**28,279**	**441,629**	**29,690**	409,521	32,376	532,245	33,010
Total derivatives	**$ 342,205**	**$ 29,031**	**$ 443,207**	**$ 29,815**	$ 420,133	$ 34,505	$ 536,129	$ 33,385

(a) *Notional amount represents a standard of measurement of the volume of derivatives business of AIG. Notional amount is generally not a quantification of market risk or credit risk and is not recorded on the Consolidated Balance Sheet. Notional amounts generally represent those amounts used to calculate contractual cash flows to be exchanged and are not paid or received, except for certain contracts such as currency swaps and certain credit contracts.*

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

(c) *Includes cross currency swaps.*

The following table presents the fair values of derivative assets and liabilities on the Consolidated Balance Sheet:

	March 31, 2010		December 31, 2009	
(in millions)	Derivative Assets	Derivative Liabilities[(a)]	Derivative Assets[(b)]	Derivative Liabilities[(c)]
AIGFP derivatives	$ 26,152	$ 26,713	$ 31,951	$ 30,930

Non-AIGFP derivatives	2,879	3,102	2,554	2,455
Total derivatives, gross	29,031	29,815	34,505	33,385
Counterparty netting[(d)]	(16,816)	(16,816)	(19,054)	(19,054)
Cash collateral[(e)]	(4,832)	(6,061)	(6,317)	(8,166)
Total derivatives, net	$ 7,383	$ 6,938	$ 9,134	$ 6,165

(a)

Included in non-AIGFP derivatives are $642 million of bifurcated embedded derivatives, of which $641 million and $1 million, respectively, are recorded in Policyholder contract deposits and Other long-term debt.

(b)

Included in non-AIGFP derivatives are $4 million of bifurcated embedded derivatives, of which $3 million and $1 million, respectively, are recorded in Bonds available for sale, at fair value, and Policyholder contract deposits.

(c)

Included in non-AIGFP derivatives are $762 million of bifurcated embedded derivatives, of which $760 million and $2 million, respectively, are recorded in Policyholder contract deposits and Common and preferred stock.

(d)

Represents netting of derivative exposures covered by a qualifying master netting agreement.

(e)

Represents cash collateral posted and received.

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Hedge Accounting

AIG designated certain derivatives entered into by AIGFP with third parties as either fair value or cash flow hedges of certain debt issued by AIG Parent (including the Matched Investment Program (MIP)), ILFC and AGF. The fair value hedges included (i) interest rate swaps that were designated as hedges of the change in the fair value of fixed rate debt attributable to changes in the benchmark interest rate and (ii) foreign currency swaps designated as hedges of the change in fair value of foreign currency denominated debt attributable to changes in foreign exchange rates and in certain cases also the benchmark interest rate. With respect to the cash flow hedges, (i) interest rate swaps were designated as hedges of the changes in cash flows on floating rate debt attributable to changes in the benchmark interest rate, and (ii) foreign currency swaps were designated as hedges of changes in cash flows on foreign currency denominated debt attributable to changes in the benchmark interest rate and foreign exchange rates.

AIG assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. Regression analysis is employed to assess the effectiveness of these hedges both on a prospective and retrospective basis. AIG does not utilize the shortcut method to assess hedge effectiveness. For net investment hedges, the matched terms method is utilized to assess hedge effectiveness.

AIG uses debt instruments in net investment hedge relationships to mitigate the foreign exchange risk associated with AIG's non-U.S. dollar functional currency foreign subsidiaries. AIG assesses the hedge effectiveness and measures the amount of ineffectiveness for these hedge relationships based on changes in spot exchange rates. AIG records the change in the carrying amount of these investments in the foreign currency translation adjustment within Accumulated other comprehensive loss. Simultaneously, the effective portion of the hedge of this exposure is also recorded in foreign currency translation adjustment and the ineffective portion, if any, is recorded in earnings. If (1) the notional amount of the hedging debt instrument matches the designated portion of the net investment and (2) the hedging debt instrument is denominated in the same currency as the functional currency of the hedged net investment, no ineffectiveness is recorded in earnings. For the three-month periods ended March 31, 2010 and 2009, AIG recognized gains of $48 million and $9 million, respectively, included in Foreign currency translation adjustment in Accumulated other comprehensive loss related to the net investment hedge relationships.

The following table presents the effect of AIG's derivative instruments in fair value hedging relationships on the Consolidated Statement of Income (Loss):

Three Months Ended March 31, *(in millions)*	**2010**	**2009**
Interest rate contracts[(a)(b)]:		
Gain (Loss) Recognized in Earnings on Derivative	$ (16)	$ (536)
Gain (Loss) Recognized in Earnings on Hedged Item[(c)]	44	661
Gain (Loss) Recognized in Earnings for Ineffective Portion and Amount Excluded from Effectiveness Testing	9	125

(a) *Gains and losses recognized in earnings on derivatives for the effective portion and hedged items are recorded in Other income. Gains and losses recognized in earnings on derivatives for the ineffective portion and amounts excluded from effectiveness testing are recorded in Net realized capital losses and Other income, respectively.*

(b) *Includes $4 million and $120 million, respectively, for the three-month periods ended March 31, 2010 and 2009 related to the ineffective portion and $5 million, for both the three-month periods ended March 31, 2010 and 2009 for amounts excluded from effectiveness testing.*

(c) *The three months ended March 31, 2010 includes $19 million representing the amortization of debt basis adjustment following the discontinuation of hedge accounting on certain positions.*

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The following table presents the effect of AIG's derivative instruments in cash flow hedging relationships on the Consolidated Statement of Income (Loss):

Three Months Ended March 31, *(in millions)*	**2010**	**2009**
Interest rate contracts[(a)]:		
Gain (Loss) Recognized in OCI on Derivatives and Hedge Items	**$ 45**	$ 53
Gain (Loss) Reclassified from Accumulated OCI into Earnings[(b)]	**21**	27
Gain (Loss) Recognized in Earnings on Derivatives for Ineffective Portion	**(7)**	(1)

(a) *Gains and losses reclassified from Accumulated other comprehensive loss are recorded in Other income. Gains or losses recognized in earnings on derivatives for the ineffective portion are recorded in Net realized capital losses.*

(b) *The effective portion of the change in fair value of a derivative qualifying as a cash flow hedge is recorded in Accumulated other comprehensive loss until earnings are affected by the variability of cash flows in the hedged item. At March 31, 2010, $106 million of the deferred net loss in Accumulated other comprehensive loss is expected to be recognized in earnings during the next 12 months.*

Derivatives Not Designated as Hedging Instruments

The following table presents the effect of AIG's derivative instruments not designated as hedging instruments on the Consolidated Statement of Income (Loss):

Three Months Ended March 31, *(in millions)*	**Gains (Losses) Recognized in Earnings[(a)(b)]** **2010**	**2009**
Interest rate contracts[(c)]	**$ (1,036)**	$ 1,884
Foreign exchange contracts	**257**	(98)
Equity contracts	**126**	147
Commodity contracts	**(6)**	145
Credit contracts	**144**	(264)
Other contracts	**129**	(13)
Total	**$ (386)**	$ 1,801

(a) *Represents losses of $534 million and gains of $946 million, respectively, for the three-month periods ended March 31, 2010 and 2009, recorded in Net realized capital gains; gains of $119 million and losses of $452 million, respectively, for the three-month periods ended March 31, 2010 and 2009, recorded in Unrealized market valuation gains (losses) on AIGFP super senior credit default swap portfolio; and gains of $29 million and $1,307 million, respectively, for the three-month periods ended March 31, 2010 and 2009, recorded in Other income.*

(b) *Certain cross-currency swaps previously reported in Foreign exchange contracts were reclassified to Interest rate contracts.*

(c)

Includes cross currency swaps.

AIGFP Derivatives

AIGFP enters into derivative transactions to mitigate risk in its exposures (interest rates, currencies, commodities, credit and equities) arising from its transactions. In most cases, AIGFP did not hedge its exposures related to the credit default swaps it had written. As a dealer, AIGFP structured and entered into derivative transactions to meet the needs of counterparties who may be seeking to hedge certain aspects of such counterparties' operations or obtain a desired financial exposure.

AIGFP's derivative transactions involving interest rate swap transactions generally involve the exchange of fixed and floating rate interest payment obligations without the exchange of the underlying notional amounts. AIGFP typically became a principal in the exchange of interest payments between the parties and, therefore, is exposed to counterparty credit risk and may be exposed to loss, if counterparties default. Currency, commodity, and equity swaps are similar to interest rate swaps, but involve the exchange of specific currencies or cash flows based on the

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underlying commodity, equity securities or indices. Also, they may involve the exchange of notional amounts at the beginning and end of the transaction. Swaptions are options where the holder has the right but not the obligation to enter into a swap transaction or cancel an existing swap transaction.

AIGFP follows a policy of minimizing interest rate, currency, commodity, and equity risks associated with investment securities by entering into offsetting positions, on a security by security basis within its derivatives portfolio, thereby offsetting a significant portion of the unrealized appreciation and depreciation. In addition, to reduce its credit risk, AIGFP has entered into credit derivative transactions with respect to $556 million of securities to economically hedge its credit risk.

The timing and the amount of cash flows relating to AIGFP's foreign exchange forwards and exchange traded futures and options contracts are determined by each of the respective contractual agreements.

Futures and forward contracts are contracts that obligate the holder to sell or purchase foreign currencies, commodities or financial indices in which the seller/purchaser agrees to make/take delivery at a specified future date of a specified instrument, at a specified price or yield. Options are contracts that allow the holder of the option to purchase or sell the underlying commodity, currency or index at a specified price and within, or at, a specified period of time. As a writer of options, AIGFP generally receives an option premium and then manages the risk of any unfavorable change in the value of the underlying commodity, currency or index by entering into offsetting transactions with third-party market participants. Risks arise as a result of movements in current market prices from contracted prices, and the potential inability of the counterparties to meet their obligations under the contracts.

AIGFP Super Senior Credit Default Swaps

AIGFP entered into credit default swap transactions with the intention of earning revenue on credit exposure. In the majority of AIGFP's credit default swap transactions, AIGFP sold credit protection on a designated portfolio of loans or debt securities. Generally, AIGFP provides such credit protection on a "second loss" basis, meaning that AIGFP would incur credit losses only after a shortfall of principal and/or interest, or other credit events, in respect of the protected loans and debt securities, exceeds a specified threshold amount or level of "first losses."

Typically, the credit risk associated with a designated portfolio of loans or debt securities has been tranched into different layers of risk, which are then analyzed and rated by the credit rating agencies. At origination, there is usually an equity layer covering the first credit losses in respect of the portfolio up to a specified percentage of the total portfolio, and then successive layers ranging generally from a BBB-rated layer to one or more AAA-rated layers. A significant majority of AIGFP transactions that were rated by rating agencies had risk layers or tranches rated AAA at origination and are immediately junior to the threshold level above which AIGFP's payment obligation would generally arise. In transactions that were not rated, AIGFP applied equivalent risk criteria for setting the threshold level for its payment obligations. Therefore, the risk layer assumed by AIGFP with respect to the designated portfolio of loans or debt securities in these transactions is often called the "super senior" risk layer, defined as a layer of credit risk senior to one or more risk layers rated AAA by the credit rating agencies, or if the transaction is not rated, structured to the equivalent thereto.

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The following table presents the net notional amount, fair value of derivative (asset) liability and unrealized market valuation gain (loss) of the AIGFP super senior credit default swap portfolio, including credit default swaps written on mezzanine tranches of certain regulatory capital relief transactions, by asset class:

(in millions)	Net Notional Amount		Fair Value of Derivative (Asset) Liability at		Unrealized Market Valuation Gain (Loss) Three Months Ended March 31,	
	March 31, 2010[a]	December 31, 2009[a]	March 31, 2010[b][c]	December 31, 2009[b][c]	2010[c]	2009[c]
Regulatory Capital:						
Corporate loans	**$ 41,993**	$ 55,010	**$ -**	$ -	**$ -**	$ -
Prime residential mortgages	**65,844**	93,276	**(170)**	(137)	**33**	-
Other	**1,552**	1,760	**15**	21	**6**	(14)
Total	**109,389**	150,046	**(155)**	(116)	**39**	(14)
Arbitrage:						
Multi-sector CDOs[d][e]	**7,574**	7,926	**4,250**	4,418	**158**	(809)
Corporate debt/CLOs[d][f]	**16,367**	22,076	**308**	309	**(7)**	358
Total	**23,941**	30,002	**4,558**	4,727	**151**	(451)
Mezzanine tranches[g]	**3,104**	3,478	**214**	143	**(71)**	13
Total	**$ 136,434**	$ 183,526	**$ 4,617**	$ 4,754	**$ 119**	$ (452)

(a) *Net notional amounts presented are net of all structural subordination below the covered tranches.*

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

(c) *Includes credit valuation adjustment losses of $113 million and credit valuation adjustment gains of $106 million in the three-month periods ended March 31, 2010 and 2009, respectively, representing the effect of changes in AIG's credit spreads on the valuation of the derivatives liabilities.*

(d) *During the three-month period ended March 31, 2010, AIGFP terminated super senior CDS transactions with its counterparties with a net notional amount of $5.4 billion, included in Corporate debt/CLOs. These transactions were terminated at approximately their fair value at the time of the termination. As a result, an $8 million loss, which was previously included in the fair value derivative liability as an unrealized market valuation loss, was realized. During the three-month period ended March 31, 2010, AIGFP also made a payment of $10 million to its counterparty with respect to a Multi-sector CDO. Upon payment, a $10 million loss, which was previously included in the fair value derivative liability as an unrealized market valuation loss, was realized.*

(e) *Includes $6.1 billion and $6.3 billion in net notional amount of credit default swaps written with cash settlement provisions at March 31, 2010 and December 31, 2009, respectively.*

(f) *Includes $1.4 billion in net notional amount of credit default swaps written on the super senior tranches of CLOs at both March 31, 2010 and December 31, 2009.*

(g) *Net of offsetting purchased CDS of $1.4 billion and $1.5 billion in net notional amount at March 31, 2010 and December 31, 2009, respectively.*

All outstanding CDS transactions for regulatory capital purposes and the majority of the arbitrage portfolio have cash-settled structures in respect of a basket of reference obligations, where AIGFP's payment obligations, other than for posting collateral, may be triggered by payment shortfalls, bankruptcy and certain other events such as write-downs of the value of underlying assets. For the remainder of the CDS transactions in respect of the arbitrage portfolio, AIGFP's payment obligations are triggered by the occurrence of a credit event under a single reference security, and performance is limited to a single payment by AIGFP in return for physical delivery by the counterparty of the reference security.

The expected weighted average maturity of AIGFP's super senior credit derivative portfolios as of March 31, 2010 was 1.0 years for the regulatory capital corporate loan portfolio, 2.5 years for the regulatory capital prime

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residential mortgage portfolio, 5.5 years for the regulatory capital other portfolio, 6.0 years for the multi-sector CDO arbitrage portfolio and 5.0 years for the corporate debt/CLO portfolio.

Regulatory Capital Portfolio

The regulatory capital portfolio represents derivatives written for financial institutions in Europe, for the purpose of providing regulatory capital relief rather than for arbitrage purposes. In exchange for a periodic fee, the counterparties receive credit protection with respect to a portfolio of diversified loans they own, thus reducing their minimum capital requirements. These CDS transactions were structured with early termination rights for counterparties allowing them to terminate these transactions at no cost to AIGFP at a certain period of time or upon a regulatory event such as the implementation of Basel II. During the three-month period ended March 31, 2010, $25.6 billion in net notional amount was terminated or matured at no cost to AIGFP. Through April 30, 2010, AIGFP had also received a formal termination notice for an additional $11.6 billion in net notional amount with an effective termination date in 2010.

The regulatory capital relief CDS transactions require cash settlement and, other than for collateral posting, AIGFP is required to make a payment in connection with a regulatory capital relief transaction only if realized credit losses in respect of the underlying portfolio exceed AIGFP's attachment point.

All of the regulatory capital transactions directly or indirectly reference tranched pools of large numbers of whole loans that were originated by the financial institution (or its affiliates) receiving the credit protection, rather than structured securities containing loans originated by other third parties. In the vast majority of transactions, the loans are intended to be retained by the originating financial institution and in all cases the originating financial institution is the purchaser of the CDS, either directly or through an intermediary.

The super senior tranches of these CDS transactions continue to be supported by high levels of subordination, which, in most instances, have increased since origination. The weighted average subordination supporting the prime residential mortgage and corporate loan referenced portfolios at March 31, 2010 was 10.74 percent and 27.19 percent, respectively. The highest level of realized losses to date in any single residential mortgage and corporate loan pool was 2.49 percent and 0.52 percent, respectively. The corporate loan transactions are each comprised of several hundred secured and unsecured loans diversified by industry and, in some instances, by country, and have per-issuer concentration limits. Both types of transactions generally allow some substitution and replenishment of loans, subject to defined constraints, as older loans mature or are prepaid. These replenishment rights generally expire within the first few years of the trade, after which the proceeds of any prepaid or maturing loans are applied first to the super senior tranche (sequentially), thereby increasing the relative level of subordination supporting the balance of AIGFP's super senior CDS exposure.

Given the current performance of the underlying portfolios, the level of subordination and AIGFP's own assessment of the credit quality of the underlying portfolio, as well as the risk mitigants inherent in the transaction structures, AIGFP does not expect that it will be required to make payments pursuant to the contractual terms of those transactions providing regulatory relief. AIGFP continues to reassess the expected maturity of this portfolio. As of March 31, 2010, AIGFP estimated that the weighted average expected maturity of the portfolio was 1.89 years. AIGFP has not been required to make any payments as part of terminations initiated by counterparties. The regulatory benefit of these transactions for AIGFP's financial institution counterparties is generally derived from the terms of Basel I that existed through the end of 2007 and which is in the process of being replaced by Basel II. It was expected that financial institution counterparties would have transitioned from Basel I to Basel II by the end of the two-year adoption period on December 31, 2009, after which they would have received little or no additional regulatory benefit from these CDS transactions, except in a small number of specific instances. However, in 2009, the Basel Committee announced that it had agreed to keep in place the Basel I capital floors beyond the end of 2009, although it remains to be seen how this extension will be implemented by the various European Central Banking districts. Should certain counterparties continue to receive

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favorable regulatory capital benefits from these transactions, those counterparties may not exercise their options to terminate the transactions in the expected time frame.

Arbitrage Portfolio

The arbitrage portfolio includes arbitrage-motivated transactions written on multi-sector CDOs or designated pools of investment grade senior unsecured corporate debt or CLOs.

The outstanding multi-sector CDO portfolio at March 31, 2010 was written on CDO transactions (including synthetic CDOs) that generally held a concentration of RMBS, CMBS and inner CDO securities. At March 31, 2010, approximately $3.8 billion net notional amount (fair value liability of $2.4 billion) of this portfolio was written on super senior multi-sector CDOs that contain some level of sub-prime RMBS collateral, with a concentration in the 2005 and earlier vintages of sub-prime RMBS. AIGFP's portfolio also included both high grade and mezzanine CDOs.

The majority of multi-sector CDO CDS transactions require cash settlement and, other than for collateral posting, AIGFP is required to make a payment in connection with such transactions only if realized credit losses in respect of the underlying portfolio exceed AIGFP's attachment point. In the remainder of the portfolio, AIGFP's payment obligations are triggered by the occurrence of a credit event under a single reference security, and performance is limited to a single payment by AIGFP in return for physical delivery by the counterparty of the reference security.

Included in the multi-sector CDO portfolio are 2a-7 Puts. Holders of securities are required, in certain circumstances, to tender their securities to the issuer at par. If an issuer's remarketing agent is unable to resell the securities so tendered, AIGFP must purchase the securities at par so long as the security has not experienced a payment default or certain bankruptcy events with respect to the issuer of such security have not occurred. At both March 31, 2010 and December 31, 2009, there was $1.6 billion net notional amount of 2a-7 Puts issued by AIGFP outstanding. AIGFP is not a party to any commitments to issue any additional 2a-7 Puts.

ML III has agreed not to exercise its put option on multi-sector CDOs or simultaneously to exercise its put option with a corresponding par purchase of the multi-sector CDOs with respect to the $853 million notional amount of multi-sector CDOs held by ML III with 2a-7 Puts that may be exercised on or prior to December 31, 2010 and $530 million notional amount of multi-sector CDOs held by ML III with 2a-7 Puts that may be exercised on or prior to April 30, 2011. In addition, there are $182 million notional amount of multi-sector CDOs held by ML III with 2a-7 Puts that may not be exercised on or prior to December 31, 2010, for which ML III has only agreed not to exercise its put option on multi-sector CDOs or simultaneously to exercise its put option with a corresponding par purchase of the multi-sector CDOs through December 31, 2010. In exchange, AIGFP has agreed to pay to ML III the consideration that it receives for providing the put protection. Additionally, ML III has agreed that if it sells any such multi-sector CDO with a 2a-7 Put to a third-party purchaser, that such sale will be conditioned upon, among other things, such third-party purchaser agreeing that until the legal final maturity date of such multi-sector CDO it will not exercise its put option on such multi-sector CDO or it will make a corresponding par purchase of such multi-sector CDO simultaneously with the exercise of its put option. In exchange for such commitment from the third-party purchaser, AIGFP will agree to pay to such third-party purchaser the consideration that it receives for providing the put protection.

ML III has agreed to assist AIGFP in efforts to mitigate or eliminate AIGFP's obligations under such 2a-7 Puts relating to multi-sector CDOs held by ML III prior to the expiration of ML III's obligations with respect to such multi-sector CDOs. There can be no assurances that such efforts will be successful. To the extent that such efforts are not successful with respect to a multi-sector CDO held by ML III with a 2a-7 Put and ML III has not sold such multi-sector CDO to a third-party who has committed not to exercise its put option on such multi-sector CDO or to make a corresponding par purchase of such multi-sector CDO simultaneously with the exercise of its put option then, upon the expiration of ML III's aforementioned obligations with respect to such multi-sector

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CDO, AIGFP will be obligated under the related 2a-7 Put to purchase such multi-sector CDO at par in the circumstances and subject to the limited conditions contained in the applicable agreements.

The corporate arbitrage portfolio consists principally of CDS transactions written on portfolios of senior unsecured corporate obligations that were generally rated investment grade at inception of the CDS. These CDS transactions require cash settlement. Also, included in this portfolio are CDS transactions with a net notional amount of $1.4 billion written on the senior part of the capital structure of CLOs, which require physical settlement.

Certain of the super senior credit default swaps provide the counterparties with an additional termination right if AIG's rating level falls to BBB or Baa2. At that level, counterparties to the CDS transactions with a net notional amount of $10.2 billion at March 31, 2010 have the right to terminate the transactions early. If counterparties exercise this right, the contracts provide for the counterparties to be compensated for the cost to replace the transactions, or an amount reasonably determined in good faith to estimate the losses the counterparties would incur as a result of the termination of the transactions.

Due to long-term maturities of the CDS in the arbitrage portfolio, AIG is 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 super senior credit default swap portfolio.

Collateral

Most of AIGFP's super senior credit default swaps are subject to collateral posting provisions, which typically are governed by International Swaps and Derivatives Association, Inc. (ISDA) Master Agreements (Master Agreements) and related Credit Support Annexes (CSA). These provisions differ among counterparties and asset classes. AIGFP has received collateral calls from counterparties in respect of certain super senior credit default swaps, of which a large majority relate to multi-sector CDOs. To a lesser extent, AIGFP has also received collateral calls in respect of certain super senior credit default swaps entered into by counterparties for regulatory capital relief purposes and in respect of corporate arbitrage.

The amount of future collateral posting requirements is a function of AIG's credit ratings, the rating of the reference obligations and the market value of the relevant reference obligations, with the latter being the most significant factor. While a high level of correlation exists between the amount of collateral posted and the valuation of these contracts in respect of the arbitrage portfolio, a similar relationship does not exist with respect to the regulatory capital portfolio given the nature of how the amount of collateral for these transactions is determined. Given the severe market disruption, lack of observable data and the uncertainty of future market price movements, AIGFP is unable to reasonably estimate the amounts of collateral that it may be required to post in the future.

At March 31, 2010 and December 31, 2009, the amount of collateral postings with respect to AIGFP's super senior credit default swap portfolio (prior to offsets for other transactions) was $4.5 billion and $4.6 billion, respectively.

AIGFP Written Single Name Credit Default Swaps

AIGFP has also entered into credit default swap contracts referencing single-name exposures written on corporate, index, and asset-backed credits, with the intention of earning spread income on credit exposure. Some of these transactions were entered into as part of a long short strategy allowing AIGFP to earn the net spread between CDS they wrote and ones they purchased. At March 31, 2010, the net notional amount of these written CDS contracts was $1.9 billion. AIGFP has hedged these exposures by purchasing offsetting CDS contracts of $314 million in net notional amount. The net unhedged position of approximately $1.6 billion represents the maximum exposure to loss on these CDS contracts. The average maturity of the written CDS contracts is

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6.6 years. At March 31, 2010, the fair value of derivative liability (which represents the carrying value) of the portfolio of CDS was $264 million.

Upon a triggering event (e.g., a default) with respect to the underlying credit, AIGFP would normally have the option to settle the position through an auction process (cash settlement) or pay the notional amount of the contract to the counterparty in exchange for a bond issued by the underlying credit obligor (physical settlement).

AIGFP wrote these written CDS contracts under Master Agreements. The majority of these Master Agreements include CSA, which provide for collateral postings at various ratings and threshold levels. At March 31, 2010, AIGFP had posted $318 million of collateral under these contracts.

Non-AIGFP Derivatives

AIG and its subsidiaries (other than AIGFP) also use derivatives and other instruments as part of their financial risk management programs. Interest rate derivatives (such as interest rate swaps) are used to manage interest rate risk associated with investments in fixed income securities, outstanding medium- and long-term notes, and other interest rate sensitive assets and liabilities. In addition, 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 exchange transactions. The derivatives are effective economic hedges of the exposures they are meant to offset.

In addition to hedging activities, AIG also uses derivative instruments with respect to investment operations, which include, among other things, credit default swaps, and purchasing investments with embedded derivatives, such as equity linked notes and convertible bonds.

Matched Investment Program Written Credit Default Swaps

The MIP, which is currently in run-off, has entered into CDS contracts as a writer of protection, with the intention of earning spread income on credit exposure in an unfunded form. The portfolio of CDS contracts were single-name exposures and, at inception, were predominantly high grade corporate credits.

The MIP invested in written CDS contracts through an affiliate which then transacts directly with unaffiliated third parties under ISDA agreements. As of March 31, 2010, the notional amount of written CDS contracts was $3.9 billion with an average credit rating of BBB+. The average maturity of the written CDS contracts is 2.2 years as of March 31, 2010. As of March 31, 2010, the fair value of the derivative liability (which represents the carrying value) of the MIP's written CDS was $65.1 million.

The majority of the ISDA agreements include CSA provisions, which provide for collateral postings at various ratings and threshold levels. At March 31, 2010, $26.7 million of collateral was posted for CDS contracts related to the MIP. The notional amount represents the maximum exposure to loss on the written CDS contracts. However, due to the average investment grade rating and expected default recovery rates, actual losses are expected to be less.

Upon a triggering event (e.g., a default) with respect to the underlying credit, the MIP would normally have the option to settle the position through an auction process (cash settlement) or pay the notional amount of the contract to the counterparty in exchange for a bond issued by the underlying credit (physical settlement).

Credit Risk-Related Contingent Features

AIG transacts in derivative transactions directly with unaffiliated third parties under ISDA agreements. Many of the ISDA agreements also include CSA provisions, which provide for collateral postings at various ratings and threshold levels. In addition, AIG attempts to reduce credit risk with certain counterparties by entering into agreements that enable collateral to be obtained from a counterparty on an upfront or contingent basis.

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The aggregate fair value of AIG's derivative instruments, including those of AIGFP, that contain credit risk-related contingent features that are in a net liability position at March 31, 2010 was approximately $8.7 billion. The aggregate fair value of assets posted as collateral under these contracts at March 31, 2010, was $8.7 billion.

It is estimated that as of the close of business on March 31, 2010, based on AIG's outstanding financial derivative transactions, including those of AIGFP at that date, a one-notch downgrade of AIG's long-term senior debt ratings to Baa1 by Moody's Investors Service (Moody's) and BBB+ by Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. (S&P), would permit counterparties to make additional collateral calls and permit the counterparties to elect early termination of contracts, resulting in up to approximately $1.6 billion of corresponding collateral postings and termination payments; a two-notch downgrade to Baa2 by Moody's and BBB by S&P would result in approximately $1.2 billion in additional collateral postings and termination payments above the one-notch downgrade amount; and a three-notch downgrade to Baa3 by Moody's and BBB- by S&P would result in approximately $0.4 billion in additional collateral postings and termination payments above the two-notch downgrade amount. 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 March 31, 2010. Factors considered in estimating the termination payments upon downgrade include current market conditions, the complexity of the derivative transactions, historical termination experience and other observable market events such as bankruptcy and downgrade events that have occurred at other companies. The actual termination payments could significantly differ from management's 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.

9. Commitments, Contingencies and Guarantees

In the normal course of business, various commitments and contingent liabilities are entered into by AIG and certain of its subsidiaries. In addition, AIG 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.

(a) Litigation and Investigations

Litigation Arising from Operations. AIG and its subsidiaries, in common with the insurance and financial services industries in general, are subject to litigation, including claims for punitive damages, in the normal course of their business. In AIG's insurance operations (including United Guaranty Corporation (UGC)), litigation arising from claims settlement activities is generally considered in the establishment of AIG's Liability for unpaid claims and claims adjustment expense. However, the potential for increasing jury awards and settlements makes it difficult to assess the ultimate outcome of such litigation.

Various federal, state and foreign regulatory and governmental agencies are reviewing certain public disclosures, transactions and practices of AIG and its subsidiaries in connection with, among other matters, AIG's liquidity problems, payments by AIG subsidiaries to non-U.S. persons and industry-wide and other inquiries including matters relating to compensation paid to AIGFP employees and payments made to AIGFP counterparties. These reviews include ongoing investigations by the U.S. Securities and Exchange Commission (SEC) and U.S. Department of Justice (DOJ) with respect to the valuation of AIGFP's multi- sector CDO super senior credit default swap portfolio under fair value accounting rules, and the adequacy of AIG's enterprise risk management processes with respect to AIG's exposure to the U.S. residential mortgage market, and disclosures relating thereto. There is also an investigation by the U.K. Serious Fraud Office and inquiries by the U.K. Financial Services

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Authority with respect to the U.K. operations of AIGFP. AIG has cooperated, and will continue to cooperate, in producing documents and other information in response to subpoenas and other requests.

In connection with certain SEC investigations, AIG understands that some of its employees have received Wells notices and it is possible that additional current and former employees could receive similar notices in the future. Under SEC procedures, a Wells notice is an indication that the SEC staff has made a preliminary decision to recommend enforcement action that provides recipients with an opportunity to respond to the SEC staff before a formal recommendation is finalized.

Litigation Relating to AIG's Subprime Exposure and AIGFP's Employee Retention Plan

Securities Actions Southern District of New York. Between May 21, 2008 and January 15, 2009, eight purported securities class action complaints were 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), alleging claims under the Securities Exchange Act of 1934 (Exchange Act) or claims under the Securities Act of 1933 (the Securities Act). On March 20, 2009, the Court consolidated all eight of the purported securities class actions as In re American International Group, Inc. 2008 Securities Litigation (the Consolidated 2008 Securities Litigation) and appointed the State of Michigan Retirement Systems as lead plaintiff.

On May 19, 2009, lead plaintiff in the Consolidated 2008 Securities Litigation filed a consolidated complaint on behalf of purchasers of AIG stock during the alleged class period of March 16, 2006 through September 16, 2008, and on behalf of purchasers of various AIG securities offered pursuant to three shelf registration statements filed on June 12, 2003, June 12, 2007, and May 12, 2008. The consolidated complaint alleges that defendants made statements during the class period in press releases, AIG's quarterly and year-end filings, during conference calls, and in various registration statements and prospectuses in connection with the various offerings that were materially false and misleading and that artificially inflated the price of AIG's stock. The alleged false and misleading statements relate to, among other things, unrealized market valuation losses on AIGFP's super senior credit default swap portfolio as a result of severe credit market disruption and AIG's securities lending program. The consolidated complaint alleges violations of Sections 10(b) and 20(a) of the Exchange Act and Sections 11, 12(a)(2), and 15 of the Securities Act. On August 5, 2009, defendants filed motions to dismiss the consolidated complaint, and those motions are pending.

ERISA Actions Southern District of New York. Between June 25, 2008, and November 25, 2008, AIG, certain directors and officers of AIG, and members of AIG's Retirement Board and Investment Committee were named as defendants in eight purported class action complaints asserting claims on behalf of participants in certain pension plans sponsored by AIG or its subsidiaries. On March 19, 2009, the Court consolidated these eight actions as In re American International Group, Inc. ERISA Litigation II, and appointed interim lead plaintiffs' counsel. On June 26, 2009, lead plaintiffs' counsel filed a consolidated amended complaint. The action purports to be brought as a class action under the Employee Retirement Income Security Act of 1974, as amended (ERISA), on behalf of all participants in or beneficiaries of the AIG Incentive Savings Plan, American General Agents' and Managers' Thrift Plan, and the CommoLoCo Thrift Plan (the Plans) during the period June 15, 2007 through the present and whose participant accounts included shares of AIG's common stock. In the consolidated amended complaint, plaintiffs allege, among other things, that the defendants breached their fiduciary responsibilities to Plan participants and their beneficiaries under ERISA, by continuing to offer the AIG Stock Fund as an investment option in the Plans after it allegedly became imprudent to do so. The alleged ERISA violations relate to, among other things, the defendants' purported failure to monitor and/or disclose unrealized market valuation losses on AIGFP's super senior credit default swap portfolio as a result of severe credit market disruption. On September 18, 2009, defendants filed motions to dismiss the consolidated amended complaint, and those motions are pending.

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Derivative Action Southern District of New York. On November 20, 2007, two purported shareholder derivative actions were filed in the Southern District of New York naming as defendants directors and officers of AIG and its subsidiaries and asserting claims on behalf of nominal defendant AIG. The actions were consolidated as In re American International Group, Inc. 2007 Derivative Litigation (the Consolidated 2007 Derivative Litigation). The factual allegations involve AIG's exposure to the U.S. residential subprime mortgage market (Subprime Exposure) and are generally the same as those alleged in the Consolidated 2008 Securities Litigation. On August 6, 2008, a third purported shareholder derivative action was filed in the Southern District of New York asserting claims on behalf of AIG based generally on the same allegations as in the Consolidated 2007 Derivative Litigation. On February 11, 2009, the Court approved a stipulation consolidating the derivative action filed on August 6, 2008 with the Consolidated 2007 Derivative Litigation. On June 3, 2009, lead plaintiff filed a consolidated amended complaint naming additional directors and officers of AIG and its subsidiaries as defendants, adding allegations concerning AIGFP employee retention payments, and asserting claims on behalf of nominal defendant AIG for breach of fiduciary duty, waste of corporate assets, unjust enrichment, contribution and violations of Sections 10(b) and 20(a) of the Exchange Act. On August 5 and 26, 2009, AIG and defendants filed motions to dismiss the consolidated complaint. On September 30, 2009, plaintiff in the purported derivative action discussed below filed on April 1, 2009 in the Superior Court of the State of California, Los Angeles County moved to intervene in the Consolidated 2007 Derivative Litigation. On December 23, 2009, the Court denied the motion.

On November 20, 2009, a stipulation was filed with the Court voluntarily dismissing the claims against two of the senior officers of AIG named as defendants, Brian T. Schreiber and Frank G. Wisner, without prejudice. The requested voluntary dismissal was not the product of a settlement between lead plaintiff and Mr. Schreiber and Mr. Wisner. Neither lead plaintiff nor lead plaintiff's counsel sought or received any consideration in return for this voluntary dismissal. By order of the Court on January 21, 2010, notice of this voluntary dismissal without prejudice of Mr. Schreiber and Mr. Wisner was given to AIG's shareholders in AIG's 2009 Annual Report on Form 10-K, and any shareholder objecting to the voluntary dismissal without prejudice of Mr. Schreiber and Mr. Wisner was required to file any objections to the proposed dismissal within 30 days of the filing of the 2009 Annual Report on Form 10-K, *i.e.*, by March 28, 2010. No objections were received. On March 30, 2010, the Court dismissed the action due to plaintiff's failure to make a pre-suit demand on AIG's Board of Directors. On March 31, 2010, judgment was entered. As a result, no order was submitted to the Court regarding the dismissal without prejudice of Mr. Schreiber and Mr. Wisner. On April 29, 2010, plaintiff filed a notice of appeal to the United States Court of Appeals for the Second Circuit, seeking to reverse the Court's decision to dismiss the action.

Derivative Action Supreme Court of New York, Nassau County. On February 29, 2008, a purported shareholder derivative complaint was filed in the Supreme Court of Nassau County naming as defendants certain directors and officers of AIG and its subsidiaries concerning AIG's Subprime Exposure. Plaintiff asserts claims on behalf of nominal defendant AIG for breach of fiduciary duty, waste of corporate assets, and unjust enrichment in connection with AIG's public disclosures regarding its Subprime Exposure. On May 19, 2008, defendants filed a motion to dismiss or to stay the proceedings in light of the pending Consolidated 2007 Derivative Litigation. On March 9, 2009, the Court granted defendants' motion to stay the action.

Derivative Action Supreme Court of New York, New York County. On March 20, 2009, a purported shareholder derivative complaint was filed in the Supreme Court of New York County naming as defendants certain directors and officers of AIG and recipients of AIGFP retention payments. Plaintiffs assert claims on behalf of nominal defendant AIG concerning AIGFP retention payments. Plaintiff alleges claims for breach of fiduciary duty, waste of corporate assets and rescission and constructive trust.

Derivative Actions Delaware Court of Chancery. On September 17, 2008, a purported shareholder derivative complaint was filed in the Delaware Court of Chancery naming as defendants certain directors and officers of AIG and its subsidiaries. Plaintiff asserts claims on behalf of nominal defendant AIG for breach of fiduciary duty,

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waste of corporate assets, and mismanagement in connection with AIG's public disclosures regarding its Subprime Exposure. On December 19, 2008, a motion to stay or dismiss the action in favor of the Consolidated 2007 Derivative Litigation was filed. On July 17, 2009, the Court granted defendants' motion to stay the action.

On January 15, 2009, a purported shareholder derivative complaint was filed in the Delaware Court of Chancery naming as defendants certain directors of AIG and Joseph Cassano, the former Chief Executive Officer of AIGFP. Plaintiff asserts claims against Mr. Cassano on behalf of nominal defendant AIGFP and AIG as the sole shareholder of AIGFP concerning AIG's and AIGFP's Subprime Exposure alleging breach of fiduciary duty and unjust enrichment. On July 17, 2009, plaintiff filed an amended complaint that asserts the same claims as the original complaint. On August 5, 2009, the Court entered an order staying the action pending disposition of the motions to dismiss of the Consolidated 2007 Derivative Litigation.

Derivative Actions Superior Court for the State of California, Los Angeles County. On April 1, 2009, a purported shareholder derivative complaint was filed in the Superior Court for the State of California, Los Angeles County, asserting claims on behalf of nominal defendant AIG against certain directors and officers of AIG. The complaint asserts claims for waste of corporate assets, breach of fiduciary duty, abuse of control, and unjust enrichment and constructive trust in connection with defendants' approval of bonuses and retention payments. On May 29, 2009, defendants moved to stay or dismiss the action in favor of the Consolidated 2007 Derivative Litigation and to quash service of summons due to lack of personal jurisdiction over certain individual defendants. On August 27, 2009, the Court granted defendants' motion to stay the action.

On November 20, 2009, a purported shareholder derivative complaint was filed in the Superior Court for the State of California, Los Angeles County, naming as defendants certain former and present directors and officers of AIG and its subsidiaries. Plaintiff asserts claims on behalf of nominal defendant AIG concerning AIG's Subprime Exposure alleging breach of fiduciary duty, waste of corporate assets, and mismanagement. On November 24, 2009, an amended complaint was filed asserting the same claims. On February 4, 2010, the parties filed a stipulation staying the action in favor of the Consolidated 2007 Derivative Litigation. On February 9, 2010, the Court signed a stipulation staying the action pending resolution of the Consolidated 2007 Derivative Litigation.

Canadian Securities Class Action Ontario Superior Court of Justice. On November 12, 2008, an application was filed in the Ontario Superior Court of Justice for leave to bring a purported securities fraud class action against AIG, AIGFP, certain directors and officers of AIG and the former Chief Executive Officer of AIGFP. If the Court grants the application, a class plaintiff will be permitted to file a statement of claim against defendants. The proposed statement of claim would assert a class period of November 10, 2006 through September 16, 2008 (later amended to March 16, 2006 through September 16, 2008), and would allege that during this period defendants made false and misleading statements and omissions in quarterly and annual reports and during oral presentations in violation of the Ontario Securities Act. On April 17, 2009, defendants filed a motion record in support of their motion to stay or dismiss for lack of jurisdiction and forum non conveniens. On May 29, 2009, the applicant filed responding affidavits and an amended draft statement of claim. The factual allegations are generally the same as those alleged in the Consolidated 2008 Securities Litigation. On November 20 and 30, and December 4, 2009, defendants filed briefs in support of their motions to dismiss, and those motions are pending.

Panama Action Tribunal del Circuito Civil, Panama City, Panama. On February 26, 2009, SICO sought permission to file a complaint in Panamanian Court against AIG. In the complaint, SICO alleges that AIG intentionally concealed from its shareholders, including SICO, its unstable financial situation and risk of losses, which ultimately resulted in losses to the value of SICO's shares of AIG Common Stock. On August 12, 2009, AIG filed a motion to dismiss the complaint and a motion for correction of the complaint. On August 13, 2009, AIG filed a motion with the Panama Supreme Court challenging on constitutional grounds a motion by SICO to amend the complaint. Under the terms of the settlement agreement and memorandum of understanding signed by AIG, on the one hand, and Greenberg, Howard I. Smith, AIG's former Chief Financial Officer, C.V. Starr & Company, Inc. (C.V. Starr) and Starr International Company, Inc. (SICO), on the other hand (the Starr Parties) that was announced on November 25, 2009 (the AIG/Greenberg MOU), SICO agreed to undertake to dismiss this action with prejudice. On February 10, 2010, the parties filed a joint request to dismiss the case. On March 2, 2010, the Court posted its approval of the dismissal of claims and the action was terminated.

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Litigation Matter Relating to AIGFP. On September 30, 2009, Brookfield Asset Management, Inc. and Brysons International, Ltd. (together, "Brookfield") filed a complaint against AIG and AIGFP in the Southern District of New York. Brookfield seeks a declaration that a 1990 interest rate swap agreement between Brookfield and AIGFP (guaranteed by AIG) terminated upon the occurrence of certain alleged events that Brookfield contends constituted defaults under the swap agreement's standard "bankruptcy" default provision. Brookfield claims that it is excused from all future payment obligations under the swap agreement on the basis of the purported termination. At March 31, 2010, the estimated present value of expected future cash flows discounted at LIBOR was $1.3 billion. It is AIG's position that no termination event has occurred and that the swap agreement remains in effect. A determination that AIG triggered a "bankruptcy event of default" under the swap agreement could, depending on the Court's precise holding, affect other AIG or AIGFP agreements that contain the same or similar default provisions. Such a determination could also affect derivative agreements or other contracts between third parties, such as credit default swaps under which AIG is a reference credit, which could affect the trading price of AIG securities. On December 17, 2009 defendants filed a motion to dismiss, and that motion is pending.

2006 Regulatory Settlements and Related Matters

2006 Regulatory Settlements. In February 2006, AIG reached a resolution of claims and matters under investigation with the DOJ, the SEC, the Office of the New York Attorney General (NYAG) and the New York State Department of Insurance (DOI). AIG recorded an after-tax charge of $1.15 billion relating to these settlements in the fourth quarter of 2005. The settlements resolved investigations conducted by the SEC, NYAG and DOI in connection with the accounting, financial reporting and insurance brokerage practices of AIG and its subsidiaries, as well as claims relating to the underpayment of certain workers' compensation premium taxes and other assessments. These settlements did not, however, resolve investigations by regulators from other states into insurance brokerage practices related to contingent commissions and other broker-related conduct, such as alleged bid rigging. Nor did the settlements resolve any obligations that AIG may have to state guarantee funds in connection with any of these matters.

As a result of these settlements, AIG made payments or placed amounts in escrow in 2006 totaling approximately $1.64 billion, $225 million of which represented fines and penalties. Amounts held in escrow totaling approximately $338 million, including interest thereon, are included in Other assets at March 31, 2010. At that date, all of the funds were escrowed for settlement of claims resulting from the underpayment by AIG of its residual market assessments for workers' compensation.

In addition to the escrowed funds, $800 million was deposited into a fund under the supervision of the SEC as part of the settlements to be available to resolve claims asserted against AIG by investors, including the securities class action shareholder lawsuits described below. On April 14, 2008, the Court overseeing the Fair Fund approved a plan for distribution of monies in the fund, and on May 18, 2009 ordered that the Distribution Agent was authorized to commence distribution of Fair Fund monies to approved eligible claimants.

Also, as part of the settlements, AIG agreed to retain, for a period of three years, an independent consultant to conduct a review that included, among other things, the adequacy of AIG's internal control over financial reporting, the policies, procedures and effectiveness of AIG's regulatory, compliance and legal functions and the remediation plan that AIG has implemented as a result of its own internal review.

Other Regulatory Settlements. AIG's 2006 regulatory settlements with the SEC, DOJ, NYAG and DOI did not resolve investigations by regulators from other states into insurance brokerage practices. AIG entered into agreements effective January 29, 2008 with the Attorneys General of the States of Florida, Hawaii, Maryland, Michigan, Oregon, Texas and West Virginia; the Commonwealths of Massachusetts and Pennsylvania; and the District of Columbia; as well as the Florida Department of Financial Services and the Florida Office of Insurance Regulation, relating to their respective industry-wide investigations into producer compensation and insurance placement practices. The settlements call for total payments of $12.5 million to be allocated among the ten jurisdictions representing restitution to state agencies and reimbursement of the costs of the investigation. During

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the term of the settlement agreements, which run through early 2018, AIG will continue to maintain certain producer compensation disclosure and ongoing compliance initiatives. AIG will also continue to cooperate with the industry-wide investigations. The agreement with the Texas Attorney General also settles allegations of anticompetitive conduct relating to AIG's relationship with Allied World Assurance Company and includes an additional settlement payment of $500,000 related thereto.

AIG entered into an agreement effective March 13, 2008 with the Pennsylvania Insurance Department relating to the Department's investigation into the affairs of AIG and certain of its Pennsylvania-domiciled insurance company subsidiaries. The settlement calls for total payments of approximately $13.5 million, of which approximately $4.4 million was paid under previous settlement agreements. During the term of the settlement agreement, which runs for a period of three years from May 1, 2008, AIG will provide annual reinsurance reports, as well as maintain certain producer compensation disclosure and ongoing compliance initiatives.

NAIC Examination of Workers' Compensation Premium Reporting. During 2006, the Settlement Review Working Group of the National Association of Insurance Commissioners (NAIC), under the direction of the states of Indiana, Minnesota and Rhode Island, began an investigation into AIG's reporting of workers' compensation premiums. In late 2007, the Settlement Review Working Group 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 are Delaware, Florida, Indiana, Massachusetts, Minnesota, New York, Pennsylvania, and Rhode Island. All other states (and the District of Columbia) have agreed to participate in the multi-state examination. To date, the examination has focused on legacy issues related to AIG's writing and reporting of workers' compensation insurance prior to 1996. AIG has also been advised that the examination will focus on current compliance with legal requirements applicable to such business. AIG has not been advised that any determinations have been made with respect to these issues, and cannot predict either the outcome of the investigation or provide any assurance regarding regulatory action that may result from the investigation.

Securities Action Southern District of New York. Beginning in October 2004, a number of putative securities fraud class action suits were filed in the Southern District of New York against AIG and consolidated as In re American International Group, Inc. Securities Litigation. Subsequently, a separate, though similar, securities fraud action was also brought against AIG by certain Florida pension funds. The lead plaintiff in the class action is a group of public retirement systems and pension funds benefiting Ohio state employees, suing on behalf of themselves and all purchasers of AIG's publicly traded securities between October 28, 1999 and April 1, 2005. The named defendants are AIG and a number of present and former AIG officers and directors, as well as Starr, SICO, General Reinsurance Corporation (General Re), and PricewaterhouseCoopers LLP (PwC), among others. The lead plaintiff alleges, among other things, that AIG: (1) concealed that it engaged in anti-competitive conduct through alleged payment of contingent commissions to brokers and participation in illegal bid-rigging; (2) concealed that it used "income smoothing" products and other techniques to inflate its earnings; (3) concealed that it marketed and sold "income smoothing" insurance products to other companies; and (4) misled investors about the scope of government investigations. In addition, the lead plaintiff alleges that AIG's former Chief Executive Officer, Maurice R. Greenberg, manipulated AIG's stock price. The lead plaintiff asserts claims for violations of Sections 11 and 15 of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder, Section 20(a) of the Exchange Act, and Section 20A of the Exchange Act. In April 2006, the Court denied the defendants' motions to dismiss the second amended class action complaint and the Florida complaint. In December 2006, a third amended class action complaint was filed, which does not differ substantially from the prior complaint. Fact discovery is currently ongoing. On February 20, 2008, the lead plaintiff filed a motion for class certification. In October 2009, the lead plaintiff advised the Court that it had entered into a settlement agreement with Maurice R. Greenberg, Howard I. Smith, Christian M. Milton, Michael J. Castelli, SICO and Starr. At the lead plaintiff's request, the Court has entered an order dismissing all of the lead plaintiff's claims against these defendants "without prejudice" to any party. The lead plaintiff has also voluntarily dismissed

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Frank Hoenemeyer, L. Michael Murphy, and Richmond Insurance Company, Ltd. On February 22, 2010, the Court issued an opinion granting, in part, lead plaintiffs' motion for class certification. The Court rejected lead plaintiffs' request to include in the class purchasers of certain AIG bonds on the grounds that (a) lead plaintiffs lack standing to pursue claims pursuant to the Securities Act with respect to such bonds, and (b) lead plaintiffs had failed to establish that common issues predominate over individual issues with regard to claims under the Exchange Act relating to AIG bonds. On that basis the Court declined to certify a class with respect to Counts I through IV of the Complaint and dismissed those claims for lack of standing. With respect the remaining claims under the Exchange Act on behalf of putative class members who had purchased AIG Common Stock, the Court declined to certify a class as to certain defendants other than AIG and rejected lead plaintiffs' claims that class members could establish injury based on disclosures on two of the six dates lead plaintiffs had proposed, but certified a class consisting of all shareholders who purchased or otherwise acquired AIG Common Stock during the class period of October 28, 1999 to April 1, 2005, and who possessed that stock over one or more of the dates October 14, 2004, October 15, 2004, March 17, 2005 or April 1, 2005, as well as persons who held AIG Common Stock in two companies at the time they were acquired by AIG in exchange for AIG Common Stock, and were allegedly damaged thereby. In light of the class certification decision, on March 5, 2010, the Court denied as moot Gen Re's and lead plaintiffs' motion to certify their proposed settlement, and on March 18, 2010, PwC withdrew its motion to approve its proposed settlement with lead plaintiffs. Lead plaintiffs and AIG have each filed petitions pursuant to Fed R. Civ. P. 23(f) requesting permission to appeal the class certification decision. AIG, Gen Re, Richard Napier and Ronald Ferguson have each filed opposition briefs to lead plaintiff's Rule 23(f) petition. Lead plaintiff also filed an opposition brief to AIG's Rule 23(f) petition. The Rule 23(f) petitions remain pending at this time.

Derivative Action Southern District of New York. Between October 25, 2004 and July 14, 2005, seven separate derivative actions were filed in the Southern District of New York, five of which were consolidated into a single action (the New York 2004/2005 Derivative Litigation). The complaint in this action contains nearly the same types of allegations made in the securities fraud action described above. The named defendants include current and former officers and directors of AIG, as well as Marsh & McLennan Companies, Inc. (Marsh), SICO, Starr, ACE Limited and subsidiaries (Ace), General Re, PwC, and certain employees or officers of these entity defendants. Plaintiffs assert claims for breach of fiduciary duty, gross mismanagement, waste of corporate assets, unjust enrichment, insider selling, auditor breach of contract, auditor professional negligence and disgorgement from AIG's former Chief Executive Officer, Maurice R. Greenberg, and former Chief Financial Officer, Howard I. Smith, of incentive-based compensation and AIG share proceeds under Section 304 of the Sarbanes-Oxley Act, among others. Plaintiffs seek, among other things, compensatory damages, corporate governance reforms, and a voiding of the election of certain AIG directors. AIG's Board of Directors has appointed a special committee of independent directors (Special Committee) to review the matters asserted in the operative consolidated derivative complaint. The Court has entered an order staying this action pending resolution of the Delaware 2004/2005 Derivative Litigation discussed below. The Court also has entered an order that termination of certain named defendants from the Delaware action applies to this action without further order of the Court. On February 26, 2009, the Court dismissed those AIG officer and director defendants against whom the shareholder plaintiffs in the Delaware action had not pursued claims. It is AIG's position that the terms of the AIG/Greenberg MOU do not require dismissal of the derivative claims against Greenberg, Smith and SICO in the New York 2004/2005 Derivative Litigation. The Starr Parties have taken the opposite position.

Derivative Actions Delaware Chancery Court. From October 2004 to April 2005, AIG shareholders filed five derivative complaints in the Delaware Chancery Court. All of these derivative lawsuits were consolidated into a single action as In re American International Group, Inc. Consolidated Derivative Litigation (the Delaware 2004/2005 Derivative Litigation). The amended consolidated complaint named 43 defendants (not including nominal defendant AIG) who, as in the New York 2004/2005 Derivative Litigation, were current and former officers and directors of AIG, as well as other entities and certain of their current and former employees and directors. The factual allegations, legal claims and relief sought in this action are similar to those alleged in the

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New York 2004/2005 Derivative Litigation, except that the claims are only under state law. In early 2007, the Court approved an agreement that AIG be realigned as plaintiff, and, on June 13, 2007, acting on the direction of the Special Committee, AIG filed an amended complaint against former directors and officers Maurice R. Greenberg and Howard I. Smith, alleging breach of fiduciary duty and indemnification. Also on June 13, 2007, the Special Committee filed a motion to terminate the litigation as to certain defendants, while taking no action as to others. Defendants Greenberg and Smith filed answers to AIG's complaint and brought third-party complaints against certain current and former AIG directors and officers, PwC and INS Regulatory Insurance Services, Inc. On September 28, 2007, AIG and the shareholder plaintiffs filed a combined amended complaint in which AIG continued to assert claims against defendants Greenberg and Smith and took no position as to the claims asserted by the shareholder plaintiffs in the remainder of the combined amended complaint. In that pleading, the shareholder plaintiffs are no longer pursuing claims against certain AIG officers and directors. On February 12, 2008, the Court granted AIG's motion to stay discovery pending the resolution of claims against AIG in the New York consolidated securities action. On April 11, 2008, the shareholder plaintiffs filed the First Amended Combined Complaint, which added claims against former AIG directors and officers Maurice Greenberg, Edward Matthews, and Thomas Tizzio for breach of fiduciary duty based on alleged bid-rigging in the municipal derivatives market. On June 13, 2008, certain defendants filed motions to dismiss the shareholder plaintiffs' portions of the complaint. On February 10, 2009, the Court denied the motions to dismiss filed by Maurice Greenberg, Edward Matthews, and Thomas Tizzio; granted the motion to dismiss filed by PwC without prejudice; and granted the motion to dismiss filed by certain former employees of AIG without prejudice for lack of personal jurisdiction. On March 6, 2009, the Court granted an Order of Dismissal, Notice and Order of Voluntary Dismissal and Stipulation and Order of Dismissal to dismiss those individual defendants who were similarly situated to the individuals dismissed by the Court for lack of personal jurisdiction. On March 12, 2009, Defendant Greenberg filed his verified answer to AIG's complaint; cross-claims against Marsh, ACE, General Re, and Thomas Tizzio; and a third-party complaint against certain current and former AIG directors and officers, as well as INS Regulatory Insurance Services, Inc. Defendant Smith has also filed his answer to AIG's complaint, which was amended on July 9, 2009 to add cross-claims against Thomas Tizzio and third-party claims against certain current and former AIG directors and officers, as well as INS Regulatory Insurance Services, Inc. On June 17, 2009, the Court issued an opinion granting the motions to dismiss filed by General Re, Marsh, ACE, and Susan Rivera. On July 13, 2009 and July 17, 2009, the Court entered final judgments in favor of PwC, General Re, Marsh, ACE, and Susan Rivera. Shortly thereafter, the shareholder plaintiffs filed separate appeals: one addressing the dismissal of PwC, and the other addressing the dismissals of ACE, General Re, and Marsh. Their opening briefs were filed on September 24, 2009. By November 12, 2009, those appeals were fully briefed. Under the AIG/Greenberg MOU, AIG agreed to undertake to dismiss its direct claims against Greenberg and Smith in the Delaware 2004/2005 Derivative Litigation with prejudice. On November 27, 2009, counsel for the shareholder plaintiffs filed a motion for a temporary restraining order enjoining AIG from proceeding with its November 25, 2009 settlement with Greenberg. AIG opposed the motion on the ground, among other things, that the AIG/Greenberg MOU did not extinguish the shareholder plaintiffs' derivative claims. On November 30, 2009, counsel for the shareholder plaintiffs wrote to the Court and stated that "there appears to be nothing to enjoin" because the AIG/Greenberg MOU was the final, operative settlement agreement, and noted that the shareholder plaintiffs may request declaratory relief regarding the impact of the AIG/Greenberg MOU at a subsequent time. On February 5, 2010, AIG, Greenberg and Smith submitted a stipulation to the Court dismissing AIG's direct claims against Greenberg and Smith. The Starr Parties have taken the position that the AIG/Greenberg MOU also releases certain of the derivative claims being pursued by the shareholder plaintiffs. AIG has taken the opposite position.

AIG was also named as a defendant in a derivative action in the Delaware Chancery Court brought by shareholders of Marsh. On July 10, 2008, shareholder plaintiffs filed a second consolidated amended complaint, which contains claims against AIG for aiding and abetting a breach of fiduciary duty and contribution and indemnification in connection with alleged bid-rigging and steering practices in the commercial insurance market that are the subject of the Policyholder Antitrust and Racketeering Influenced and Corrupt Organizations Act

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(RICO) Actions described below. On November 10, 2008, AIG and certain defendants filed motions to dismiss the shareholder plaintiffs' portions of the complaint. On June 17, 2009, the Court dismissed the claims against AIG, Maurice R. Greenberg, and Zachary Carter with prejudice and denied the motions to dismiss filed by the remaining defendants. Final judgment was entered on June 19, 2009. The Court granted a motion by AIG for entry of final judgment under Rule 54(b), and entered final judgment dismissing AIG and Maurice R. Greenberg on September 2, 2009. The shareholder plaintiffs filed their notice of appeal on October 1, 2009. AIG moved to consolidate the appeal with the appeal of the dismissal of ACE, General Re, and Marsh in the Delaware 2004/2005 Derivative Litigation. The shareholders of Marsh moved to stay this appeal pending the decision in the appeal of the dismissal of ACE, General Re, and Marsh in the Delaware 2004/2005 Derivative Litigation. On November 10, 2009, the Delaware Supreme Court granted AIG's motion to consolidate the appeals for the purposes of oral argument and denied the Marsh shareholders' motion to stay. The shareholders of Marsh filed their opening brief on November 16, 2009. The appeal has been fully briefed, and oral argument was held before a three-judge panel of the Delaware Supreme Court on February 17, 2010. On February 22, 2010, the Court issued an order notifying the parties that the appeal would be heard by the Court *en banc*. The argument before the *en banc* court has not been scheduled.

Derivative Action Supreme Court of New York. On February 11, 2009, shareholder plaintiffs in the Delaware 2004/2005 Derivative Litigation filed a derivative complaint in the Supreme Court of New York against the individual defendants who moved to dismiss the complaint in the Delaware 2004/2005 Derivative Litigation on personal jurisdiction grounds. The defendants include current and former officers and employees of AIG, Marsh, and General Re; AIG is named as a nominal defendant. The complaint in this action contains similar allegations to those made in the Delaware 2004/2005 Derivative Litigation described above. Discovery in this action is stayed pending the resolution of the claims against AIG in the securities actions described above under Securities Actions Southern District of New York. Defendants filed motions to dismiss the complaint on May 1, 2009 and have completed their briefing. The shareholder plaintiffs have reached an agreement staying discovery as well as any motions to dismiss with the General Re and Marsh defendants pending final adjudication of any claims against those parties in the Delaware 2004/2005 Derivative Litigation. Oral argument on the other motions to dismiss has been adjourned until June 24, 2010.

Policyholder Antitrust and RICO Actions. Commencing in 2004, policyholders brought multiple federal antitrust and RICO class actions in jurisdictions across the nation against insurers and brokers, including AIG and a number of its subsidiaries, alleging that the insurers and brokers engaged in a broad conspiracy to allocate customers, steer business, and rig bids. These actions, including 24 complaints filed in different federal Courts naming AIG or an AIG subsidiary as a defendant, were consolidated by the judicial panel on multi-district litigation and transferred to the United States District Court for the District of New Jersey (District of New Jersey) for coordinated pretrial proceedings. The consolidated actions have proceeded in that Court in two parallel actions, In re Insurance Brokerage Antitrust Litigation (the Commercial Complaint) and In re Employee Benefits Insurance Brokerage Antitrust Litigation (the Employee Benefits Complaint, and, together with the Commercial Complaint, the Multi-district Litigation).

The plaintiffs in the Commercial Complaint are a group of corporations, individuals and public entities that contracted with the broker defendants for the provision of insurance brokerage services for a variety of insurance needs. The broker defendants are alleged to have placed insurance coverage on the plaintiffs' behalf with a number of insurance companies named as defendants, including AIG subsidiaries. The Commercial Complaint also named various brokers and other insurers as defendants (three of which have since settled). The Commercial Complaint alleges, among other things, that defendants engaged in a widespread conspiracy to allocate customers through bid-rigging and steering practices. Plaintiffs assert that the defendants violated the Sherman Antitrust Act, RICO, and the antitrust laws of 48 states and the District of Columbia, and are liable under common law breach of fiduciary duty and unjust enrichment theories. Plaintiffs seek treble damages plus interest and attorneys' fees as a result of the alleged RICO and Sherman Antitrust Act violations.

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The plaintiffs in the Employee Benefits Complaint are a group of individual employees and corporate and municipal employers alleging claims on behalf of two separate nationwide purported classes: an employee class and an employer class that acquired insurance products from the defendants from January 1, 1998 to December 31, 2004. The Employee Benefits Complaint names AIG, as well as various other brokers and insurers, as defendants. The activities alleged in the Employee Benefits Complaint, with certain exceptions, track the allegations made in the Commercial Complaint.

The Court, in connection with the Commercial Complaint, granted (without leave to amend) defendants' motions to dismiss the federal antitrust and RICO claims on August 31, 2007 and September 28, 2007, respectively. The Court declined to exercise supplemental jurisdiction over the state law claims in the Commercial Complaint and therefore dismissed it in its entirety. On January 14, 2008, the Court granted defendants' motion for summary judgment on the ERISA claims in the Employee Benefits Complaint and subsequently dismissed the remaining state law claims without prejudice, thereby dismissing the Employee Benefits Complaint in its entirety. On February 12, 2008, plaintiffs filed a notice of appeal to the United States Court of Appeals for the Third Circuit with respect to the dismissal of the Employee Benefits Complaint. Plaintiffs previously appealed the dismissal of the Commercial Complaint to the United States Court of Appeals for the Third Circuit on October 10, 2007. Both appeals are fully briefed and oral argument in both appeals was held on April 21, 2009.

A number of complaints making allegations similar to those in the Multi- district Litigation have been filed against AIG and other defendants in state and federal courts around the country. The defendants have thus far been successful in having the federal actions transferred to the District of New Jersey and consolidated into the Multi-district Litigation. These additional consolidated actions are still pending in the District of New Jersey, but are currently stayed. The AIG defendants have also sought to have state court actions making similar allegations stayed pending resolution of the Multi-district Litigation proceeding. These efforts have generally been successful, although discovery recently commenced in one case pending in Kansas state court. Discovery has been stayed in another case pending in Texas state court. In that case, the plaintiff filed an amended petition on July 13, 2009, and defendants filed special exceptions in connection with plaintiff's amended petition on August 14, 2009. A hearing on the special exceptions was held on November 11, 2009. AIG has settled several of the various federal and state actions alleging claims similar to those in the Multi-district Litigation, including state court actions pending in Florida and in New Jersey in which discovery had been allowed to proceed.

Ohio Attorney General Action Ohio Court of Common Pleas. On August 24, 2007, the Ohio Attorney General filed a complaint in the Ohio Court of Common Pleas against AIG and a number of its subsidiaries, as well as several other broker and insurer defendants, asserting violation of Ohio's antitrust laws. The complaint, which is similar to the Commercial Complaint, alleges that AIG and the other broker and insurer defendants conspired to allocate customers, divide markets, and restrain competition in commercial lines of casualty insurance sold through the broker defendant. The complaint seeks treble damages on behalf of Ohio public purchasers of commercial casualty insurance, disgorgement on behalf of both public and private purchasers of commercial casualty insurance, and a $500-per-day penalty for each day of conspiratorial conduct. On April 7, 2010, it was announced that AIG and the Ohio Attorney General agreed to settle the Ohio Attorney General's claims. Under the settlement agreement, AIG agreed to make a payment of $9 million and to continue to maintain certain producer compensation disclosure and ongoing compliance initiatives.

Actions Relating to Workers' Compensation Premium Reporting Northern District of Illinois. On May 24, 2007, the National Workers' Compensation Reinsurance Pool (the NWCRP), on behalf of its participant members, filed a lawsuit in the United States District Court for the Northern District of Illinois against AIG with respect to the underpayment by AIG of its residual market assessments for workers' compensation insurance. The complaint alleged claims for violations of RICO, breach of contract, fraud and related state law claims arising out of AIG's alleged underpayment of these assessments between 1970 and the present and sought damages purportedly in excess of $1 billion. On August 6, 2007, the Court denied AIG's motion seeking to dismiss or stay the complaint or, in the alternative, to transfer to the Southern District of New York. On December 26, 2007, the Court denied

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AIG's motion to dismiss the complaint. On March 17, 2008, AIG filed an amended answer, counterclaims and third-party claims against the National Council on Compensation Insurance (in its capacity as attorney-in-fact for the NWCRP), the NWCRP, its board members, and certain of the other insurance companies that are members of the NWCRP alleging violations of RICO, as well as claims for conspiracy, fraud, and other state law claims. The counterclaim-defendants and third-party defendants filed motions to dismiss on June 9, 2008. On January 26, 2009, AIG filed a motion to dismiss all claims in the complaint for lack of subject-matter jurisdiction. On February 23, 2009, the Court issued a decision and order sustaining AIG's counterclaims and sustaining, in part, AIG's third-party claims. The Court also dismissed certain of AIG's third-party claims without prejudice. On April 13, 2009, third-party defendant Liberty Mutual filed third-party counterclaims against AIG, certain of its subsidiaries, and former AIG executives. On August 23, 2009, the Court granted AIG's motion to dismiss the complaint for lack of standing. On September 25, 2009, AIG filed its First Amended Complaint, reasserting its RICO claims against certain insurance companies that both underreported their workers' compensation premium and served on the NWCRP Board, and repleading its fraud and other state law claims. Defendants filed a motion to dismiss the First Amended Complaint on October 30, 2009. On October 8, 2009, Liberty Mutual filed an amended counterclaim against AIG. The amended counterclaim is substantially similar to the complaint initially filed by the NWCRP, but also seeks damages related to non-NWCRP states, guaranty funds, and special assessments, in addition to asserting claims for other violations of state law. The amended counterclaim also removes as defendants the former AIG executives. On October 30, 2009, AIG filed a motion to dismiss the Liberty amended counterclaim. Discovery is proceeding and fact discovery is currently scheduled to be completed by March 15, 2011.

On April 1, 2009, Safeco Insurance Company of America and Ohio Casualty Insurance Company filed a complaint in the United States District Court for the Northern District of Illinois, on behalf of a purported class of all NWCRP participant members, against AIG and certain of its subsidiaries with respect to the underpayment by AIG of its residual market assessments for workers' compensation insurance. The complaint was styled as an "alternative complaint," should the Court grant AIG's motion to dismiss the NWCRP lawsuit for lack of subject-matter jurisdiction. The allegations in the class action complaint are substantially similar to those filed by the NWCRP, but the complaint names former AIG executives as defendants and asserts a RICO claim against those executives. On August 28, 2009, the class action plaintiffs filed an amended complaint, removing the AIG executives as defendants. On October 30, 2009, AIG filed a motion to dismiss the amended complaint. Discovery related to class certification issues has begun and is scheduled to be completed by March 12, 2010. Discovery is proceeding and is currently scheduled to be completed by March 15, 2011.

Litigation Matters Relating to AIG's General 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 have intervened in the first-filed action, and the second-filed action has been 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. In addition, the intervenor- plaintiffs originally alleged that various lawyers and law firms who represented parties in the underlying class and derivative litigation (the Lawyer Defendants) were also liable for fraud and suppression, misrepresentation, and breach of fiduciary duty. The complaints filed by the plaintiffs and the intervenor-plaintiffs 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 and have asserted that information concerning the excess policy was publicly disclosed months prior to the approval of the settlement. AIG and its subsidiaries further assert that the current claims are barred by the statute of limitations and that plaintiffs' assertions that the statute was tolled cannot stand against the public

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disclosure of the excess coverage. The plaintiffs and intervenor-plaintiffs, 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 November 26, 2007, the trial court issued an order that dismissed the intervenors' complaint against the Lawyer Defendants and entered a final judgment in favor of the Lawyer Defendants. The matter was stayed pending appeal to the Alabama Supreme Court. In September 2008, the Alabama Supreme Court affirmed the trial court's dismissal of the Lawyer Defendants. After the case was sent back down to the trial court, the intervenor-plaintiffs retained additional counsel the law firm of Haskell Slaughter Young & Rediker, LLC (Haskell Slaughter) and filed an Amended Complaint in Intervention on December 1, 2008. The Amended Complaint in Intervention names only Caremark and AIG and various subsidiaries as defendants and purports to bring claims against all defendants for deceit and conspiracy to deceive. In addition, the Amended Complaint in Intervention purports to bring a claim against AIG and its subsidiaries for aiding and abetting Caremark's alleged deception. The defendants have moved to dismiss the Amended Complaint, and, in the alternative, for a more definite statement. The intervenor-plaintiffs have yet to respond to defendants' motion but have indicated to the court that they intend to remedy any defects in their Amended Complaint by filing another amended complaint. After the appearance of the Haskell Slaughter firm on behalf of the intervenor-plaintiffs, the plaintiffs moved to disqualify all of the lawyers for the intervenor-plaintiffs because, among other things, the Haskell Slaughter firm previously represented Caremark. The intervenor-plaintiffs, in turn, moved to disqualify the lawyers for the plaintiffs in the first-filed action. The trial court heard oral argument on the motions to disqualify on February 6, 2009. On March 2, 2009, both sets of plaintiffs filed motions to withdraw their respective motions to disqualify each other after reaching an agreement among themselves that the Lauriello plaintiffs would act as lead counsel. The McArthur intervenors also moved to withdraw their Amended Complaint in Intervention. The trial court granted all motions to withdraw and ordered the parties to appear on March 26, 2009 for a status conference. Before the conference, the McArthur intervenors purported to dismiss their claims against Lauriello with prejudice pursuant to Ala. R. Civ. P. 41. The defendants argued that such dismissal was improper absent Court approval, but the Court approved the dismissal on April 2, 2009. At a class action scheduling conference held on April 14, 2009, the Court established a schedule for class action discovery that led to a hearing on class certification in March 2010. The Court then entered an order appointing a special master to resolve certain discovery disputes and requiring the parties to submit a new discovery schedule after those disputes are resolved. The parties are presently engaged in class discovery.

Litigation Matters Relating to AIG's Domestic Life Insurance & Retirement Services Operations

Superior National. On December 30, 2004, an arbitration panel issued its ruling in connection with a 1998 workers' compensation quota share reinsurance agreement under which Superior National Insurance Company, among others, was reinsured by USLIFE, a subsidiary of AGC. In its 2-1 ruling, the arbitration panel refused to rescind the contract as requested by USLIFE. Instead, the panel reformed the contract to reduce USLIFE's participation by ten percent. Further, the arbitration ruling established a second phase of arbitration for USLIFE to present its challenges to certain cessions to the contract. In the second phase the arbitration panel issued two awards resolving the challenges in favor of the cedents. On January 4, 2010, the Ninth Circuit Court of Appeals affirmed the arbitration awards. USLIFE is currently considering its legal options. AIG had reserves of $639 million as of March 31, 2010. AIG believes that the reserves should be adequate to fund unpaid claims.

(b) Commitments

Flight Equipment

At March 31, 2010, ILFC had committed to purchase 120 new aircraft deliverable from 2010 through 2019, at an estimated aggregate purchase price of $13.7 billion, including $243 million for 2010. ILFC will be required to find lessees for any aircraft acquired and to arrange financing for a substantial portion of the purchase price.

Included in the 120 new aircraft are 74 Boeing 787 aircraft (B787s), with the first aircraft currently scheduled to be delivered in July 2012. ILFC is in discussion with Boeing related to revisions to the delivery schedule and

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potential delay compensation and penalties for which ILFC may be eligible. ILFC has signed contracts for 29 of the 74 B787s on order. Under the terms of ILFC's B787 leases, the lessees may be entitled to share in any compensation which ILFC receives from Boeing for late delivery of the aircraft.

Other Commitments

On March 29, 2010, AIG's Compensation and Management Resources Committee approved AIG's 2010 Long Term Incentive Plan (LTIP) and an additional component to AIG's 2009 LTIP for middle management employees throughout AIG. Under both plans, recipients were offered the opportunity to receive additional compensation in the form of cash and stock appreciation rights (SARs) if certain metrics are met. The ultimate value is contingent on the achievement of performance measures aligned to the participant's business unit over a two-year period and such value could range from zero to twice the target amount. Subsequent to the performance period, portions of the earned awards are subject to an additional time-vesting period of up to two years. The awards granted to participants based on their target amounts for the 2010 LTIP totaled approximately $380 million for the cash and SARs components, while the SARs component of the 2009 LTIP totaled approximately $90 million. AIG recognizes compensation expense over the vesting period for these plans.

In the normal course of business, AIG enters into commitments to invest in limited partnerships, private equities, hedge funds and mutual funds and to purchase and develop real estate in the U.S. and abroad. These commitments totaled $6.2 billion at March 31, 2010.

On June 27, 2005, AIG entered into an agreement pursuant to which AIG agreed, subject to certain conditions, to make any payment that is not promptly paid with respect to the benefits accrued by certain employees of AIG and its subsidiaries under the SICO Plans (as discussed in (c) below under "Benefits Provided by Starr International Company, Inc.").

(c) Contingencies

Liability for unpaid claims and claims adjustment expense

Although AIG regularly reviews the adequacy of the established Liability for unpaid claims and claims adjustment expense, there can be no assurance that AIG's ultimate Liability for unpaid claims and claims adjustment expense will not develop adversely and materially exceed AIG's current Liability for unpaid claims and claims adjustment expense. Estimation of ultimate net claims, claims adjustment expenses and Liability for unpaid claims and claims adjustment expense is a complex process for long-tail casualty lines of business, which include excess and umbrella liability, directors and officers liability (D&O), professional liability, medical malpractice, workers' compensation, general liability, products liability and related classes, as well as for asbestos and environmental exposures. Generally, actual historical loss development factors are used to project future loss development. However, there can be no assurance that future loss development patterns will be the same as in the past. Moreover, any deviation in loss cost trends or in loss development factors might not be discernible for an extended period of time subsequent to the recording of the initial loss reserve estimates for any accident year. Thus, there is the potential for reserves with respect to a number of years to be significantly affected by changes in loss cost trends or loss development factors that were relied upon in setting the reserves. These changes in loss cost trends or loss development factors could be attributable to changes in inflation, in labor and material costs or in the judicial environment, or in other social or economic phenomena affecting claims.

Benefits Provided by Starr International Company, Inc.

SICO has provided a series of two-year Deferred Compensation Profit Participation Plans (SICO Plans) to certain AIG employees. The SICO Plans were created in 1975 when the voting shareholders and Board of Directors of SICO, a private holding company whose principal asset is AIG Common Stock, decided that a portion of the capital value of SICO should be used to provide an incentive plan for the current and succeeding managements of all American International companies, including AIG.

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None of the costs of the various benefits provided under the SICO Plans has been paid by AIG, although AIG has recorded a charge to reported earnings for the deferred compensation amounts paid to AIG employees by SICO, with an offsetting amount credited to Additional paid-in capital reflecting amounts considered to be contributed by SICO. The SICO Plans provide that shares currently owned by SICO are set aside by SICO for the benefit of the participant and distributed upon retirement. The SICO Board of Directors currently may permit an early payout of units under certain circumstances. Prior to payout, the participant is not entitled to vote, dispose of or receive dividends with respect to such shares, and shares are subject to forfeiture under certain conditions, including but not limited to the participant's voluntary termination of employment with AIG prior to normal retirement age. Under the SICO Plans, SICO's Board of Directors may elect to pay a participant cash in lieu of shares of AIG Common Stock. Following notification from SICO to participants in the SICO Plans that it will settle specific future awards under the SICO Plans with shares rather than cash, AIG modified its accounting for the SICO Plans from variable to fixed measurement accounting. AIG gave effect to this change in settlement method beginning on December 9, 2005, the date of SICO's notice to participants in the SICO Plans.

(d) Guarantees

See Note 7 herein for commitments and guarantees associated with VIEs.

See Note 8 herein for disclosures on derivatives, including AIGFP and MIP written credit default swaps and other derivatives with credit risk-related contingent features.

See Note 15 herein for additional disclosures on guarantees of outstanding debt.

Subsidiaries

AIG has issued unconditional guarantees with respect to the prompt payment, when due, of all present and future payment obligations and liabilities of AIG Financial Products and certain of its subsidiaries arising from transactions entered into by such companies.

In connection with AIGFP's leasing business, AIGFP has issued, in a limited number of transactions, standby letters of credit or similar facilities to equity investors 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 March 31, 2010 was $1.3 billion. In those transactions, AIGFP has agreed to pay such amount if the lessee fails to pay. The amount payable by AIGFP is usually, but not always, partially offset by amounts payable under other instruments typically equal to the accreted value of a deposit held by AIGFP. In the event AIGFP is required to make a payment to the equity investor, the lessee is unconditionally obligated to reimburse AIGFP. To the extent 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. AIGFP selected transactions in which it agreed to provide this product only in circumstances where lessee bankruptcy is considered remote or, in the case of certain municipal lessees, not permitted under current law.

Asset Dispositions

AIG is also subject to financial guarantees and indemnity arrangements in connection with the sales of businesses pursuant to its asset disposition plan, including the sales of AIA and ALICO. The various indemnities and guarantees may be triggered by, among other things, breaches of representations, warranties or covenants provided by AIG. These obligations 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 applicable. AIG is unable to develop an estimate of the maximum payout under certain of these guarantees and indemnifications. However,

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AIG believes that it is unlikely it will have to make any material payments under these arrangements, and no significant liabilities related to these arrangements have been recorded in the Consolidated Balance Sheet. See Note 1 herein for additional information on sales of businesses and asset dispositions.

10. Total Equity and Earnings (Loss) Per Share

The following table provides a reconciliation of the beginning and ending balances of the components of total equity (excluding the effects of redeemable noncontrolling interests):

	2010			2009		
Three Months Ended March 31, *(In millions)*	**Total AIG Shareholders' Equity**	**Non-Controlling Interest**	**Total Equity**	**Total AIG Shareholders' Equity**	**Non-Controlling Interest**	**Total Equity**
Balance, beginning of year	**$ 69,824**	**$ 28,252**	**$ 98,076**	$ 52,710	$ 8,095	$ 60,805
Series C issuance	**-**	**-**	**-**	1	-	1
Series F drawdowns	**2,199**	**-**	**2,199**	-	-	-
Common stock issued under stock plans	**(5)**	**-**	**(5)**	(1)	-	(1)
Cumulative effect of change in accounting principle, net of tax	**(107)**	**-**	**(107)**	15	-	15
Net income (loss)	**1,451**	**133**	**1,584**	(4,353)	(792)	(5,145)
Other comprehensive income (loss)	**1,636**	**(165)**	**1,471**	(2,532)	(87)	(2,619)
Net decrease due to deconsolidation	**-**	**(2,161)**	**(2,161)**	-	476	476
Contributions from noncontrolling interest	**-**	**210**	**210**	-	391	391
Distributions to noncontrolling interests	**-**	**(87)**	**(87)**	-	(589)	(589)
Net income (loss) attributable to noncontrolling nonvoting, callable, junior and senior preferred interests held by the Federal Reserve Bank of New York	**-**	**519**	**519**	-	-	-
Other	**3**	**17**	**20**	(81)	(44)	(125)
Balance, end of period	**$ 75,001**	**$ 26,718**	**$ 101,719**	$ 45,759	$ 7,450	$ 53,209

Preferred Stock

During the first quarter of 2010, AIG drew approximately $2.2 billion under the Department of the Treasury Commitment and, as a result, the liquidation preference of the AIG Series F Preferred Stock increased to $7.543 billion in the aggregate.

As a result of AIG's failure to declare and pay dividends on Series E Fixed Rate Non-Cumulative Perpetual Preferred Stock, par value $5.00 per share (AIG Series E Preferred Stock), and AIG Series F Preferred Stock for four quarterly dividend payment periods, the United States Department of the Treasury, as the sole holder of the AIG Series E Preferred Stock and AIG Series F Preferred Stock, exercised its right and elected Ronald A. Rittenmeyer and Donald H. Layton (the Preferred Directors) to the Board of Directors of AIG (the Board) by written consent

effective April 1, 2010. The Preferred Directors are to hold office until the next annual meeting (or special meeting called for the purpose of electing directors) or until all the dividends payable on all outstanding shares of the AIG Series E Preferred Stock and the AIG Series F Preferred Stock have been declared and paid in full for four consecutive quarters.

See Note 16 of Notes to Consolidated Financial Statements of AIG's 2009 Annual Report on Form 10-K for a discussion of the terms of AIG's outstanding Preferred Stock.

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Accumulated Other Comprehensive Income (Loss)

A rollforward of Accumulated other comprehensive income (loss) is as follows:

Three Months Ended March 31, 2010 *(in millions)*	Unrealized Appreciation (Depreciation) of Fixed Maturity Investments on Which Other-Than-Temporary Credit Impairments Were Taken	Unrealized Appreciation (Depreciation) of All Other Investments	Foreign Currency Translation Adjustments	Net Derivative Gains (losses) Arising from Cash Flow Hedging Activities	Retirement Plan Liabilities Adjustment	Total
Balance, beginning of year, net of tax	$ (1,810)	$ 7,145	$ 1,630	$ (128)	$ (1,144)	$ 5,693
Unrealized appreciation (depreciation) of investments	993	2,531	-	-	-	3,524
Net changes in foreign currency translation adjustments	-	-	(958)	-	-	(958)
Net gains (losses) on cash flow hedges	-	-	-	24	-	24
Net actuarial gain	-	-	-	-	78	78
Prior service cost	-	-	-	-	(1)	(1)
Deferred tax asset (liability)	(220)	(1,374)	429	(2)	(24)	(1,191)
Total other comprehensive income	773	1,157	(529)	22	53	1,476
Cumulative effect of change in accounting principle, net of tax	-	(276)	-	-	-	(276)
Noncontrolling interests	5	(60)	(105)	-	-	(160)
Balance, end of period, net of tax	$ (1,042)	$ 8,086	$ 1,206	$ (106)	$ (1,091)	$ 7,053

Noncontrolling interests

In connection with the ongoing execution of its orderly asset disposition plan, as well as plans to timely repay the FRBNY Credit Facility, on November 30, 2009, AIG transferred two of its wholly owned businesses, AIA and ALICO, to two newly-created special purpose vehicles (SPVs) in exchange for all the common and preferred interests of those SPVs. On December 1, 2009, AIG transferred the preferred interests in the SPVs to the FRBNY in consideration for a $25 billion reduction of the outstanding loan balance and of the maximum amount of credit available under the FRBNY Credit Facility and amended the terms of the Facility as discussed below.

The common interests, which were retained by AIG, entitle AIG to 100 percent of the voting power of the SPVs. The voting power allows AIG to elect the boards of managers of the SPVs, who oversee the management and operation of the SPVs. Primarily due to the substantive participation rights of the preferred interests, the SPVs were determined to be variable interest entities. As the primary beneficiary of the SPVs, AIG consolidates the SPVs.

The preferred interests are redeemable at the option of AIG and are transferable at the FRBNY's discretion. If the FRBNY obtains control of the SPVs, through a default by AIG under the FRBNY Credit Agreement or otherwise, the agreements governing the transactions explicitly prohibit redemption of the preferred interests. In the event the board of managers of either SPV initiates a public offering, liquidation or winding up or a voluntary sale of the SPV, the proceeds must be distributed to the preferred interests until the preferred interests' redemption value has been paid. The redemption value of the preferred interests is the liquidation preference, which includes any undistributed preferred returns through the redemption date, and the amount of distributions that the preferred interests would receive in the event of a 100 percent distribution to all the common and preferred interest holders at the redemption date as described below.

See Note 16 of Notes to Consolidated Financial Statements of AIG's 2009 Annual Report on Form 10-K for further discussion of the terms of the junior and senior non-voting, callable preferred interests.

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Earnings (Loss) Per Share (EPS)

Basic and diluted earnings (loss) per share are based on the weighted average number of common shares outstanding, adjusted to reflect all stock dividends and stock splits. Diluted earnings per share is based on those shares used in basic EPS plus shares that would have been outstanding assuming issuance of common shares for all dilutive potential common shares outstanding, adjusted to reflect all stock dividends and stock splits. Basic earnings (loss) per share is not affected by outstanding stock purchase contracts. Diluted earnings per share is determined considering the potential dilution from outstanding stock purchase contracts using the treasury stock method and will not be affected by outstanding stock purchase contracts until the applicable market value per share exceeds $912.

In connection with the issuance of the AIG Series C Perpetual, Convertible, Participating Preferred Stock, par value $5.00 per share (AIG Series C Preferred Stock), AIG began applying the two-class method for calculating EPS. The two-class method is an earnings allocation method for computing EPS when a company's capital structure includes either two or more classes of common stock or common stock and participating securities. This method determines EPS based on dividends declared on common stock and participating securities (i.e., distributed earnings) as well as participation rights of participating securities in any undistributed earnings.

The following table presents computation of basic and diluted EPS:

Three Months Ended March 31, *(dollars in millions, except per share data)*		**2010**		**2009**
Numerator for EPS:				
Income (loss) from continuing operations	**$**	**926**	$	(5,213)
Net Income (loss) from continuing operations attributable to noncontrolling interests:				
Noncontrolling nonvoting, callable, junior and senior preferred interests held by Federal Reserve Bank of New York		**519**		-
Other		**129**		(774)
Total net income (loss) from continuing operations attributable to noncontrolling interests		**648**		(774)
Net income (loss) attributable to AIG from continuing operations		**278**		(4,439)
Income from discontinued operations	**$**	**1,173**	$	80
Loss from discontinued operations attributable to noncontrolling interests		**-**		(6)
Net income attributable to AIG from discontinued operations		**1,173**		86
Cumulative dividends on AIG Series D Fixed Rate Cumulative Perpetual Preferred Stock, par value $5.00 per share		**-**		(1,012)
Income allocated to AIG Series C Preferred Stock continuing operations		**(222)**		-
Net Income (loss) attributable to AIG from continuing operations, applicable to common stock for EPS		**56**		(5,451)
Income allocated to AIG Series C Preferred Stock discontinued operations		**(935)**		-
Net Income attributable to AIG from discontinued operations, applicable to common stock for EPS	**$**	**238**	$	86

Denominator for EPS:

Weighted average shares outstanding basic		**135,658,680**	135,252,869
Dilutive shares*		**66,259**	-
Weighted average shares outstanding diluted		**135,724,939**	135,252,869
EPS attributable to AIG:			
Basic:			
Income (loss) from continuing operations	**$**	**0.41**	$ (40.29)
Income from discontinued operations	**$**	**1.75**	$ 0.62
Diluted:			
Income (loss) from continuing operations	**$**	**0.41**	$ (40.29)
Income from discontinued operations	**$**	**1.75**	$ 0.62

* *Diluted shares are calculated using the treasury stock method and include dilutive shares from share-based employee compensation plans, and the AIG Series F Warrants. The number of shares excluded from diluted shares outstanding were 12 million for both the three-month periods ended March 31, 2010 and 2009, because the effect would have been anti-dilutive.*

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11. Restructuring

Since September 2008, AIG has been working to execute an orderly disposition plan of non-core businesses and assets, protect and enhance the value of its key businesses, and position itself for the future. AIG continually reassesses this plan to maximize value while maintaining flexibility in its liquidity and capital, and expects to accomplish this over a longer time frame than originally contemplated.

Successful execution of the restructuring plan involves significant separation activities. Accordingly, in 2008 AIG established retention programs for its key employees to maintain ongoing business operations and to facilitate the successful execution of the restructuring plan. Additionally, given the market disruption in the first quarter of 2008, AIGFP established a retention plan for its employees to manage and unwind its complex businesses. Other major activities include the separation of shared services, corporate functions, infrastructure and assets among business units.

In connection with its restructuring and separation activities, AIG expects to incur significant expenses, including legal, banking, accounting, consulting and other professional fees. In addition, AIG is contractually obligated to reimburse or advance certain professional fees and other expenses incurred by the FRBNY and the trustees of the AIG Credit Facility Trust, a trust established for the sole benefit of the United States Treasury (together with its trustees, the Trust).

Based on AIG's announced plans, AIG has made estimates of these expenses, although for some restructuring and separation activities estimates cannot be reasonably made due to the evolving nature of the plans and the uncertain timing of the transactions involved. Future reimbursement or advancement payments to the FRBNY and the trustees cannot reasonably be estimated by AIG. Even for those expenses that have been estimated, actual expenses will vary depending on the identity of the ultimate purchasers of the divested entities or counterparties to transactions, the transactions and activities that ultimately are consummated or undertaken, and the ultimate time period over which these activities occur.

For those restructuring and separation expenses that have been cumulatively incurred or can be reasonably expected to be incurred, the total expenses are approximately $2.1 billion and $2.3 billion, respectively, at March 31, 2010, as set forth in the table below. These amounts exclude expenses that could not be reasonably estimated at March 31, 2010, as well as expenses (principally professional fees) that are expected to be capitalized. With respect to the FRBNY and the trustees of the Trust, these amounts include only actual reimbursement and advancement payments made through March 31, 2010.

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Restructuring expenses and related asset impairment and other expenses by reportable segment consisted of the following:

(in millions)	General Insurance	Domestic Life Insurance & Retirement Services	Foreign Life Insurance & Retirement Services	Financial Services[a]	Other[b]	Total
Three Months Ended March 31, 2010						
Restructuring expenses	$ -	$ -	$ 8	$ -	$ 104	$ 112
Separation expenses	3	3	-	(9)	1	(2)
Total	$ 3	$ 3	$ 8	$ (9)	$ 105	$ 110
Three Months Ended March 31, 2009						
Restructuring expenses	$ -	$ 2	$ -	$ 58	$ 136	$ 196
Separation expenses	31	24	6	51	30	142
Total	$ 31	$ 26	$ 6	$ 109	$ 166	$ 338
Cumulative amounts incurred since inception of restructuring plan	$ 270	$ 154	$ 110	$ 627	$ 915	$ 2,076
Total amounts expected to be incurred[c]	$ 270	$ 171	$ 110	$ 688	$ 1,090	$ 2,329

(a) *Benefit in 2010 relates to returned AIGFP retention awards.*

(b) *Primarily includes professional fees related to (i) disposition activities and (ii) AIG's capital restructuring program with the FRBNY and the Department of the Treasury.*

(c) *Includes cumulative amounts incurred and future amounts to be incurred that can be reasonably estimated at March 31, 2010.*

A rollforward of the restructuring liability, reported in Other liabilities on AIG's Consolidated Balance Sheet, for the three months ended March 31, 2010 and the cumulative amounts incurred since inception of the restructuring plan, and the total amounts expected to be incurred are summarized as follows:

Three Months Ended March 31, 2010 *(in millions)*	Severance Expenses	Contract Termination Expenses	Asset Write-Downs	Other Exit Expenses[(a)]	Subtotal Restructuring Expenses	Separation Expenses	Total Restructuring and Separation Expenses
Balance, beginning of year	$ 125	$ 20	$ -	$ 81	$ 226	$ 360	$ 586
Additional charges	-	1	13	37	51	25	76
Cash payments	(65)	(5)	-	(64)	(134)	(216)	(350)
Non-cash items[(b)]	-	-	(13)	(1)	(14)	(16)	(30)
Changes in estimates	(6)	1	-	69	64	(27)	37
Activity of discontinued operations	-	(1)	-	-	(1)	(43)	(44)
Reclassified to Liabilities of businesses held for sale	(3)	(1)	-	(7)	(11)	(53)	(64)
Balance, end of period	$ 51	$ 15	$ -	$ 115	$ 181	$ 30	$ 211
Cumulative amounts incurred since inception of restructuring plan	$ 225	$ 79	$ 192	$ 668	$ 1,164	$ 915	$ 2,079
Total amounts expected to be incurred[(c)]	$ 225	$ 112	$ 192	$ 865	$ 1,394	$ 935	$ 2,329

(a) *Primarily includes professional fees related to (i) disposition activities, (ii) AIG's capital restructuring program with the FRBNY and the Department of the Treasury and (iii) unwinding most of AIGFP's businesses and portfolios.*

(b) *Primarily represents asset impairment charges, foreign currency translation and reclassification adjustments.*

(c) *Includes cumulative amounts incurred and future amounts to be incurred that can be reasonably estimated at March 31, 2010.*

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12. Ownership

(a) According to the Schedule 13D as amended through March 17, 2010, filed by Maurice R. Greenberg, Edward E. Matthews, Starr International Company, Inc. (Starr International), C.V. Starr & Co. (CV Starr), Inc. and Universal Foundation, Inc. (Universal Foundation) (collectively, the Starr Group), the Starr Group could be deemed to beneficially own 14,105,606 shares of AIG Common Stock at that date. Each of the Maurice R. and Corinne P. Greenberg Family Foundation, Inc., the Maurice R. and Corinne P. Greenberg Joint Tenancy, LLC and C.V. Starr & Co., Inc. Trust no longer has the power to vote or direct the disposition of any shares of AIG Common Stock. Based on the shares of AIG Common Stock outstanding at April 30, 2010, this ownership would represent approximately 10.4 percent of the common stock of AIG. Although these reporting persons may have made filings under Section 16 of the Securities Exchange Act of 1934 (the Exchange Act), reporting sales of shares of common stock, no amendment to the Schedule 13D has been filed to report a change in ownership subsequent to March 17, 2010.

(b) For discussion of the AIG Series C Preferred Stock and the ownership by the Trust, see Note 16 of Notes to Consolidated Financial Statements of AIG's 2009 Annual Report on Form 10-K .

13. Employee Benefits

The following table presents the components of net periodic benefit cost with respect to pensions and other postretirement benefits:

	Pensions			Postretirement		
(in millions)	Non U.S. Plans*	U.S. Plans	Total	Non U.S. Plans*	U.S. Plans	Total
Three Months Ended March 31, 2010						
Components of net periodic benefit cost:						
Service cost	**$ 32**	**$ 36**	**$ 68**	**$ 2**	**$ 2**	**$ 4**
Interest cost	**15**	**54**	**69**	**1**	**4**	**5**
Expected return on assets	**(7)**	**(64)**	**(71)**	**-**	**-**	**-**
Amortization of prior service credit	**(2)**	**-**	**(2)**	**-**	**-**	**-**
Amortization of net loss	**11**	**12**	**23**	**-**	**-**	**-**
Other	**(1)**	**-**	**(1)**	**-**	**-**	**-**
Net periodic benefit cost	**$ 48**	**$ 38**	**$ 86**	**$ 3**	**$ 6**	**$ 9**
Three Months Ended March 31, 2009						
Components of net periodic benefit cost:						
Service cost	$ 31	$ 41	$ 72	$ 3	$ 3	$ 6
Interest cost	16	55	71	1	4	5
Expected return on assets	(9)	(55)	(64)	-	-	-
Amortization of prior service credit	(3)	-	(3)	-	-	-
Amortization of net loss	11	24	35	-	-	-
Other	3	-	3	-	(3)	(3)
Net periodic benefit cost	$ 49	$ 65	$ 114	$ 4	$ 4	$ 8

*

Non U.S. pension and post-retirement costs shown above include $21 million and $2 million, respectively, for the three months ended March 31, 2010 and $19 million and $2 million respectively, for the three months ended March 31, 2009 associated with discontinued operations.

At December 31, 2009, AIG's non-U.S. pension and post retirement plans were underfunded by $1.6 billion and $106 million, respectively. Those amounts included $548 million and $61 million, respectively, for pension and postretirement plans that are now classified as liabilities held for sale.

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As a result of the Fuji acquisition, AIG assumed the obligations related to the Fuji plans. As of December 31, 2009, Fuji's aggregate projected benefit obligation and plan assets were $252 million and $292 million, respectively. See Note 4 herein for more information on the Fuji acquisition.

For the three-month period ended March 31, 2010, AIG contributed $37 million to its U.S. and non-U.S. pension plans and expects to contribute an additional $97 million for the remainder of 2010. These estimates are subject to change since contribution decisions are affected by various factors, including AIG's liquidity, asset dispositions, market performance and management discretion.

14. Income Taxes

Interim Period Tax Assumptions and Effective Tax Rates

AIG's actual income tax (benefit) expense differs from the statutory U.S. federal amount computed by applying the federal income tax rate due to the following:

Three Months Ended March 31,		**2010**	
(dollars in millions)	**Pre-Tax Income**	**Amount**	**Percent of Pre-tax Income**
U.S. federal income tax at statutory rate	**$ 1,871**	**$ 655**	35.0%
Adjustments:			
Tax exempt interest		**(155)**	(8.3)
Variable interest entity (income) loss		**30**	1.6
State income taxes		**(86)**	(4.6)
Other		**(21)**	(1.1)
Effect of discontinued operations		**166**	8.9
State tax valuation allowance continuing operations		**65**	3.5
Reduction of valuation allowance continuing operations		**(216)**	(11.6)
Reduction of valuation allowance discontinued operations		**(665)**	(35.5)
Total income tax benefit		**(227)**	(12.1)
Amount included in discontinued operations	**(1,036)**	**(137)**	(13.2)
Tax benefit from continuing operations	**$ 835**	**$ (91)**	(10.9)%

AIG's income tax benefit from continuing operations for the three months ended March 31, 2010 and 2009 is comprised of the following:

(in millions)	**2010**	**2009**
Current tax provision (benefit)	**$ 849**	$ 301
Deferred tax provision (benefit)	**(940)**	(1,604)
Total tax provision (benefit) attributable to continuing operations	**$ (91)**	$ (1,303)

AIG is unable to estimate the annual effective tax rate for 2010 due to the significant variations in the customary relationship between income tax expense and pre-tax accounting income or loss; consequently, the actual effective tax rate for the interim period is being utilized.

For the three-month period ended March 31, 2010, the effective tax rate on the pre-tax income from continuing operations was (10.9) percent and the effective tax rate on the pre-tax income included in discontinued operations was (13.2) percent. The effective tax rate was negative because AIG recorded a tax benefit on pre-tax income. The tax benefit was primarily due to decreases in the deferred tax asset valuation allowance of $82 million related to certain subsidiaries that file separate income tax returns, $140 million which principally offsets the tax expense related to the pre-tax income from continuing operations earned during the quarter, and $665 million related to

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changes in value of subsidiaries to be sold and included in discontinued operations. In making its determination of the fair values of the subsidiaries to be sold, AIG considered, among other information, valuations prepared for various purposes by third parties.

The effective tax rate on the pre-tax loss from continuing operations for the three-month period ended March 31, 2009 was 20.0 percent. The effective tax rate was lower than the statutory rate due primarily to a $1.6 billion increase in the deferred tax asset valuation allowance against a portion of AIG's net deferred tax asset, partially offset by $632 million of deferred tax benefits mainly attributable to the book to tax basis differences of AIG Parent's investment in subsidiaries and other discrete period items.

The following table provides a roll forward of the net deferred tax asset from December 31, 2009 to March 31, 2010:

	Net Deferred Tax Asset Before Valuation Allowance	Valuation Allowance	Net Deferred Tax Asset
Net deferred tax asset at December 31, 2009	$ 29,589	$ (23,705)	$ 5,884
Benefit (provision) continuing operations	789	151	940
Benefit (provision) discontinued operations	(570)	665	95
Deferred taxes on components of shareholders' equity	(952)	(183)	(1,135)
Deferred taxes of acquired entities	511	(509)	2
Deferred taxes of deconsolidated entities	(158)	-	(158)
Less: Net deferred tax liabilities reclassified as held-for-sale	1,225	1,325	2,550
Net deferred tax asset at March 31, 2010	$ 30,434	$ (22,256)	$ 8,178

Valuation Allowances on Deferred Tax Assets

AIG evaluates the recoverability of the deferred tax asset and establishes a valuation allowance, if necessary, to reduce the deferred tax asset to an amount that is more likely than not to be realized (a likelihood of more than 50 percent). Significant judgment is required to determine whether a valuation allowance is necessary and the amount of such valuation allowance, if appropriate.

When making its assessment about the realization of its deferred tax asset at March 31, 2010, AIG considered all available evidence, as required by income tax accounting guidance, including:

- the nature, frequency, and severity of current and cumulative financial reporting losses;
- certain transactions, including the recognition of the gain on the sale of the Otemachi building in Tokyo, and the sales of AIA and ALICO expected to be completed in 2010;
- the carryforward periods for the net operating and capital loss and foreign tax credit carryforwards; and
- tax planning strategies that would be implemented, if necessary, to protect the loss of the deferred tax asset.

Estimates of future taxable income generated from specific transactions and tax planning strategies discussed above could change in the near term, perhaps materially, which may require AIG to adjust its valuation allowance. Such adjustment, either positive or negative, could be material to AIG's consolidated financial condition or its results of operations for an individual reporting period.

At March 31, 2010 and December 31, 2009, AIG's U.S. consolidated income tax group had a net deferred tax asset after valuation allowance of $8.3 billion and $8.6 billion, respectively. Realization of AIG's net deferred tax asset depends upon its ability to generate sufficient earnings from transactions expected to be completed in the

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near future and tax planning strategies that would be implemented, if necessary, to protect against the loss of the deferred tax asset, but does not depend on projected future operating income.

At March 31, 2010 and December 31, 2009, AIG's U.S. consolidated income tax group had deferred tax asset valuation allowances of $19.6 billion and $20.4 billion, respectively. The change in the deferred tax asset valuation allowances is primarily due to an increase in estimated value to be realized on the expected sale of certain subsidiaries classified as discontinued operations.

At March 31, 2010 and December 31, 2009, AIG had net deferred tax liabilities of $0.1 billion and $2.7 billion, respectively, related to foreign subsidiaries, state and local tax jurisdictions, and certain domestic subsidiaries that file separate tax returns. The change is primarily due to deferred tax liabilities of $2.6 billion reclassified as businesses held for sale.

At March 31, 2010 and December 31, 2009, AIG had deferred tax asset valuation allowances of $2.7 billion and $3.3 billion, respectively, related to foreign subsidiaries, state and local tax jurisdictions, and certain domestic subsidiaries that file separate tax returns. The change is primarily due to deferred tax asset valuation allowances of $1.3 billion reclassified as businesses held for sale offset by an additional deferred tax asset valuation allowance of $0.5 billion associated with the purchase of additional shares of Fuji, recorded through purchase accounting.

At both March 31, 2010 and December 31, 2009, AIG had a deferred tax asset related to stock compensation of $178 million. Due to AIG's current stock price, this deferred tax asset may not be realizable in the future. The accounting guidance for share based payments precludes AIG from recognizing an impairment charge on this asset until the related stock awards are exercised, vest or expire. Any charge associated with the deferred tax asset is reported in Additional paid-in capital until the pool of previously recognized tax benefits recorded in Additional paid-in capital is reduced to zero. Income tax expense would be recognized for any additional charge. At March 31, 2010 and December 31, 2009, the pool of previously recognized tax benefits recorded in Additional paid-in capital was $135.2 million and $142.6 million, respectively.

Accounting for Uncertainty in Income Taxes

At March 31, 2010 and December 31, 2009, AIG's unrecognized tax benefits, excluding interest and penalties, were $4.6 billion and $4.8 billion, respectively. At March 31, 2010 and December 31, 2009, AIG's unrecognized tax benefits included $1.2 billion and $1.4 billion, respectively, related to tax positions the disallowance of which would not affect the effective tax rate as they relate to such factors as the timing, rather than the permissibility, of the deduction. Accordingly, at March 31, 2010 and December 31, 2009, the amounts of unrecognized tax benefits that, if recognized, would favorably affect the effective tax rate were $3.4 billion and $3.4 billion, respectively.

Interest and penalties related to unrecognized tax benefits are recognized in income tax expense. At March 31, 2010 and December 31, 2009 AIG had accrued $762 million and $835 million, respectively, for the payment of interest (net of the federal benefit) and penalties. For the three-month periods ended March 31, 2010 and 2009, AIG recognized $11 million and $(10) million, respectively, of interest (net of the federal benefit) and penalties in the Consolidated Statement of Income (Loss).

AIG regularly evaluates adjustments proposed by taxing authorities. At March 31, 2010, such proposed adjustments would not have resulted in a material change to AIG's consolidated financial condition, although it is possible that the effect could be material to AIG's consolidated results of operations for an individual reporting period. Although it is reasonably possible that a change in the balance of unrecognized tax benefits may occur within the next twelve months, at this time it is not possible to estimate the range of the change due to the uncertainty of the potential outcomes.

15. Information Provided in Connection With Outstanding Debt

The following condensed consolidating financial statements reflect the results of AIG Life Holdings (US), Inc. (AIGLH), formerly known as American General Corporation, a holding company and a wholly owned subsidiary of AIG. AIG provides a full and unconditional guarantee of all outstanding debt of AIGLH.

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Condensed Consolidating Balance Sheet

(in millions)	American International Group, Inc. (As Guarantor)	AIGLH[(a)]	Other Subsidiaries	Reclassifications and Eliminations	Consolidated AIG
March 31, 2010					
Assets:					
Investments[(a)]	**$ 9,271**	**$ -**	**$ 584,700**	**$ (144,924)**	**$ 449,047**
Cash	**360**	**-**	**1,773**	**-**	**2,133**
Loans to subsidiaries[(b)]	**74,191**	**-**	**(74,191)**	**-**	**-**
Debt issuance costs, including prepaid commitment asset of $6,460	**6,739**	**-**	**212**	**-**	**6,951**
Investment in consolidated subsidiaries[(b)]	**76,020**	**29,941**	**(1,950)**	**(104,011)**	**-**
Other assets, including current and deferred income taxes	**11,035**	**2,650**	**138,630**	**(3,189)**	**149,126**
Assets of businesses held for sale	**-**	**-**	**253,301**	**3,139**	**256,440**
Total assets	**$ 177,616**	**$ 32,591**	**$ 902,475**	**$ (248,985)**	**$ 863,697**
Liabilities:					
Insurance liabilities	**$ -**	**$ -**	**$ 316,096**	**$ (368)**	**$ 315,728**
Federal Reserve Bank of New York Commercial Paper Funding Facility	**-**	**-**	**2,285**	**-**	**2,285**
Federal Reserve Bank of New York credit facility	**27,400**	**-**	**-**	**-**	**27,400**
Other debt	**43,378**	**2,137**	**208,608**	**(144,379)**	**109,744**
Other liabilities, including intercompany balances[(a)(c)]	**31,837**	**4,227**	**51,843**	**(863)**	**87,044**
Liabilities of businesses held for sale	**-**	**-**	**217,801**	**36**	**217,837**
Total liabilities	**102,615**	**6,364**	**796,633**	**(145,574)**	**760,038**
Redeemable noncontrolling interests in partially owned consolidated subsidiaries (including $1,270 associated with businesses held for sale in 2010)	**-**	**-**	**1,282**	**658**	**1,940**
Total AIG shareholders' equity	**75,001**	**26,227**	**103,036**	**(129,263)**	**75,001**
Noncontrolling interests:					
Noncontrolling nonvoting, callable, junior and senior preferred interest held by Federal Reserve Bank of New York	**-**	**-**	**-**	**25,059**	**25,059**
Other (including $374 million associated with businesses held for sale in 2010)	**-**	**-**	**1,524**	**135**	**1,659**
Total noncontrolling interests	**-**	**-**	**1,524**	**25,194**	**26,718**
Total equity	**75,001**	**26,227**	**104,560**	**(104,069)**	**101,719**
Total liabilities and equity	**$ 177,616**	**$ 32,591**	**$ 902,475**	**$ (248,985)**	**$ 863,697**
December 31, 2009					
Assets:					
Investments[(a)]	$ 10,702	$ -	$ 736,977	$ (146,514)	$ 601,165
Cash	57	2	4,341	-	4,400
Loans to subsidiaries[(b)]	72,926	-	(72,926)	-	-
	7,383	-	159	-	7,542

Debt issuance costs, including prepaid commitment asset of $7,099					
Investment in consolidated subsidiaries[(b)]	71,419	28,580	(980)	(99,019)	-
Other assets, including current and deferred income taxes	10,986	2,618	164,670	(175)	178,099
Assets of businesses held for sale	-	-	56,379	-	56,379
Total assets	$ 173,473	$ 31,200	$ 888,620	$ (245,708)	$ 847,585
Liabilities:					
Insurance liabilities	$ -	$ -	$ 461,706	$ (409)	$ 461,297
Federal Reserve Bank of New York Commercial Paper Funding Facility	-	-	4,739	-	4,739
Federal Reserve Bank of New York credit facility	23,435	-	-	-	23,435
Other debt	45,436	2,097	210,512	(144,747)	113,298
Other liabilities, including intercompany balances[(a)(c)]	34,778	4,209	60,135	(1,940)	97,182
Liabilities of businesses held for sale	-	-	48,599	-	48,599
Total liabilities	103,649	6,306	785,691	(147,096)	748,550
Redeemable noncontrolling interests in partially owned consolidated subsidiaries	-	-	177	782	959
Total AIG shareholders' equity	69,824	24,894	83,303	(108,197)	69,824
Noncontrolling interests:					
Noncontrolling nonvoting, callable, junior and senior preferred interest held by Federal Reserve Bank of New York	-	-	15,596	8,944	24,540
Other (including $2.2 billion associated with businesses held for sale in 2009)	-	-	3,853	(141)	3,712
Total noncontrolling interests	-	-	19,449	8,803	28,252
Total equity	69,824	24,894	102,752	(99,394)	98,076
Total liabilities and equity	$ 173,473	$ 31,200	$ 888,620	$ (245,708)	$ 847,585

(a) *Includes intercompany derivative positions, which are reported at fair value before credit valuation adjustment.*

(b) *Eliminated in consolidation.*

(c) *For March 31, 2010 and December 31, 2009, includes intercompany tax payable of $28.7 billion and $28.7 billion, respectively, for American International Group, Inc. (As Guarantor) and intercompany tax receivable of $60 million and $45 million, respectively, for AIGLH.*

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American International Group, Inc., and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(unaudited)*

Condensed Consolidating Statement of Income (Loss)

(in millions)	American International Group, Inc. (As Guarantor)	AIGLH	Other Subsidiaries	Reclassifications and Eliminations	Consolidated AIG
Three Months Ended March 31, 2010					
Revenues:					
Equity in undistributed net income (loss) of consolidated subsidiaries[a]	$ 910	$ 255	$ -	$ (1,165)	$ -
Dividend income from consolidated subsidiaries[a]	290	-	-	(290)	-
Change in fair value of ML III	-	-	751	-	751
Other revenue[b]	981	53	14,545	-	15,579
Total revenues	2,181	308	15,296	(1,455)	16,330
Expenses:					
Accrued and compounding interest	194	-	-	(65)	129
Amortization of prepaid commitment asset	639	-	-	(118)	521
Total Interest expense on FRBNY Credit Facility	833	-	-	(183)	650
Other interest expense	607	92	385	-	1,084
Restructuring expenses and related asset impairment and other expenses	97	-	13	-	110
Other expense	58	-	13,593	-	13,651
Total expenses	1,595	92	13,991	(183)	15,495
Income (loss) from continuing operations before income tax expense (benefit)	586	216	1,305	(1,272)	835
Income tax expense (benefit)[c]	(865)	(12)	786	-	(91)
Income (loss) from continuing operations	1,451	228	519	(1,272)	926

Income (loss) from discontinued operations	**-**	**-**	**1,356**	**(183)**	**1,173**
Net income (loss)	**1,451**	**228**	**1,875**	**(1,455)**	**2,099**
Less:					
Net Income (loss) from continuing operations attributable to noncontrolling interests:					
Noncontrolling nonvoting, callable, junior and senior preferred interests held by Federal Reserve Bank of New York	**-**	**-**	**-**	**519**	**519**
Other	**-**	**-**	**129**	**-**	**129**
Total income (loss) from continuing operations attributable to noncontrolling interests	**-**	**-**	**129**	**519**	**648**
Income (loss) from discontinued operations attributable to noncontrolling interests	**-**	**-**	**-**	**-**	**-**
Total net income (loss) attributable to noncontrolling interests	**-**	**-**	**129**	**519**	**648**
Net income (loss) attributable to AIG	**$ 1,451**	**$ 228**	**$ 1,746**	**$ (1,974)**	**$ 1,451**
Three Months Ended March 31, 2009					
Revenues:					
Equity in undistributed net income (loss) of consolidated subsidiaries[(a)]	$ (2,598)	$ (1,022)	$ -	$ 3,620	$ -
Dividend income from consolidated subsidiaries[(a)]	226	-	-	(226)	-
Change in fair value of ML III	(1,940)	-	-	-	(1,940)
Other revenue[(b)]	1,436	53	13,766	-	15,255
Total revenues	(2,876)	(969)	13,766	3,394	13,315
Expenses:					
Accrued and compounding interest	708	-	-	(141)	567
Amortization of prepaid commitment asset	822	-	-	(117)	705
Total Interest expense on FRBNY Credit Facility	1,530	-	-	(258)	1,272

Other interest expense	644	82	589	-	1,315
Restructuring expenses and related asset impairment and other expenses	120	-	218	-	338
Other expenses	136	-	16,770	-	16,906
Total expenses	2,430	82	17,577	(258)	19,831
Income (loss) from continuing operations before income tax expense (benefit)	(5,306)	(1,051)	(3,811)	3,652	(6,516)
Income tax expense (benefit)[(c)]	(953)	(8)	(342)	-	(1,303)
Income (loss) from continuing operations	(4,353)	(1,043)	(3,469)	3,652	(5,213)
Income (loss) from discontinued operations	-	-	338	(258)	80
Net income (loss)	(4,353)	(1,043)	(3,131)	3,394	(5,133)
Less:					
Net income (loss) from continuing operations attributable to noncontrolling interests	-	-	(774)	-	(774)
Income (loss) from discontinued operations attributable to noncontrolling interests	-	-	(6)	-	(6)
Total net income (loss) attributable to noncontrolling interests	-	-	(780)	-	(780)
Net loss attributable to AIG	$ (4,353)	$ (1,043)	$ (2,351)	$ 3,394	$ (4,353)

(a) *Eliminated in consolidation.*

(b) *Includes interest income of $856 million and $1.3 billion for the three-month periods ended March 31, 2010 and 2009, respectively, for American International Group, Inc. (As Guarantor).*

(c) *Income taxes recorded by American International Group, Inc. (As Guarantor) include deferred tax expense attributable to the pending sale of foreign businesses and a valuation allowance to reduce the consolidated deferred tax asset to the amount more likely than not to be realized. See Note 14 herein for additional information.*

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American International Group, Inc., and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(unaudited)*

Condensed Consolidating Statement of Cash Flows

(in millions)	American International Group, Inc. (As Guarantor)	AIGLH	Other Subsidiaries and Eliminations	Consolidated AIG
Three Months Ended March 31, 2010				
Net cash (used in) provided by operating activities continuing operations	**$ (83)**	**$ (111)**	**$ 539**	**$ 345**
Net cash (used in) provided by operating activities discontinued operations	**-**	**-**	**2,850**	**2,850**
Net cash (used in) provided by operating activities	**(83)**	**(111)**	**3,389**	**3,195**
Cash flows from investing activities:				
Sales of investments	**490**	**-**	**17,174**	**17,664**
Sales of divested businesses, net	**262**	**-**	**1,209**	**1,471**
Purchase of investments	**(81)**	**-**	**(19,225)**	**(19,306)**
Loans to subsidiaries net	**(881)**	**-**	**881**	**-**
Contributions to subsidiaries	**(2,171)**	**-**	**2,171**	**-**
Other, net	**(179)**	**-**	**(1,106)**	**(1,285)**
Net cash (used in) provided by investing activities continuing operations	**(2,560)**	**-**	**1,104**	**(1,456)**
Net cash (used in) provided by investing activities discontinued operations	**-**	**-**	**(3,060)**	**(3,060)**
Net cash (used in) provided by investing activities	**(2,560)**	**-**	**(1,956)**	**(4,516)**
Cash flows from financing activities:				
Federal Reserve Bank of New York credit facility borrowings	**8,300**	**-**	**-**	**8,300**
Federal Reserve Bank of New York credit facility repayments	**(4,520)**	**-**	**(31)**	**(4,551)**
Issuance of other long-term debt	**-**	**-**	**4,170**	**4,170**
Repayments on other long-term debt	**(1,398)**	**-**	**(5,745)**	**(7,143)**
Drawdown on the Department of the Treasury Commitment	**2,199**	**-**	**-**	**2,199**
Intercompany loans net	**(1,635)**	**109**	**1,526**	**-**
Other, net	**-**	**-**	**(3,394)**	**(3,394)**
Net cash (used in) provided by financing activities continuing operations	**2,946**	**109**	**(3,474)**	**(419)**
Net cash (used in) provided by financing activities discontinued operations	**-**	**-**	**153**	**153**
Net cash (used in) provided by financing activities	**2,946**	**109**	**(3,321)**	**(266)**
Effect of exchange rate changes on cash	**-**	**-**	**(42)**	**(42)**
Effect of consolidation/deconsolidation of variable interest entities	**-**	**-**	**-**	**-**
Change in cash	**303**	**(2)**	**(1,930)**	**(1,629)**

Cash at beginning of period	**57**	**2**	**4,341**	**4,400**
Reclassification to assets held for sale	**-**	**-**	**(638)**	**(638)**
Cash at end of period	**$ 360**	**$ -**	**$ 1,773**	**$ 2,133**

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American International Group, Inc., and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(unaudited)*

(in millions)		American International Group, Inc. (As Guarantor)	AIGLH	Other Subsidiaries and Eliminations	Consolidated AIG
Three Months Ended March 31, 2009					
Net cash (used in) provided by operating activities	continuing operations	$ 296	$ (118)	$ 1,418	$ 1,596
Net cash (used in) provided by operating activities	discontinued operations	-	-	2,174	2,174
Net cash (used in) provided by operating activities		296	(118)	3,592	3,770
Cash flows from investing activities:					
Sales of investments		405	-	26,812	27,217
Sales of divested businesses, net		-	-	704	704
Purchase of investments		(131)	-	(17,533)	(17,664)
Loans to subsidiaries net		(4,254)	-	4,254	-
Contributions to subsidiaries		(2,495)	(1,200)	3,695	-
Other, net		(324)	-	(6,697)	(7,021)
Net cash (used in) provided by investing activities	continuing operations	(6,799)	(1,200)	11,235	3,236
Net cash (used in) provided by investing activities	discontinued operations	-	-	(1,804)	(1,804)
Net cash (used in) provided by investing activities		(6,799)	(1,200)	9,431	1,432
Cash flows from financing activities:					
Federal Reserve Bank of New York credit facility borrowings		10,900	-	-	10,900
Federal Reserve Bank of New York credit facility repayments		(4,600)	-	-	(4,600)
Issuance of other long-term debt		-	-	1,209	1,209
Repayments on other long-term debt		(561)	-	(5,392)	(5,953)
Intercompany loans net		800	118	(918)	-
Other, net		-	1,200	(9,238)	(8,038)
Net cash (used in) provided by financing activities	continuing operations	6,539	1,318	(14,339)	(6,482)
Net cash (used in) provided by financing activities	discontinued operations	-	-	(3,162)	(3,162)
Net cash (used in) provided by financing activities		6,539	1,318	(17,501)	(9,644)
Effect of exchange rate changes on cash		-	-	(171)	(171)
Change in cash		36	-	(4,649)	(4,613)
Cash at beginning of period		103	-	8,539	8,642
Cash at end of period		$ 139	$ -	$ 3,890	$ 4,029

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American International Group, Inc., and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(unaudited)*

Supplementary disclosure of cash flow information:

	American International Group, Inc. (As Guarantor)	AIGLH	Other Subsidiaries and Eliminations	Consolidated AIG
Cash (paid) received during the three months ended March 31, 2010 for:				
Interest:				
Third party	**$ (383)**	**$ (63)**	**$ (601)**	**$ (1,047)**
Intercompany	**(1)**	**(61)**	**62**	**-**
Taxes:				
Income tax authorities	**$ -**	**$ -**	**$ (604)**	**$ (604)**
Intercompany	**1**	**-**	**(1)**	**-**
Cash (paid) received during the three months ended March 31, 2009 for:				
Interest:				
Third party	**$ (576)**	**$ (63)**	**$ (827)**	**$ (1,466)**
Intercompany	**-**	**(53)**	**53**	**-**
Taxes:				
Income tax authorities	**$ (4)**	**$ -**	**$ (175)**	**$ (179)**
Intercompany	**126**	**-**	**(126)**	**-**

American International Group, Inc. (As Guarantor) supplementary disclosure of non-cash activities:

Three Months Ended March 31, *(in millions)*	**2010**	**2009**
Intercompany non-cash financing and investing activities:		
Capital contributions to subsidiaries through forgiveness of loans	**$ 100**	$ -
Other capital contributions in the form of forgiveness of payables and contribution of assets net	**211**	292
Temporary paydown of FRBNY Credit Facility by subsidiary	**31**	-
Settlement of payable to subsidiary with return of capital from subsidiary	**-**	7
Receivable offset by intercompany payable	**25**	-

During 2009, AIG made certain revisions to the American International Group, Inc. (as Guarantor) Condensed Statement of Cash Flows, primarily relating to the effect of reclassifying dividend income received from consolidated subsidiaries. During 2009, AIG made certain revisions to the AIGLH Condensed Statement of Cash Flows, primarily relating to revisions for the presentation of capital contributions by AIGLH. Accordingly, AIG revised the previous period presented to conform to the revised presentation. There was no effect on the Consolidated Statement of Cash Flows or ending cash balances.

The revisions and their effect on the American International Group, Inc. (As Guarantor) and AIGLH Condensed Consolidating Statement of Cash Flows were as follows:

Three Months Ended March 31, 2009	American International Group, Inc. (As Guarantor)			AIGLH		
(in millions)	Originally Reported	Revisions	As Revised	Originally Reported	Revisions	As Revised
Cash flows provided by (used in) operating activities	$ (856)	$ 1,152	$ 296	$ -	$ (118)	$ (118)
Cash flows provided by (used in) investing activities	(5,647)	(1,152)	(6,799)	-	(1,200)	(1,200)
Cash flows provided by (used in) financing activities	6,539	-	6,539	-	1,318	1,318

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American International Group, Inc., and Subsidiaries

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations is designed to provide the reader a narrative with respect to American International Group, Inc.'s (AIG's) operations, financial condition and liquidity and certain other significant matters.

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Cautionary Statement Regarding Forward-Looking Information

This Quarterly Report on Form 10-Q and other publicly available documents may include, and AIG's officers and representatives may from time to time make, projections and statements which may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These projections and statements are not historical facts but instead represent only AIG's belief regarding future events, many of which, by their nature, are inherently uncertain and outside AIG's control. These projections and statements may address, among other things:

- the outcome of the transactions with the Federal Reserve Bank of New York (FRBNY) and the United States Department of the Treasury (Department of the Treasury);

- the number, size, terms, cost, proceeds and timing of dispositions and their potential effect on AIG's businesses, financial condition, results of operations, cash flows and liquidity (and AIG at any time and from time to time may change its plans with respect to the sale of one or more businesses);

AIG's long-term business mix which will depend on the outcome of AIG's asset disposition program;

AIG's exposures to subprime mortgages, monoline insurers and the residential and commercial real estate markets;

the separation of AIG's businesses from AIG Parent company;

AIG's ability to retain and motivate its employees; and

AIG's strategy for customer retention, growth, product development, market position, financial results and reserves.

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It is possible that AIG's actual results and financial condition will differ, possibly materially, from the anticipated results and financial condition indicated in these projections and statements. Factors that could cause AIG's actual results to differ, possibly materially, from those in the specific projections and statements include:

- a failure to close transactions contemplated in AIG's restructuring plan;
- developments in global credit markets; and
- such other factors as discussed throughout this Management's Discussion and Analysis of Financial Condition and Results of Operations and in Part I, Item 1A. Risk Factors of the Annual Report on Form 10-K for the year ended December 31, 2009 (2009 Annual Report on Form 10-K).

AIG is not under any obligation (and expressly disclaims any obligation) to update or alter any projection or other statement, whether written or oral, that may be made from time to time, whether as a result of new information, future events or otherwise.

In addition to reviewing AIG's results for the three-month period ended March 31, 2010, this Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) supplements and updates the information and discussion included in the 2009 Annual Report on Form 10-K, to reflect developments in or affecting AIG's business to date during 2010.

Throughout this Management's Discussion and Analysis of Financial Condition and Results of Operations, AIG presents its operations in the way it believes will be most meaningful, as well as most transparent. Certain of the measurements used by AIG management are "non-GAAP financial measures" under SEC rules and regulations. Underwriting profit (loss) is utilized to report results for AIG's General Insurance operations and pre-tax income (loss) before net realized capital gains (losses) is utilized to report results for AIG's life insurance and retirement services operations as these measures enhance the understanding of the underlying profitability of the ongoing operations of these businesses and allow for more meaningful comparisons with AIG's insurance competitors.

AIG has also incorporated into this discussion a number of cross-references to additional information included throughout this Quarterly Report on Form 10-Q and in the 2009 Annual Report on Form 10-K to assist readers seeking additional information related to a particular subject.

Executive Overview

AIG reports the results of its operations through four reportable segments: General Insurance, Domestic Life Insurance & Retirement Services, Foreign Life Insurance & Retirement Services, and Financial Services.

General Insurance branded as Chartis in 2009, is comprised of multiple line companies writing substantially all lines of property and casualty insurance and various personal lines both domestically and abroad.

Domestic Life Insurance & Retirement Services branded as SunAmerica Financial Group in 2009. AIG's Domestic Life Insurance businesses offer a broad range of protection products, including individual term and universal life insurance, and group life and health products. In addition, Domestic Life Insurance offers a variety of payout annuities, which include single premium immediate annuities, structured settlements and terminal funding annuities. Domestic Retirement Services businesses offer group retirement products and individual fixed and variable annuities. Certain previously acquired closed blocks and other fixed and variable annuity blocks that have been discontinued are reported as "runoff" annuities. Domestic Retirement Services also maintains a runoff block of Guaranteed Investment Contracts (GICs) that were written in (or issued to) the institutional market place prior to 2006.

Foreign Life Insurance & Retirement Services provides individual insurance and investment-oriented products such as term and whole life, endowments, term and whole life medical, cancer, fixed annuities and group products including life, medical and pension. Following the classification of AIA Group Limited (AIA), American Life Insurance Company (ALICO), and Nan Shan Life Insurance Company, Ltd. (Nan Shan) as discontinued operations (see Note 3 to the Consolidated Financial Statements) and the

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reclassification of certain immaterial non-core entities to Other non-core operations, AIG's remaining Foreign Life Insurance & Retirement Services operations are conducted in Japan through AIG Star Life Insurance Co. Ltd and AIG Edison Life Insurance Company.

Financial Services engages in diversified activities, including commercial aircraft and equipment leasing, capital markets operations, consumer finance and insurance premium financing, both in the United States and abroad.

Priorities for 2010

AIG is focused on the following priorities for 2010:

continuing the stabilization and strengthening of AIG's businesses;

realizing additional progress in restructuring and asset disposition initiatives to enable repayment of amounts outstanding under the FRBNY credit facility (the FRBNY Credit Facility) provided by the FRBNY under the Credit Agreement, dated as of September 22, 2008 (as amended, the FRBNY Credit Agreement), between AIG and the FRBNY;

closing the pending sales transactions for AIA, ALICO and Nan Shan and implementing plans to monetize securities expected to be received upon the AIA and ALICO closings;

beginning to address its highly leveraged capital structure;

continuing the wind-down of AIG's exposure to certain financial products and derivatives trading activities; and

continuing to address the long-term financing needs of International Lease Finance Corporation (ILFC) and American General Finance, Inc. (AGF).

2010 Financial Overview

The continued improvement in the financial markets contributed significantly to AIG's income from continuing operations before income taxes, which amounted to $835 million in the first quarter of 2010 compared to a loss of $6.5 billion in the same period of 2009, as evidenced by the following:

growth in net investment income primarily related to gains on AIG's interests in Maiden Lane II and Maiden Lane III which totaled $911 million in the first quarter of 2010 compared to losses of $2.2 billion in the same period of 2009, and increased income from partnership investments reflecting improvement in the equity markets;

a decline in other-than-temporary impairments on available for sale securities due to the improved market conditions. The 2009 period included non-credit impairments (i.e., severity losses) that are no longer required for fixed maturity securities upon adoption of a new other-than-temporary impairments accounting standard commencing in the second quarter of 2009. See Note 6 to the Consolidated Financial Statements; and Investments Evaluating Investments for Other-Than-Temporary Impairments for more information on this accounting standard;

a reduction in losses for Capital Markets as lower unwind costs and a decline in Unrealized market valuation losses related to AIGFP's super senior credit default swap portfolio more than offset a decline in net credit valuation adjustment gains on AIGFP's assets and liabilities; and

A significant improvement in earnings for the Mortgage Guaranty business.

Negatively impacting first quarter 2010 results were $481 million of catastrophe losses in General Insurance primarily related to the Chile earthquake, U.S. wind storms and Madeira (Portugal) floods.

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American International Group, Inc., and Subsidiaries

2010 Business Outlook

The following discussion supplements and updates the Business Outlook contained in AIG's 2009 Annual Report on Form 10-K.

General Insurance

On March 31, 2010, AIG, through a Chartis International subsidiary, purchased additional voting shares in Fuji Fire & Marine Insurance Company Limited (Fuji), a publicly traded Japanese insurance company with general insurance and some life operations. Fuji's financial information is reported on a one-quarter lag. As a result, Fuji's results will be consolidated beginning in the third quarter of 2010, and will be reported in the Foreign General Insurance operating segment. Further, AIG has not completed the determination of the fair values of the assets acquired and the liabilities assumed and, as a result, recorded an unallocated purchase price liability. Upon final determination of fair values, AIG may recognize a bargain purchase gain, which could be substantial. See Note 4 to the Consolidated Financial Statements for pro forma results and additional information about the terms of the acquisition.

On April 20, 2010, an explosion on the Deepwater Horizon offshore drilling rig, operating in the Gulf of Mexico off the coast of Louisiana, resulted in a fire that sank the rig and caused a massive-scale oil spill. AIG estimates that its exposure to property loss on this event was approximately $20 million, which has been paid. It will not be possible to estimate the amount of casualty loss associated with this event, if any, until the determination of the cause and responsibility for the explosion and resulting oil spill and the assessment of damages resulting from the oil spill, as well as other factors, have been resolved. Therefore, although AIG cannot currently quantify its ultimate liabilities arising from this event, it is possible that such liabilities could have a material adverse effect on AIG's consolidated results of operations or consolidated cash flows for an individual reporting period.

Divestitures

In connection with the announced sale of ALICO on March 7, 2010 and management's decision that ALICO met the held-for-sale criteria on March 31, 2010, total goodwill of $4.6 billion associated with the Foreign Life Insurance & Retirement Services Japan & Other reporting unit was allocated among ALICO and the Japan & Other businesses to be retained based on their relative fair values as of March 31, 2010. This resulted in $3.3 billion and $1.3 billion of goodwill being allocated to ALICO and the retained businesses, respectively. Future changes in any of the assumptions used to measure the fair value of the ALICO reporting unit could result in a potential impairment of the goodwill allocated to ALICO of up to $3.3 billion, which would be reported in Income (loss) from discontinued operations on the Consolidated Statement of Income (Loss). AIG will continue to monitor overall competitive, business and economic conditions, and other events or circumstances, including ALICO's operating results and the performance of MetLife, Inc.'s (MetLife) common stock, that might result in an impairment of goodwill in the future. See Critical Accounting Estimates Goodwill Impairment for additional information.

AIG and AIA are working closely with Prudential to complete the sale of AIA, which AIG expects will close in 2010. Upon closing, AIG expects to realize a significant gain on the transaction, which will be reported in Income (loss) from discontinued operations on the Consolidated Statement of Income (Loss).

Mortgage Guaranty

The improvement in UGC's results is primarily the result of lower levels of newly reported delinquencies in both the first and second-lien products, higher cure rates on existing first-lien delinquent loans, the recognition of stop loss limits on certain second-lien policies, increased rescission activity on domestic first- and second-lien claims and increased efforts to modify payment plans for currently delinquent loans. If these trends continue, UGC's financial results may show improvement in future quarters. However, there remains considerable uncertainty about the longer term outlook for the housing market, U.S. unemployment rates, the impact of future

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foreclosures on domestic home prices, loan modification programs and mortgage insurance rescission rates and the effects, if any, these factors will have on UGC's financial results.

Significant Events in 2010

AIA Sale

As of March 1, 2010, AIG and AIA Aurora LLC, a special purpose vehicle formed by AIG and the FRBNY (AIA Holdings), entered into a definitive agreement (the AIA Share Purchase Agreement) with Prudential plc (Prudential) and Prudential Group Limited (formerly known as Petrohue (UK) Investments Limited), for the sale of AIA to Prudential Group Limited for approximately $35.5 billion, consisting of $25 billion in cash, approximately $5.5 billion in face value of ordinary shares in the capital of Prudential Group Limited, $3 billion in face value of mandatory convertible securities of Prudential Group Limited, and $2 billion in face value of preferred stock of Prudential (or at Prudential's election, Prudential Group Limited), subject to closing adjustments. The obligations of Prudential Group Limited under the AIA Share Purchase Agreement are guaranteed by Prudential.

The cash portion of the proceeds from the sale will be paid to the FRBNY to redeem preferred interests with a liquidation preference of approximately $16 billion plus accrued but unpaid preferred return held by the FRBNY in AIA Holdings, and unless otherwise agreed with the FRBNY, to repay approximately $9 billion under the FRBNY Credit Facility. AIG intends to monetize the $10.5 billion in face value of Prudential Group Limited securities over time, subject to market conditions, following the lapse of agreed-upon minimum holding periods. Unless otherwise agreed with the FRBNY, net cash proceeds from the monetization of these securities will be used to repay any outstanding debt under the FRBNY Credit Facility.

ALICO Sale

As of March 7, 2010, AIG and ALICO Holdings LLC, a special purpose vehicle formed by AIG and the FRBNY (ALICO Holdings) entered into a definitive agreement (the ALICO Stock Purchase Agreement) with MetLife for the sale of ALICO by ALICO Holdings to MetLife, and the sale of Delaware American Life Insurance Company by AIG to MetLife, for approximately $15.5 billion, consisting of $6.8 billion in cash and the remainder in equity securities of MetLife, subject to closing adjustments.

The cash portion of the proceeds from this sale will be paid to the FRBNY to reduce the liquidation preference of a portion of the preferred interests owned by the FRBNY in ALICO Holdings (together with the preferred interests owned by the FRBNY in AIA Holdings, the Preferred Interests). Upon the closing of this sale to MetLife, ALICO Holdings will receive and pay to the FRBNY the cash consideration and will hold the remainder of the transaction consideration, consisting of 78,239,712 shares of MetLife common stock, 6,857,000 shares of newly issued participating preferred stock convertible into 68,570,000 shares of common stock upon the approval of MetLife shareholders, and 40,000,000 equity units of MetLife with an aggregate stated value of $3 billion. AIG intends to monetize these MetLife securities over time, subject to market conditions, following the lapse of agreed-upon minimum holding periods. Unless otherwise agreed with the FRBNY, net cash proceeds from the monetization of these securities will be used to reduce the liquidation preference of the Preferred Interests owned by the FRBNY in ALICO Holdings and thereafter to repay any outstanding debt under the FRBNY Credit Facility.

Retained Financial Interest

In the case of the sales of AIA and ALICO, the value of the securities consideration is subject to fluctuation from the date of signing of the AIA Share Purchase Agreement or the ALICO Stock Purchase Agreement, as the case may be, through closing of each sale until the ultimate monetization by AIG of the Prudential Group Limited securities and the MetLife securities. These fluctuations will be influenced by market prices of Prudential Group Limited securities and MetLife securities generally, and the market prices of Prudential Group Limited ordinary shares and MetLife common stock in particular, which will rise and fall in response to various factors beyond the control of AIG, including the business and financial performance of Prudential and MetLife. AIG is subject in

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each case to agreed-upon minimum holding periods that also restrict AIG's ability to enter into hedging transactions that might protect AIG against fluctuations in the value of the securities consideration. These minimum holding periods and hedging restrictions cannot be altered without the consent of Prudential or MetLife, as the case may be, so AIG will bear the risk of these market price fluctuations during the applicable holding periods. The amount of any gain or loss recognized by AIG upon each sale will depend upon the fair value of the securities consideration received as of closing and the proceeds received by AIG from the monetization of the securities. This may also result in AIG realizing ultimate cash proceeds from the monetization of the securities consideration that is substantially less than what might be expected from the value of such consideration as of the date of signing of the relevant purchase agreement. During the holding period, AIG will carry these securities as available-for-sale investments, with changes in the fair value of the securities recorded to Accumulated other comprehensive income (loss).

For a discussion of risks surrounding the AIA and ALICO transactions, see Item 1A. Risk Factors in this Quarterly Report on Form 10-Q.

ILFC and AGF Liquidity

During the first four months of 2010, ILFC and AGF made substantial progress in addressing their liquidity needs. During March and April of 2010, ILFC significantly increased its liquidity position through a combination of new secured and unsecured debt issuances of approximately $4.0 billion and an extension of the maturity date of $2.16 billion of its $2.5 billion revolving credit facility from October 2011 to October 2012. Availability of $550 million of the approximately $4.0 billion of debt issuances and the extension of the $2.16 billion revolving credit facility are subject to the satisfaction of certain collateralization milestones. In addition, in April 2010, ILFC signed an agreement to sell 53 aircraft, with an aggregate book value of approximately $2.3 billion, which is expected to generate approximately $2.0 billion in gross proceeds during 2010. As of March 31, 2010, none of these aircraft met the criteria to be recorded as held for sale. During March and April of 2010, AGF significantly enhanced its liquidity position through the following actions: AGF received cash proceeds of more than $500 million from a $1.0 billion asset securitization in March 2010 and executed and drew down fully a $3.0 billion secured term loan transaction in April 2010. AGF used a portion of the proceeds from these transactions, cash on hand and proceeds from AIG's repayment of two demand promissory notes to repay all of its outstanding obligations under its $2.45 billion one-year term loans in March 2010 and its $2.125 billion five-year revolving credit facility in April 2010 (both of which were due in July 2010). See Capital Resources and Liquidity Liquidity Financial Services for a further discussion.

Sale of Interest in Transatlantic

On March 15, 2010, AIG closed a secondary public offering of 8,466,693 shares of Transatlantic Holdings, Inc. (Transatlantic) common stock owned by American Home Assurance Company, a subsidiary of AIG, for aggregate gross proceeds of $452 million.

Consideration of AIG's Ability to Continue as a Going Concern

In connection with the preparation of this Quarterly Report on Form 10-Q, management has assessed whether AIG has the ability to continue as a going concern. In making this assessment, AIG has considered:

The commitment of the U.S. government to continue to work with AIG to maintain its ability to meet its obligations as they come due;

AIG's liquidity-related actions and plans to stabilize its businesses and repay the debt outstanding under the FRBNY Credit Facility;

The additional capital provided or committed through the Department of the Treasury Commitment (as defined below under Department of the Treasury Commitment);

The provisions of the definitive agreements for the sales of AIA and ALICO;

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The level of AIG's realized and unrealized losses and the negative impact of these losses in shareholders' equity and on the capital levels of AIG's insurance subsidiaries;

The continuing liquidity needs in certain of AIG's businesses and AIG's actions to address such needs; and

The substantial risks to which AIG is subject.

In considering these items, management made significant judgments and estimates with respect to the potentially adverse financial and liquidity effects of AIG's risks and uncertainties. Management also assessed other items and risks arising in AIG's businesses and made reasonable judgments and estimates with respect thereto. After consideration, management believes that it will have adequate liquidity to finance and operate AIG's businesses and continue as a going concern for at least the next twelve months.

It is possible that the actual outcome of one or more of management's plans could be materially different or that one or more of management's significant judgments or estimates about the potential effects of the risks and uncertainties could prove to be materially incorrect. If one or more of these possible outcomes is realized and third party financing is not available, AIG may need additional U.S. government support to meet its obligations as they come due. Under these adverse assumptions, if additional support is not available in such circumstances, there could exist substantial doubt about AIG's ability to operate as a going concern.

See Note 1 to the Consolidated Financial Statements for additional discussion regarding going concern considerations.

Capital Resources and Liquidity

Liquidity

Overview

AIG manages liquidity at both the parent and subsidiary levels. AIG believes that it has sufficient liquidity to meet its obligations for at least the next twelve months. AIG expects that dividends, distributions, and other payments from subsidiaries will support its liquidity needs; the FRBNY Credit Facility is also expected to continue to be a primary source of liquidity. In addition, the Department of the Treasury Commitment may also be used as a source of funding, primarily to support the capital needs of AIG's insurance company subsidiaries. AIG expects that its primary uses of available cash will be debt service and subsidiary funding. Unless otherwise agreed with the FRBNY, net proceeds from the sales of operations and assets are expected to be used to pay the Preferred Interests and to repay any outstanding debt under the FRBNY Credit Facility, after taking into account taxes, transaction expenses, settlement of intercompany loan facilities, and capital required to be retained for regulatory or ratings purposes.

At March 31, 2010, remaining amounts available under the FRBNY Credit Facility and the Department of the Treasury Commitment were $12.5 billion and $22.3 billion, respectively, compared to $17.1 billion and $24.5 billion, respectively, at December 31, 2009.

Net borrowings under the FRBNY Credit Facility increased by approximately $1.5 billion from March 31, 2010 to April 28, 2010. The proceeds were primarily used to repay $2.3 billion of commercial paper outstanding under the FRBNY Commercial Paper Funding Facility (CPFF) for Curzon Funding LLC and Nightingale Finance LLC (Nightingale) on April 26, 2010.

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American International Group, Inc., and Subsidiaries

FRBNY Credit Facility

The following table presents changes in net borrowings outstanding and the remaining available amount that can be borrowed under the FRBNY Credit Facility:

Three Months Ended March 31, 2010
(in millions)

Net borrowings outstanding, January 1, 2010	$	17,900
Loans to AIGFP for collateral postings, GIA and other maturities		700
AIGFP repayments to AIG		(454)
Debt payments		1,615
AIG Funding commercial paper maturities		2,000
Dividends from subsidiaries		(256)
Return of deposit to AGF		1,550
Net cash proceeds from asset sales applied as mandatory prepayments		(844)
Other borrowings and repayments, net		(562)
Net borrowings outstanding, March 31, 2010		21,649
Accrued compounding interest and fees inception through December 31, 2009		5,535
Accrued compounding interest and fees January 1, 2010 through March 31, 2010*		216
Total balance outstanding, March 31, 2010	$	27,400
Total FRBNY Credit Facility, January 1, 2010	$	35,000
Mandatory prepayments		(844)
Total FRBNY Credit Facility, March 31, 2010	$	34,156
Less: borrowings outstanding, March 31, 2010		(21,649)
Remaining available amount, March 31, 2010	$	12,507

* *Excludes interest payable of $3 million at March 31, 2010, which was included in Other liabilities.*

Department of the Treasury Commitment

On April 17, 2009, AIG entered into a Securities Purchase Agreement with the Department of the Treasury, pursuant to which (i) AIG issued to the Department of the Treasury (a) 300,000 shares of AIG Series F Fixed Rate Non-Cumulative Perpetual Preferred Stock, par value $5.00 per share (AIG Series F Preferred Stock), and (b) a warrant to purchase 150 shares of AIG Common Stock, par value $2.50 per share, and (ii) the Department of the Treasury agreed to provide up to $29.835 billion (Department of the Treasury Commitment) in exchange for increases in the liquidation preference of the AIG Series F Preferred Stock. See Note 10 to the Consolidated Financial Statements and Note 16 to the Consolidated Financial Statements in AIG's 2009 Annual Report on Form 10-K for further discussion.

The following table presents changes in drawdowns and the remaining available amount under the Department of the Treasury Commitment:

Three Months Ended March 31, 2010

(in millions)

Total drawdowns, January 1, 2010	$ 5,344
Redemption and repurchase of securities held by insurance subsidiaries	2,148
UGC related restructuring transactions	48
Temporary repayment of FRBNY Credit Facility	3
Total drawdowns, March 31, 2010	$ 7,543
Total Department of the Treasury commitment, January 1, 2010	$ 29,835
Less: drawdowns, March 31, 2010	(7,543)
Remaining available amount, March 31, 2010	$ 22,292

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American International Group, Inc., and Subsidiaries

Additional details regarding liquidity sources are included in Liquidity of Parent and Subsidiaries below.

AIG's Strategy for Stabilization and Repayment of its Obligations as They Come Due

Future Cash Requirements

AIG expects that the repayment of future debt maturities and the payment of the preferred returns and liquidation preference on the Preferred Interests will be its primary uses of available cash. Unless otherwise agreed with the FRBNY, the net proceeds from the cash consideration and the monetization of the securities consideration from the sales of AIA and ALICO will first be used to pay the Preferred Interests, and then to repay the FRBNY Credit Facility.

The following table summarizes the maturing debt at March 31, 2010 of AIG and its subsidiaries for the next four quarters:

(in millions)	Second Quarter 2010	Third Quarter 2010	Fourth Quarter 2010	First Quarter 2011	Total
ILFC	$ 1,485	$ 2,003	$ 2,501	$ 1,642	$ 7,631
AGF	659	2,797	210	679	4,345
AIG Matched Investment Program	-	888	776	-	1,664
AIGFP	600	270	269	189	1,328
AIG	-	-	500	12	512
Other	19	511	7	6	543
Total	$ 2,763	$ 6,469	$ 4,263	$ 2,528	$ 16,023

AIG's plans for meeting these maturing obligations are as follows:

ILFC's sources of liquidity available to meet these needs include existing cash, future cash flows from operations, debt issuances and aircraft sales (see Liquidity of Parent and Subsidiaries Financial Services ILFC below). During March and April of 2010, ILFC significantly enhanced its liquidity position through a combination of new secured and unsecured debt issuances of approximately $4.0 billion and an extension of the maturity date of $2.16 billion of its $2.5 billion revolving credit facility from October 2011 to October 2012. Availability of $550 million of the approximate $4.0 billion of debt issuances and the extension of $2.16 billion of the revolving credit facility are subject to the satisfaction of certain collateralization milestones. In addition, in April 2010, ILFC signed an agreement to sell 53 aircraft, with an aggregate book value of approximately $2.3 billion, which is expected to generate approximately $2.0 billion in gross proceeds during 2010. Based on this level of increased liquidity and expected future sources of funding, including future cash flows from operations and potential aircraft sales, AIG now expects that ILFC will be able to meet its existing obligations as they become due for at least the next twelve months solely from its own future cash flows. Therefore, while AIG has acknowledged its intent to support ILFC through February 28, 2011, at the current time AIG believes that any further extension of such support will not be necessary.

AGF anticipates that its primary sources of liquidity will be customer receivable collections, additional on-balance sheet securitizations, portfolio sales and borrowings (see Liquidity of Parent and Subsidiaries Financial Services AGF below). During March and April of 2010, AGF significantly enhanced its liquidity position through the following actions: AGF received cash proceeds of more than $500 million from a $1.0 billion asset securitization in March 2010 and executed and fully drew down a $3.0 billion secured term loan transaction in April 2010. AGF used a portion of the proceeds from these transactions, cash on hand and proceeds from AIG's repayment of two demand promissory notes to repay all of its outstanding obligations under its $2.45 billion one-year term loans in March 2010 and its $2.125 billion five-year revolving credit facility in April 2010 (both of which were due in July 2010). Based on this level of increased

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liquidity and expected future sources of funding, including future cash flows from operations, AIG now expects that AGF will be able to meet its existing obligations as they become due for at least the next twelve months solely from its own future cash flows. Therefore, while AIG has acknowledged its intent to support AGF through February 28, 2011, at the current time AIG believes that any further extension of such support will not be necessary. AIG is continuing to explore strategic alternatives for AGF, including a potential sale of a majority interest.

Debt maturities for the Matched Investment Program (MIP) are expected to be funded through cash flows generated from invested assets, as well as the sale or financing of the asset portfolios in the program. However, mismatches in the timing of cash flows of the MIP, as well as any shortfalls due to impairments of MIP assets, would need to be funded by AIG Parent. In addition, as a result of AIG's restructuring activities, AIG expects to utilize assets from its noncore businesses and subsidiaries to provide future cash flow enhancement and help the MIP meet its maturing debt obligations.

Approximately $813 million of AIGFP's debt maturities through March 31, 2011 are fully collateralized, with assets backing the corresponding liabilities; however, mismatches in the timing of cash inflows on the assets and outflows with respect to the liabilities may require assets to be sold to satisfy maturing liabilities. Depending on market conditions and AIGFP's ability to sell assets at that time, proceeds from sales may not be sufficient to satisfy the full amount due on maturing liabilities. Any shortfalls would need to be funded by AIG Parent.

AIG expects to meet its debt maturities primarily through borrowings under the FRBNY Credit Facility, and dividends, distributions, and other payments from subsidiaries. The Department of the Treasury Commitment is primarily used for capital support of subsidiaries. In the future, AIG may need to provide additional capital support for its subsidiaries. AIG has developed certain plans, some of which have already been implemented, to provide stability to its businesses and to provide for the timely repayment of the FRBNY Credit Facility. In addition, certain of AIG's outstanding financial derivative transactions could require collateral calls or termination payments based on a downgrade in AIG's credit rating. See Note 8 to the Consolidated Financial Statements.

Sales of Other Businesses

Since September 2008 and through April 28, 2010, AIG entered into agreements to sell or completed the sale of operations and assets, excluding AIA, ALICO and assets held by AIG Financial Products Corp. and AIG Trading Group Inc. and their respective subsidiaries (collectively, AIGFP), that had aggregate assets and liabilities with carrying values of $95.5 billion and $77.5 billion, respectively, at March 31, 2010 or the date of sale. Of these amounts, pending transactions with aggregate assets and liabilities of $54.7 billion and $49.2, respectively, at March 31, 2010 are expected to generate approximately $709 million of aggregate net cash proceeds that will be available to reduce the amount of the FRBNY Credit Facility, after taking into account taxes, transaction expenses, settlement of intercompany loan facilities, and capital required to be retained for regulatory or ratings purposes. Gains and losses recorded in connection with the dispositions of businesses include estimates that are subject to subsequent adjustment. Based on the transactions closed to date, AIG does not believe that such adjustments will be material to future consolidated results of operations or cash flows.

See Notes 1 and 3 to the Consolidated Financial Statements for additional information.

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American International Group, Inc., and Subsidiaries

Liquidity of Parent and Subsidiaries

AIG Parent

The following table presents AIG Parent's sources of liquidity:

(In millions)	As of March 31, 2010	April 28, 2010
Available borrowing under the FRBNY Credit Facility	**$ 12,507**	$ 11,007
Cash and short-term investments	**372**	375
Available capacity under the Department of the Treasury Commitment	**22,292**	22,292
Total	**$ 35,171**	$ 33,674

AIG believes that it has sufficient liquidity at the AIG Parent level to meet its obligations through at least the next twelve months. However, no assurance can be given that AIG's cash needs will not exceed projected amounts. Additional collateral calls, deterioration in investment portfolios affecting statutory surplus, higher surrenders of annuities and other policies, further downgrades in AIG's credit ratings, catastrophic losses or reserve strengthening, or a further deterioration in the super senior credit default swap portfolio may result in significant additional cash needs, or loss of some sources of liquidity, or both. Regulatory and other legal restrictions could limit AIG's ability to transfer funds freely, either to or from its subsidiaries.

Historically, AIG has depended on dividends, distributions, and other payments from subsidiaries to fund payments on its obligations. In light of AIG's current financial situation, certain of its regulated subsidiaries are restricted from making dividend payments, or advancing funds, to AIG. As a result, AIG has also been dependent on the FRBNY as a primary source of liquidity, and on the Department of the Treasury Commitment to support the capital needs of AIG's insurance company subsidiaries. In the first three months of 2010, AIG Parent collected $323 million in dividends and other payments from subsidiaries (primarily from insurance company subsidiaries), which included $250 million in dividends from Chartis U.S.

AIG's primary uses of cash flow are for debt service and subsidiary funding. In the first three months of 2010, AIG Parent retired $850 million of debt and made interest payments totaling $345 million, excluding MIP and Series AIGFP debt. AIG Parent made $2.2 billion in net capital contributions to subsidiaries in the three months ended March 31, 2010, of which the majority was contributed to AIG Capital Corporation, enabling AIG Capital Corporation to redeem its preferred securities held by a Chartis U.S. subsidiary. In addition, in March 2010, AIG Parent repurchased AIG common stock from an insurance subsidiary and repaid $1.6 billion in loans to AGF.

At the current time, AIG Parent has no access to the commercial paper market, one of its traditional sources for its short-term working capital needs. While no assurance can be given that AIG will be able to access its traditional sources of long-term or short-term financing through the public debt markets again, AIG periodically evaluates its ability to access the capital markets.

General Insurance

AIG currently expects that its Chartis subsidiaries will be able to continue to meet their obligations as they come due through cash from operations and, to the extent necessary, asset dispositions. One or more large catastrophes, however, may require AIG to provide additional support to the affected General Insurance operations. In addition, further downgrades in AIG's credit ratings could put pressure on the insurer financial strength ratings of its subsidiaries. A downgrade in the insurer financial strength ratings of an insurance company subsidiary could result in non-renewals or cancellations by policyholders and adversely affect the subsidiary's ability to meet its own obligations and require AIG to provide capital or liquidity support to the subsidiary. Increases in market interest rates may adversely affect the financial strength ratings of General Insurance subsidiaries as rating agency capital models may reduce the amount of available capital relative to required capital.

Given the size and liquidity profile of AIG's General Insurance investment portfolios, AIG believes that deviations from its projected claim experience do not constitute a significant liquidity risk. AIG's asset/liability

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management process takes into account the expected maturity of investments and the specific nature and risk profile of liabilities. Historically, there has been no significant variation between the expected maturities of AIG's General Insurance investments and the payment of claims. See Management's Discussion and Analysis of Financial Condition and Results of Operations Investments for further information.

Domestic and Foreign Life Insurance & Retirement Services operations

The most significant potential liquidity needs of AIG's Domestic and Foreign Life Insurance & Retirement Services companies are the funding of surrenders and withdrawals. A substantial increase in these needs could place stress on the liquidity of these companies. However, management considers the sources of liquidity for Domestic and Foreign Life Insurance & Retirement Services subsidiaries adequate to meet foreseeable liquidity needs. These subsidiaries generally have been lengthening their maturity profile by purchasing investment grade fixed income securities, in order to reduce the high levels of liquidity which had been maintained during 2009. Given the size and liquidity profile of AIG's Domestic and Foreign Life Insurance & Retirement Services investment portfolios, AIG believes that deviations from their projected claim experience do not constitute a significant liquidity risk. A significant increase in policy surrenders and withdrawals, which could be triggered by a variety of factors, including AIG specific concerns, could result in a substantial liquidity strain. Other potential events causing a liquidity strain could include economic collapse of a nation or region significant to Domestic and Foreign Life Insurance & Retirement Services operations, nationalization, catastrophic terrorist acts, pandemics or other economic or political upheaval.

AIG believes that its Domestic and Foreign Life Insurance & Retirement Services companies currently have adequate capital to support their business plans. However, to the extent that these subsidiaries experience significant future losses or declines in their investment portfolios, AIG may need to contribute capital to these companies.

Financial Services

AIG's major Financial Services operating subsidiaries consist of ILFC, AIGFP, AGF and AIG Consumer Finance Group, Inc (AIGCFG). Traditional sources of funds to meet the liquidity needs of these operations are generally no longer available. These sources included issuances of guaranteed investment agreements (GIAs), issuance of long- and short-term debt, issuance of commercial paper, bank loans and bank credit facilities. However, during the three months ended March 31, 2010 and through April 30, 2010, ILFC and AGF made significant progress in addressing their foreseeable liquidity needs, as further described below. In addition, AIGCFG has been able to retain a significant portion of customer deposits, providing a measure of liquidity.

ILFC

During the first three months of 2010, ILFC refinanced five aircraft under its ECA Facility, borrowed $1.3 billion through secured financing arrangements and issued $2.0 billion senior notes as part of a private placement. Subsequent to March 31, 2010, ILFC issued an additional $750 million of senior notes under the same indenture as that used in the private placement.

At March 31, 2010, ILFC had reached the maximum amount available for secured financing under its revolving credit facilities and term loans. The capacity was approximately $5.3 billion. In addition, ILFC also reached the maximum amount of secured financing available for ILFC and its restricted subsidiaries under its bond indentures. Subsequent to March 31, 2010, ILFC amended its bank facilities and term loans to increase its capacity to enter into secured financings to 35 percent of its consolidated tangible net assets as defined in its revolving credit facilities, which assets approximated $15.0 billion at March 31, 2010 (subject to certain prepayment requirements), and extended the maturity date of $2.16 billion of its $2.5 billion revolving credit facility from October 2011 to October 2012. This agreement is subject to the satisfaction of certain collateralization milestones.

In addition, in April 2010, ILFC signed an agreement to sell 53 aircraft, with an aggregate book value of approximately $2.3 billion, which is expected to generate approximately $2.0 billion in gross proceeds during 2010.

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The sales of the individual aircraft are expected to be consummated during the remainder of 2010 and the related proceeds are receivable upon the completion of each individual sale. ILFC is currently pursuing additional potential aircraft sales. Proposed portfolios have been presented to potential buyers; some bids have been received and are being evaluated. In evaluating these bids, ILFC management is balancing the need for funds with the long-term value of holding aircraft and other financing alternatives. Significant uncertainties currently exist about the possibility of additional sales, including the aircraft comprising an actual sale portfolio, the sale price and whether a sale agreement could be reached on acceptable terms.

Because the current market for aircraft is depressed due to the economic downturn and limited availability of buyer financing, it is likely that if additional aircraft are sold to meet liquidity needs, realized losses may be incurred. For the three months ended March 31, 2010, ILFC recorded asset impairment charges aggregating $347 million and operating lease related losses of $84 million on aircraft under contract to be sold.

AIG expects that ILFC's existing cash balances, future cash flows from operations, including potential debt issuances and aircraft sales will be sufficient for ILFC to meet its existing obligations for at least the next twelve months.

ILFC Notes and Bonds Payable

As of March 31, 2010 notes and bonds aggregating $18.2 billion were outstanding with maturity dates ranging from 2010 to 2016. To the extent considered appropriate, ILFC may enter into swap transactions to manage its effective borrowing rates with respect to these notes and bonds.

On October 13, 2009, ILFC entered into two term loan agreements (the Term Loans) with AIG Funding comprised of a new $2.0 billion credit agreement and a $1.7 billion amended and restated credit agreement. The Term Loans are secured by a portfolio of aircraft and all related equipment and leases. ILFC used the proceeds from the $2.0 billion loan to repay in full its obligations under its $2.0 billion revolving credit facility that matured on October 15, 2009. The second credit agreement amended and restated the two demand note agreements aggregating $1.7 billion that ILFC entered into in March 2009 with AIG Funding, including extending the maturity date of such demand notes. Both Term Loans mature on September 13, 2013 and currently bear interest at 3-month LIBOR plus 6.025 percent, of which 3.0 percent is permitted to be paid-in-kind and is added to the principal balance of the loans. The Term Loans are due in full at maturity with no scheduled amortization. On December 4, 2009, the new $2.0 billion credit agreement was increased to $2.2 billion. The funds for the Term Loans were provided to AIG Funding through the FRBNY Credit Facility. As a condition of the FRBNY approving the Term Loans, ILFC entered into agreements to guarantee the repayment of AIG's obligations under the FRBNY Credit Agreement up to an amount equal to the aggregate outstanding balance of the Term Loans.

ILFC ECA Facilities

ILFC has a $4.3 billion 1999 ECA Facility that was used in connection with the purchase of 62 Airbus aircraft delivered through 2001. This facility is guaranteed by various European Export Credit Agencies. The interest rate varies from 5.81 percent to 5.86 percent on these amortizing ten-year borrowings depending on the delivery date of the aircraft. At March 31, 2010, ILFC had 27 loans with a remaining principal balance of $120 million outstanding under this facility. At March 31, 2010, the net book value of the related aircraft was $1.7 billion. The debt is collateralized by a pledge of shares of an ILFC subsidiary, which holds title to the aircraft financed under the facility.

ILFC has a similarly structured 2004 ECA Facility, which was amended in May 2009 to allow ILFC to borrow up to a maximum of $4.6 billion to fund the purchase of Airbus aircraft delivered through June 30, 2010. The facility becomes available as the various European Export Credit Agencies provide their guarantees for aircraft based on a forward-looking calendar, and the interest rate is determined through a bid process. The interest rates are either LIBOR based with spreads ranging from (0.04) percent to 2.25 percent or at fixed rates ranging from 4.20 percent to 4.71 percent. At March 31, 2010, ILFC had financed 71 aircraft using approximately $4.1 billion under this facility and approximately $2.9 billion was outstanding. At March 31, 2010, the interest rate of the loans

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outstanding ranged from 0.35 percent to 4.71 percent. The debt is collateralized by a pledge of shares of a subsidiary of ILFC, which holds title to the aircraft financed under the facility. At March 31, 2010, the net book value of the related aircraft was approximately $4.2 billion. Borrowings with respect to these facilities are included in ILFC's notes and bonds payable in the table below.

Under its current long-term debt ratings, ILFC needs written consent from the security trustee of its 2004 ECA Facility before it can fund Airbus aircraft deliveries under the facility. As of April 30, 2010, ILFC had approximately $500 million available under the 2004 ECA Facility to finance its Airbus aircraft purchases through June 2010. ILFC refinanced five aircraft under the 2004 ECA Facility during the first three months of 2010. ILFC's current credit ratings also require (i) the segregation of security deposits, maintenance reserves and rental payments received for aircraft funded under both its 1999 and 2004 ECA Facilities into separate accounts, controlled by the trustees of the 1999 and 2004 ECA Facilities; and (ii) the filings of individual mortgages on the aircraft funded under the facility in the respective local jurisdictions in which the aircraft is registered. At March 31, 2010, ILFC had segregated security deposits, maintenance reserves and rental payments aggregating $350 million related to such aircraft. Segregated rental payments are used to pay principal and interest on the ECA facilities as they become due.

During the three months ended March 31, 2010, ILFC entered into agreements to cross-collateralize the two ECA Facilities. In conjunction with the agreement, ILFC agreed to an acceleration event, which would accelerate all debt related to aircraft funded during 2010 if, among other things, ILFC were to sell aircraft with an aggregate book value exceeding an agreed upon amount, currently approximately $10.8 billion, within a period starting from the date of the agreement until December 31, 2012.

ILFC Bank Financings

At March 31, 2010, the total funded amount of ILFC's bank financings was $5.0 billion, which includes $4.5 billion of revolving credit facilities. The fundings mature through February 2012. The interest rates are LIBOR-based, with spreads ranging from 0.25 percent to 0.40 percent. At March 31, 2010, the interest rates ranged from 0.56 percent to 0.90 percent. AIG does not guarantee any of the debt obligations of ILFC.

Subsequent to March 31, 2010, ILFC amended covenants under its revolving credit facilities and term loans to increase its capacity to enter into secured financings from 12.5 percent to 35 percent of its consolidated tangible net assets, as defined in its credit facility agreement, which assets approximated $15.0 billion at March 31, 2010 (subject to certain prepayment requirements). In conjunction with the amendment, ILFC (i) extended the maturity date of $2.16 billion of its $2.5 billion revolving credit facility from October 2011 to October 2012 (subject to the satisfaction of certain collateralization milestones), with the loan secured by aircraft with an initial loan-to-value ratio of 75 percent, and increased the interest rate by 1.5 percent; (ii) pre-paid $410 million of bank term debt with original maturity dates through 2012; and, (iii) increased the interest rate by 1.5 percent on $75 million principal amount of bank term debt.

AIGFP

Prior to September 2008, AIGFP had historically funded its operations through the issuance of notes and bonds, GIA borrowings, other structured financing transactions and repurchase agreements.

On April 26, 2010, an aggregate of $2.3 billion of commercial paper of Curzon Funding LLC and Nightingale Finance LLC outstanding under the CPFF was repaid through an increase in borrowings under the FRBNY Credit Facility. AIGFP continues to rely on AIG Parent to meet most of its liquidity needs.

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American International Group, Inc., and Subsidiaries

The following table presents a rollforward of the amount of collateral posted by AIGFP:

Three Months Ended March 31, 2010 *(in millions)*	**Collateral Posted as of December 31, 2009**	**Additional Postings, Netted by Counterparty**	**Collateral Returned by Counterparties**	**Collateral Posted as of March 31, 2010**
Collateralized GIAs and other borrowings	$ 6,129	$ 112	$ 217	$ 6,024
Super senior CDS portfolio	4,590	60	198	4,452
All other derivatives	5,217	450	1,414	4,253
Total	$ 15,936	$ 622	$ 1,829	$ 14,729

AIGFP Wind-down

AIGFP has continued unwinding its businesses and portfolios. During 2010, AIGFP reduced the notional amount of its derivative portfolio by 20 percent, from $940.7 billion at December 31, 2009 to $755.4 billion at March 31, 2010. AIGFP reduced the number of its outstanding trade positions by approximately 1,800, from approximately 16,100 at December 31, 2009 to approximately 14,300 at March 31, 2010. In connection with these activities, AIGFP has disaggregated its portfolio of existing transactions into a number of separate "books" and has developed a plan for addressing each book, including assessing each book's risks, risk mitigation options, monitoring metrics and certain implications of various potential outcomes. Each plan has been reviewed by a steering committee whose membership includes senior executives of AIG. The plans are subject to change as efforts progress and as conditions in the financial markets evolve, and they contemplate, depending on the book in question, alternative strategies, including sales, assignments or other transfers of positions, terminations of positions, and/or run-offs of positions in accordance with existing terms. Execution of these plans is overseen by a transaction approval process involving senior members of AIGFP's and AIG's respective management groups as specific actions entail greater liquidity and financial consequences. Successful execution of these plans is subject, to varying degrees depending on the transactions of a given book, to market conditions and, in many circumstances, counterparty negotiation and agreement.

In connection with the wind-down, certain assets were sold. The proceeds from these sales have been used to fund AIGFP's wind-down and are not included in the amounts described above under AIG's Strategy for Stabilization and Repayment of its Obligations as They Come Due. The FRBNY waived the requirement under the FRBNY Credit Agreement that the proceeds of these specific sales be applied as a mandatory prepayment under the FRBNY Credit Facility, which would have resulted in a permanent reduction of the FRBNY's commitment to lend to AIG. Instead, the FRBNY has given AIGFP permission to retain the proceeds of these completed sales, and has required that such proceeds received from certain future sales be used to voluntarily prepay the FRBNY Credit Facility, with the amounts prepaid available for future reborrowing subject to the terms of the FRBNY Credit Facility. AIGFP is also opportunistically terminating contracts. As a consequence of its wind-down strategy, AIGFP is entering into new derivative transactions only to hedge its current portfolio, reduce risk and hedge the currency, interest rate and other market risks associated with its affiliated businesses. AIGFP has already reduced the size of certain portions of its portfolio, including effecting a substantial reduction in credit derivative transactions in respect of multi-sector collateralized debt obligations (CDOs) in connection with Maiden Lane III LLC (ML III), a sale of its commodity index business, termination and sale of its activities as a foreign exchange prime broker, and sale and other disposition of its energy/infrastructure investment portfolio. Due to the long-term duration of AIGFP's derivative contracts and the complexity of AIGFP's portfolio, AIG expects that an orderly wind-down of AIGFP's businesses and portfolios will take a substantial period of time. The cost of executing the wind-down will depend on many factors, many of which are not within AIG's control, including market conditions, AIGFP's access to markets via market counterparties, the availability of liquidity and the potential implications of further rating downgrades. In addition, the Determination Memoranda issued by the Special Master for TARP Executive Compensation place significant new restrictions on the compensation of AIGFP employees included in the five executives named in AIG's Proxy Statement and the next twenty highest paid employees of AIG (Top 25) and AIG's next 75 most highly compensated employees and executive officers

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(together, the Top 100) and may impair AIGFP's ability to retain these employees, and consequently negatively impact the wind-down of AIGFP's businesses and portfolios.

AGF

Prior to September 2008, AGF's traditional source of liquidity had been collections of customer receivables and borrowings in the public markets.

AGF anticipates that its primary sources of funds to support its operations and repay its obligations will be customer receivable collections, additional on-balance sheet securitizations, portfolio sales and other borrowings. In order to improve cash flow from operations, AGF has significantly limited its lending activities and aggressively managed its expenses. Since year end 2009, AGF has continued to manage its liquidity with proceeds of more than $500 million from a real estate loan securitization in March 2010 and the execution and full drawdown of a $3.0 billion five-year secured term loan in April 2010. In addition, AIG is exploring other strategic alternatives for AGF, including a potential sale of a majority interest. AIG made an $11 million capital contribution to AGF (through AIG Capital Corporation) during the first three months of 2010. In March 2010, AGF repaid the $2.45 billion one-year term loans and in April 2010, AGF repaid the $2.125 billion revolving credit facility, both prior to their due dates in July 2010. AIG manages its liquidity on a consolidated basis, which may include making or receiving short-term loans with AGF.

AGF Notes and Bonds Payable

As of March 31, 2010, notes and bonds payable aggregating $16.9 billion were outstanding with maturity dates ranging from 2010 to 2031 at interest rates ranging from 0.51 percent to 9.00 percent. To the extent considered appropriate, AGF may enter into swap transactions to manage its effective borrowing rates with respect to these notes and bonds. AIG does not guarantee any of the debt obligations of AGF.

AIGCFG

AIG believes that the funding needs of AIGCFG have stabilized, as AIGCFG has been able to retain a significant portion of customer deposits, but it is possible that renewed customer and counterparty concerns could increase AIGCFG's liquidity needs in 2010.

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American International Group, Inc., and Subsidiaries

Debt

The following table provides the rollforward of AIG's total debt outstanding:

Three Months Ended March 31, 2010 *(in millions)*	Balance at December 31, 2009	Issuances	Maturities and Repayments	Effect of Foreign Exchange	Other Non-Cash Changes[a]	Activity of Discontinued Operations	Reclassified to Liabilities of Businesses Held for Sale	Balance at March 31, 2010
Debt issued by AIG:								
FRBNY Credit Facility	$ 23,435	$ 8,300	$ (4,551)	$ -	$ 216	$ -	$ -	**$ 27,400**
Notes and bonds payable	10,419	-	(850)	(109)	(3)	-	-	**9,457**
Junior subordinated debt	12,001	-	-	(302)	-	-	-	**11,699**
Junior subordinated debt attributable to equity units	5,880	-	-	-	-	-	-	**5,880**
Loans and mortgages payable	438	-	-	(11)	-	-	-	**427**
MIP matched notes and bonds payable	13,371	-	(500)	(152)	(77)	-	-	**12,642**
Series AIGFP matched notes and bonds payable	3,913	-	(48)	-	3	-	-	**3,868**
Total AIG debt	69,457	8,300	(5,949)	(574)	139	-	-	**71,373**
Debt guaranteed by AIG:								
AIGFP, at fair value[b]:								
FRBNY commercial paper funding facility	2,742	2,272	(3,837)	-	1,108	-	-	**2,285**
GIAs	8,257	100	(295)	-	291	-	-	**8,353**
Notes and bonds payable	2,029	12	(162)	-	37	-	-	**1,916**
Loans and mortgages payable	1,022	18	(162)	-	(53)	-	-	**825**
Hybrid financial instrument liabilities	1,887	-	(34)	-	(147)	-	-	**1,706**
Total AIGFP debt	15,937	2,402	(4,490)	-	1,236	-	-	**15,085**
AIG Funding FRBNY commercial paper funding facility	1,997	-	(2,000)	-	3	-	-	**-**
AIGLH notes and bonds payable	798	-	-	-	-	-	-	**798**
Liabilities connected to trust preferred stock	1,339	-	-	-	-	-	-	**1,339**
Total debt issued or guaranteed by AIG	89,528	10,702	(12,439)	(574)	1,378	-	-	**88,595**
Debt not guaranteed by AIG:								
ILFC:								
Notes and bonds payable, ECA facilities, bank financings and other secured financings[c]	25,174	3,407	(740)	(131)	1	-	-	**27,711**
Junior subordinated debt	999	-	-	-	-	-	-	**999**
Total ILFC debt	26,173	3,407	(740)	(131)	1	-	-	**28,710**

AGF:								
Notes and bonds payable[(d)]	19,770	501	(3,292)	(61)	16	-	-	**16,934**
Junior subordinated debt	349	-	-	-	-	-	-	**349**
Total AGF debt	20,119	501	(3,292)	(61)	16	-	-	**17,283**
AIGCFG loans and mortgages payable	216	62	(62)	(8)	(140)	-	-	**68**
Other subsidiaries	295	14	(4)	(4)	164	-	(7)	**458**
Total debt of consolidated investments[(e)]	5,141	55	(1,063)	(14)	834	(63)	(575)	**4,315**
Total debt not guaranteed by AIG	51,944	4,039	(5,161)	(218)	875	(63)	(582)	**50,834**
Total debt:								
Total long-term debt	136,733	12,469	(11,763)	(792)	1,142	(63)	(582)	**137,144**
FRBNY commercial paper funding facility	4,739	2,272	(5,837)	-	1,111	-	-	**2,285**
Total debt	$ 141,472	$ 14,741	$ (17,600)	$ (792)	$ 2,253	$ (63)	$ (582)	**$ 139,429**

(a)

FRBNY Credit Facility reflects $216 million of accrued compounding interest and fees. Other subsidiaries include $164 million of debt assumed on the acquisition of Fuji. AIGFP FRBNY commercial paper funding facility, which was repaid on April 26, 2010, includes the consolidation of Nightingale during the first quarter of 2010.

(b)

Includes increases of $690 million in the fair value of AIGFP debt.

(c)

Includes $410 million of bank debt that ILFC has prepaid in April 2010 and $126 million of secured financings that are non-recourse to ILFC.

(d)

Includes $2.125 billion that AGF repaid in April 2010 on a revolving credit facility prior to its July 2010 maturity date.

(e)

Includes debt of consolidated investments held through AIG Global Real Estate Investment of $3.8 billion, AIG Credit of $363 million and SunAmerica of $123 million at March 31, 2010.

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The following table summarizes maturities of long-term debt, excluding borrowings of consolidated investments:

At March 31, 2010		**Remainder**	**Year Ending**					
(in millions)	**Total**	**of 2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**Thereafter**
AIG:								
FRBNY Credit Facility	$ 27,400	$ -	$ -	$ -	$ 27,400	$ -	$ -	$ -
Notes and bonds payable	9,457	500	543	27	998	-	998	6,391
Junior subordinated debt	11,699	-	-	-	-	-	-	11,699
Junior subordinated debt attributable to equity units	5,880	-	-	-	-	-	-	5,880
Loans and mortgages payable	427	-	-	-	358	-	2	67
MIP matched notes and bonds payable	12,642	1,664	3,090	2,138	856	436	363	4,095
Series AIGFP matched notes and bonds payable	3,868	-	27	56	3	-	-	3,782
Total AIG	71,373	2,164	3,660	2,221	29,615	436	1,363	31,914
AIGFP, at fair value:								
GIAs	8,353	791	272	268	303	670	570	5,479
Notes and bonds payable	1,916	100	171	707	5	67	113	753
Loans and mortgages payable	825	39	222	192	81	140	-	151
Hybrid financial instrument liabilities	1,706	209	276	96	161	57	178	729
Total AIGFP	12,800	1,139	941	1,263	550	934	861	7,112
AIGLH notes and bonds payable	798	500	-	-	-	-	-	298
Liabilities connected to trust preferred stock	1,339	-	-	-	-	-	-	1,339
ILFC[(a)]:								
Notes and bonds payable	18,234	3,558	4,560	3,571	3,542	1,041	1,011	951
Junior subordinated debt	999	-	-	-	-	-	-	999
ECA Facilities[(b)]	3,021	373	443	414	414	409	321	647
Bank financings and other secured financings[(c)]	6,456	2,058	2,849	165	16	37	760	571
Total ILFC	28,710	5,989	7,852	4,150	3,972	1,487	2,092	3,168
AGF[(a)]:								
Notes and bonds payable[(d)]	16,934	3,666	3,436	2,379	2,339	595	855	3,664
Junior subordinated debt	349	-	-	-	-	-	-	349
Total AGF	17,283	3,666	3,436	2,379	2,339	595	855	4,013
AIGCFG Loans and mortgages payable[(a)]	68	32	13	9	8	4	2	-
Other subsidiaries[(a)]	458	5	8	7	5	8	19	406

Total	$ 132,829	$ 13,495	$ 15,910	$ 10,029	$ 36,489	$ 3,464	$ 5,192	$ 48,250

(a)

AIG does not guarantee these borrowings.

(b)

Reflects future minimum payment for ILFC's borrowings under the 1999 and 2004 ECA Facilities.

(c)

Includes $126 million of secured financings that are non-recourse to ILFC. On April 16, 2010, ILFC extended the maturity date of $2.16 billion of its $2.5 billion revolving credit facility from October 2011 to October 2012 (subject to the satisfaction of certain collateralization milestones). Includes $410 million of bank debt that ILFC prepaid in April 2010.

(d)

Includes $2.125 billion that AGF repaid in April 2010 on a revolving credit facility prior to its July 2010 maturity date.

Credit Ratings

The cost and availability of unsecured financing for AIG and its subsidiaries are generally dependent on their short-and long-term debt ratings. The following table presents the credit ratings of AIG and certain of its subsidiaries as of April 30, 2010. In parentheses, following the initial occurrence in the table of each rating, is an indication of that rating's relative rank within the agency's rating categories. That ranking refers only to the

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generic or major rating category and not to the modifiers appended to the rating by the rating agencies to denote relative position within such generic or major category.

	Short-Term Debt			Senior Long-Term Debt		
	Moody's	**S&P**	**Fitch**	**Moody's[(a)]**	**S&P[(b)]**	**Fitch[(c)]**
AIG	P-1 (1st of 3)[(d)]	A-1 (1st of 8)	F1 (1st of 5)	A3 (3rd of 9)[(d)]	A- (3rd of 8)[(d)]	BBB (4th of 9)[(e)]
AIG Financial Products Corp.[(f)]	P-1[(d)]	A-1	-	A3[(d)]	A-[(d)]	-
AIG Funding, Inc.[(f)]	P-1[(d)]	A-1	F1	-	-	-
ILFC	Not prime[(d)]	-	-	B1 (6th of 9)[(d)]	BBB- (4th of 8)[(g)]	BB (5th of 9)[(e)]
American General Finance Corporation	Not prime[(d)]	C (5th of 8)	-	B2 (6th of 9)[(d)]	B (6th of 8)[(d)]	B- (6th of 9)[(d)]
American General Finance, Inc.	Not prime	C (5th of 8)	-	-	-	B- (6th of 9)[(d)]

(a) *Moody's appends numerical modifiers 1, 2 and 3 to the generic rating categories to show relative position within the rating categories.*

(b) *S&P ratings may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.*

(c) *Fitch ratings may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.*

(d) *Negative Outlook.*

(e) *Evolving Outlook.*

(f) *AIG guarantees all obligations of AIG Financial Products Corp. and AIG Funding.*

(g) *Credit Watch Negative.*

(h) *Rating Watch Negative.*

These credit ratings are current opinions of the rating agencies. As such, they may be changed, suspended or withdrawn at any time by the rating agencies as a result of changes in, or unavailability of, information or based on other circumstances. Ratings may also be withdrawn at AIG management's request. This discussion of ratings is not a complete list of ratings of AIG and its subsidiaries.

"Ratings triggers" have been defined by one independent rating agency to include clauses or agreements the outcome of which depends upon the level of ratings maintained by one or more rating agencies. "Ratings triggers" generally relate to events that (i) could result in the termination or limitation of credit availability, or require accelerated repayment, (ii) could result in the termination of business contracts or (iii) could require a company to post collateral for the benefit of counterparties.

A significant portion of AIGFP's GIAs, structured financing arrangements and financial derivative transactions include provisions that require AIGFP, upon a downgrade of AIG's long-term debt ratings, to post collateral or, with the consent of the counterparties, assign or repay its positions or arrange a substitute guarantee of its obligations by an obligor with higher debt ratings. Furthermore, certain downgrades of AIG's long-term senior debt ratings would permit either AIG or the counterparties to elect early termination of contracts.

The actual amount of collateral that AIGFP would be required to post to counterparties in the event of such downgrades, or the aggregate amount of payments that AIG could be required to make, depends on market conditions, the fair value of outstanding affected transactions and other factors prevailing at the time of the downgrade. For a discussion of the effect of a downgrade in AIG's credit ratings on AIGFP's financial derivative transactions, see Item 1A. Risk Factors in the 2009 Annual Report on Form 10-K and Note 8 to the Consolidated Financial Statements.

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American International Group, Inc., and Subsidiaries

Contractual Obligations

The following table summarizes contractual obligations in total, and by remaining maturity:

At March 31, 2010 *(in millions)*	Total Payments	Payments due by Period: Remainder of 2010	2011 - 2012	2013 - 2014	2015	Thereafter
Borrowings[(a)]	$ 105,429	$ 13,495	$ 25,939	$ 12,553	$ 5,192	$ 48,250
FRBNY Credit Facility	27,400	-	-	27,400	-	-
Interest payments on borrowings	62,116	3,635	8,865	10,436	3,119	36,061
Loss reserves[(b)]	86,489	15,049	25,774	14,357	4,670	26,639
Insurance and investment contract liabilities[(c)]	670,735	19,514	41,449	47,608	21,710	540,454
GIC liabilities[(d)]	8,828	220	2,530	2,463	263	3,352
Aircraft purchase commitments	13,745	243	887	2,926	1,568	8,121
Other long-term obligations[(e)]	578	209	187	63	4	115
Total[(f)(g)]	$ 975,320	$ 52,365	$ 105,631	$ 117,806	$ 36,526	$ 662,992

(a)

Excludes borrowings incurred by consolidated investments and includes hybrid financial instrument liabilities recorded at fair value.

(b)

Represents future loss and loss adjustment expense payments estimated based on historical loss development payment patterns. Due to the significance of the assumptions used, the periodic amounts presented could be materially different from actual required payments.

(c)

Insurance and investment contract liabilities include various investment-type products with contractually scheduled maturities, including periodic payments of a term certain nature. Insurance and investment contract liabilities also include benefit and claim liabilities, of which a significant portion represents policies and contracts that do not have stated contractual maturity dates and may not result in any future payment obligations. For these policies and contracts (i) AIG is currently not making payments until the occurrence of an insurable event, such as death or disability, (ii) payments are conditional on survivorship, or (iii) payment may occur due to a surrender or other non-scheduled event out of AIG's control. AIG has made significant assumptions to determine the estimated undiscounted cash flows of these contractual policy benefits, which assumptions include mortality, morbidity, future lapse rates, expenses, investment returns and interest crediting rates, offset by expected future deposits and premiums on inforce policies. Due to the significance of the assumptions used, the periodic amounts presented could be materially different from actual required payments. The amounts presented in this table are undiscounted and therefore exceed the future policy benefits and policyholder contract deposits included in the Consolidated Balance Sheet.

(d)

Represents guaranteed maturities under GICs.

(e)

Primarily includes contracts to purchase future services and other capital expenditures.

(f)

Does not reflect unrecognized tax benefits of $4.6 billion, the timing of which is uncertain.

(g)

The majority of AIGFP's credit default swaps require AIGFP to provide credit protection on a designated portfolio of loans or debt securities. At March 31, 2010, the fair value derivative liability was $4.3 billion relating to AIGFP's super senior multi-sector CDO credit default swap portfolio, net of amounts realized in extinguishing derivative obligations. Due to the long-term maturities of these credit default swaps, AIG is unable to make reasonable estimates of the periods during which any payments would be made. However, AIGFP has posted collateral of $3.7 billion with respect to these swaps (prior to offsets for other transactions).

The repayment of long-term debt maturities, net borrowings under the FRBNY Credit Facility, and interest payments on borrowings by AIG and its subsidiaries are expected to be made through the disposition of assets, future cash flows from operations, cash flows generated from invested assets, future debt issuance and other financing arrangements, as more fully described in AIG's Strategy for Stabilization and Repayment of its Obligations as They Come Due above.

Loss reserves relate primarily to General Insurance business. Management believes that adequate financial resources are maintained by the individual General Insurance subsidiaries to meet the actual required payments under these obligations. These subsidiaries maintain substantial liquidity in the form of cash and short-term investments and investment-grade fixed income securities, including substantial holdings in government and corporate bonds (see Investments herein). Generally, these assets are not transferable across various legal entities; however, management believes there are generally sufficient resources within those legal entities such that they can meet their individual needs.

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Insurance and investment contract liabilities, and GIC liabilities, relate primarily to Life Insurance and Retirement Services business. Management believes that adequate financial resources are maintained by individual Life Insurance and Retirement Services subsidiaries to meet the actual required payments under these obligations. These subsidiaries maintain substantial liquidity in the form of cash and short-term investments and investment-grade fixed income securities, including substantial holdings in government and corporate bonds (see Investments herein). Generally, these assets are not transferable across various legal entities; however, management believes there are generally sufficient resources within those legal entities such that they can meet their individual needs.

At March 31, 2010, ILFC has committed to purchase 120 new aircraft deliverable from 2010 through 2019, at an estimated aggregate purchase price of $13.7 billion. See Note 9 to the Consolidated Financial Statements.

Off Balance Sheet Arrangements and Commercial Commitments

The following table summarizes Off Balance Sheet Arrangements and Commercial Commitments in total, and by remaining maturity:

At March 31, 2010		**Amount of Commitment Expiration**				
(in millions)	**Total Amounts Committed**	**Remainder of 2010**	**2011 - 2012**	**2013 - 2014**	**2015**	**Thereafter**
Guarantees:						
Liquidity facilities[(a)]	$ 856	$ -	$ 755	$ -	$ -	$ 101
Standby letters of credit	1,263	1,094	28	18	-	123
Construction guarantees[(b)]	92	2	21	-	-	69
Guarantees of indebtedness	213	-	-	-	-	213
All other guarantees[(c)]	813	32	178	159	243	201
Commitments:						
Investment commitments[(d)]	6,239	1,710	2,056	1,398	241	834
Commitments to extend credit	179	50	97	28	2	2
Letters of credit	245	161	84	-	-	-
Other commercial commitments[(e)]	767	10	-	-	-	757
Total[(f)]	$ 10,667	$ 3,059	$ 3,219	$ 1,603	$ 486	$ 2,300

(a) *Primarily liquidity facilities provided in connection with certain municipal swap transactions and collateralized bond obligations.*

(b) *Primarily SunAmerica construction guarantees connected to affordable housing investments.*

(c) *Excludes potential amounts attributable to indemnifications included in asset sales agreements.*

(d) *Includes commitments to invest in limited partnerships, private equity, hedge funds and mutual funds and commitments to purchase and develop real estate in the United States and abroad. The commitments to invest in limited partnerships and other funds are called at the discretion of each fund, as needed for funding new investments or expenses of the fund. The expiration of these commitments is estimated in the table above based on the expected life cycle of the related fund, consistent with past trends of requirements for funding. Investors under these commitments are primarily insurance and real estate businesses.*

(e) *Includes options to acquire aircraft. Excludes commitments with respect to pension plans. The remaining pension contribution for 2010 is expected to be approximately $97 million for U.S. and non-U.S. plans.*

(f)

Does not include guarantees or other support arrangements among AIG consolidated entities.

The fair value of securities transferred under repurchase agreements accounted for as sales was $2.1 billion and $2.3 billion at March 31, 2010 and December 31, 2009, respectively, and the related cash collateral obtained was $1.7 billion and $1.5 billion at March 31, 2010 and December 31, 2009, respectively.

See Note 16 to the Consolidated Financial Statements in the 2009 Annual Report on Form 10-K for discussion on restrictions on payments of dividends.

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Arrangements with Variable Interest Entities

While AIG enters into various arrangements with variable interest entities (VIEs) in the normal course of business, AIG's involvement with VIEs is primarily as a passive investor in debt securities (rated and unrated) and equity interests issued by VIEs. AIG consolidates a VIE when it is the primary beneficiary of the entity. For a further discussion of AIG's involvement with VIEs, see Notes 1 and 7 to the Consolidated Financial Statements.

Results of Operations

AIG reports the results of its operations through four reportable segments: General Insurance, Domestic Life Insurance & Retirement Services, Foreign Life Insurance & Retirement Services, and Financial Services. Through these reportable segments, AIG provides insurance, financial and investment products and services to both businesses and individuals in more than 130 countries and jurisdictions. AIG's Other operations category consists of business and items not allocated to AIG's reportable segments. AIG's subsidiaries serve commercial, institutional and individual customers through an extensive property-casualty and life insurance and retirement services network. AIG's Financial Services businesses include commercial aircraft and equipment leasing, capital markets operations and consumer finance, both in the United States and abroad.

The following discussion of consolidated and segment results represent comparisons of the three-month period ended March 31, 2010 compared to the three-month period March 31, 2009.

Consolidated Results

The following table presents AIG's condensed consolidated results of operations:

Three Months Ended March 31, *(in millions)*	**2010**	**2009**	**Percentage Increase/ (Decrease)**
Revenues:			
Premiums and other considerations	**$ 10,067**	$ 12,841	(22)%
Net investment income	**4,836**	915	429
Net realized capital losses	**(548)**	(2,774)	-
Unrealized market valuation gains (losses) on AIGFP super senior credit default swap portfolio	**119**	(452)	-
Other income	**1,856**	2,785	(33)
Total revenues	**16,330**	13,315	23
Benefits, claims and expenses:			
Policyholder benefits and claims incurred	**8,519**	11,353	(25)
Policy acquisition and other insurance expenses	**3,262**	3,576	(9)
Interest expense	**1,734**	2,587	(33)
Restructuring expenses and related asset impairment and other expenses	**110**	338	(67)
Net (gain) loss on sale of divested businesses	**77**	(262)	-
Other expenses	**1,793**	2,239	(20)
Total benefits, claims and expenses	**15,495**	19,831	(22)
Income (loss) from continuing operations before income tax benefit	**835**	(6,516)	-
Income tax benefit	**(91)**	(1,303)	-

Income (loss) from continuing operations	**926**	(5,213)	-
Income (loss) from discontinued operations, net of income tax expense (benefit)	**1,173**	80	-
Net income (loss)	**2,099**	(5,133)	-
Less: Net income (loss) attributable to noncontrolling interests	**648**	(780)	-
Net income (loss) attributable to AIG	**$ 1,451**	$ (4,353)	-%

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American International Group, Inc., and Subsidiaries

Premiums and Other Considerations

Premiums and other considerations decreased due to:

a reduction of $1.9 billion in 2010 from dispositions during 2009, including the sales of HSB Group, Inc. (HSB) and 21st Century Insurance Group (21st Century), and the deconsolidation of Transatlantic; and

a decline in Commercial Insurance net premiums earned due to the continued unfavorable pricing environment and weak economy. The decline also reflects price discipline in workers' compensation and capital management initiatives.

Net Investment Income

The following table summarizes the components of consolidated Net investment income:

Three Months Ended March 31, *(in millions)*	**2010**	**2009**	**Percentage Increase/ (Decrease)**
Fixed maturities, including short-term investments	**$ 3,186**	$ 3,630	(12)%
Maiden Lane interests	**911**	(2,194)	-
Equity securities	**40**	68	(41)
Interest on mortgage and other loans	**104**	124	(16)
Partnerships	**388**	(787)	-
Mutual funds	**16**	(27)	-
Real estate	**222**	226	(2)
Other investments	**7**	87	(92)
Total investment income before policyholder income and trading gains (losses)	**4,874**	1,127	332
Policyholder investment income and trading losses	**5**	(35)	-
Total investment income	**4,879**	1,092	347
Investment expenses	**43**	177	(76)
Net investment income	**$ 4,836**	$ 915	429%

Net investment income increased primarily due to:

a gain of $751 million in 2010 associated with the change in fair value of AIG's interest in ML III and a gain of $160 million in 2010 associated with the change in fair value of ML II compared to losses of $2.2 billion in 2009. This improvement was due to favorable valuation changes, primarily resulting from:

the shortening of the weighted average lives;

the narrowing of credit spreads; and

the improvement in credit quality of the underlying collateral securities.

increased income from partnership investments in 2010 compared to losses in 2009, reflecting stronger market conditions in 2010.

These increases were partially offset by:

lower levels of invested assets, including the effect of divested businesses; and

lower returns as a result of increased levels of short-term investments that were held for liquidity purposes.

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American International Group, Inc., and Subsidiaries

Net Realized Capital Gains (Losses)

Three Months Ended March 31, *(in millions)*	**2010**	**2009**
Sales of fixed maturity securities	**$ 295**	$ -
Sales of equity securities	**110**	(57)
Sales of real estate and loans	**(9)**	(29)
Other-than-temporary impairments:		
Severity	**(51)**	(1,610)
Change in intent	**(28)**	(700)
Foreign currency declines	**(32)**	(78)
Issuer-specific credit events	**(963)**	(1,120)
Adverse projected cash flows on structured securities	**-**	(141)
Provision for loan losses	**(123)**	-
Foreign exchange transactions	**645**	272
Derivative instruments	**(460)**	964
Other	**68**	(275)
Total	**$ (548)**	$ (2,774)

Net realized capital losses decreased primarily due to the following:

lower other-than-temporary impairment charges for the three-month period ended March 31, 2009 included non-credit impairments (i.e. severity losses) that are no longer required for fixed maturity securities due to the adoption of the new other-than-temporary impairments accounting standard commencing in the second quarter of 2009. See Note 6 to the Consolidated Financial Statements; and Investments Other-Than-Temporary Impairments;

gains on sales of fixed maturity and equity securities in the current year reflecting improvement in the credit markets; and

increased foreign exchange transaction gains.

Partially offsetting the above items were losses on derivative instruments not qualifying for hedge accounting treatment compared to gains in the year-ago period due primarily to the tightening of credit spreads.

Unrealized Market Valuation Gains (Losses) on AIGFP Super Senior Credit Default Swap Portfolio

AIG recognized unrealized market valuation gains related to AIGFP's super senior credit default swap portfolio in 2010 compared to losses in 2009 due to the improvement in market conditions as well as the narrowing of corporate credit spreads.

See Segment Results Financial Services Operations Financial Services Results Capital Markets Results and Critical Accounting Estimates Valuation of Level 3 Assets and Liabilities and Note 5 to the Consolidated Financial Statements.

Other Income

Other income decreased due to:

a decline of $1.6 billion in net credit valuation adjustment gains on AIGFP's assets and liabilities which are measured at fair value, excluding gains and losses which are reflected in Unrealized gains (losses) on AIGFP's super senior credit default swap portfolio, partially offset by reduced losses from Capital Markets from lower unwind costs and lower unrealized market valuation losses; and

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lower aircraft leasing revenues resulting from ILFC aircraft asset impairment charges of $347 million with respect to aircraft which will be sold subsequent to March 31, 2010, and operating lease related charges totaling $84 million related to those aircraft for the three-month period ended March 31, 2010.

Policyholder Benefits and Claims Incurred

Policyholder benefits and claims incurred decreased due to:

a reduction of $1.3 billion as a result of dispositions in 2009, including the sales of HSB and 21st Century, and the deconsolidation of Transatlantic;

lower production levels for General Insurance and Domestic Life & Retirement Services; and

a decrease in claims and claims adjustment expense for Mortgage Guaranty operations of $794 million primarily due to lower levels of newly reported delinquencies and higher cure rates on existing first-lien delinquent loans and the recognition of stop loss limits on certain second-lien policies.

Partially offsetting the items above were catastrophe losses for General Insurance in 2010 totaling $481 million primarily related to the Chile earthquake, U.S. wind storms and Madeira (Portugal) floods.

Policy Acquisition and Other Insurance Expenses

Policy acquisition and other insurance expenses decreased primarily due a reduction of $580 million as a result of dispositions during 2009, including the sales of HSB, 21st Century and the deconsolidation of Transatlantic, partially offset by the effects of $222 million of amortization of a premium deficiency reserve by UGC in 2009.

Interest Expense

Interest expense decreased primarily due to lower interest expense on the FRBNY Credit Facility. Interest expense on the FRBNY Credit Facility benefited from a reduced interest rate of 3.25 percent in 2010 compared to 6.5 percent in 2009 as well as a lower outstanding balance of $27.4 billion at March 31, 2010 compared to $47.4 billion at March 31, 2009. Interest expense on the FRBNY Credit Facility was $650 million in 2010 compared to $1.3 billion in 2009. Interest expense in 2010 included $521 million of amortization of the prepaid commitment fee asset associated with the FRBNY Credit Facility compared to $705 million in 2009.

Restructuring Expenses and Related Asset Impairment and Other Expenses

Restructuring expenses decreased in 2010 reflecting progress made under the restructuring plan and asset disposition initiatives. See Note 11 to the Consolidated Financial Statements for additional discussion regarding restructuring and separation expenses.

Net (gain) loss on Sale of Divested Businesses

Net gain (loss) on sale of divested businesses includes the net gain (loss) on the sale of divested businesses that did not qualify as discontinued operations. In 2009, included a gain of $251 million from the sale of HSB. See Segment Results Other Operations Other Results herein for

further information.

Other Expenses

Other expenses decreased primarily due to lower compensation-related costs for the noncore Asset Management businesses reflecting the effect of the deconsolidation of certain portfolio investments, as well as a decline in Consumer Finance provision for loan losses of $226 million.

Income Tax Benefits

For the three-month period ended March 31, 2010, the effective tax rate on the pre-tax income from continuing operations was (10.9) percent and the effective tax rate on the pre-tax income included in discontinued operations

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was (13.2) percent. The effective tax rate was negative because AIG recorded a tax benefit on pre-tax income. The tax benefit was primarily due to decreases in the deferred tax asset valuation allowance of $82 million related to certain subsidiaries that file separate income tax returns, $140 million which principally offsets the tax expense related to the pre-tax income from continuing operations earned during the quarter, and $665 million related to changes in value of subsidiaries to be sold and included in discontinued operations.

The effective tax rate on the pre-tax loss from continuing operations for the three-month period ended March 31, 2009 was 20.0 percent. The effective tax rate was lower than the statutory rate due primarily to a $1.6 billion increase in the deferred tax asset valuation allowance against a portion of AIG's net deferred tax asset, partially offset by $632 million of deferred tax benefits mainly attributable to the book to tax basis differences of AIG Parent's investment in subsidiaries and other discrete period items.

At March 31, 2010 AIG's net deferred tax asset was comprised of $8.3 billion of net deferred tax asset related to its U.S. consolidated income tax group (net of $19.6 billion valuation allowance) and $0.1 billion of net deferred tax liability related to foreign subsidiaries, state and local tax jurisdictions, and certain domestic subsidiaries that file separate tax returns. AIG assesses its ability to realize the deferred tax asset based on AIG's ability to generate sufficient earnings from transactions expected to be completed in the near future and tax planning strategies that would be implemented, if necessary, to protect against the loss of the deferred tax asset. This assessment does not depend on projected future operating income.

In any interim period, the U.S. consolidated income tax group may generate income or loss. To the extent that any operating income is generated, the related tax expense may be offset by a reduction in the valuation allowance. Conversely, any tax benefits arising from operating losses may be offset by an additional valuation allowance to reduce the net deferred tax asset to an amount that is more likely than not to be realized. Any reduction of the valuation allowance will be allocated to continuing operations, discontinued operations and components of shareholder's equity based on the intraperiod tax allocation rules. AIG's foreign subsidiaries and U.S. subsidiaries filing separate returns will continue to recognize tax expense and tax benefits, based on their income or loss, which will be reflected in AIG's consolidated provision.

See Critical Accounting Estimates Valuation Allowance on Deferred Tax Assets and Note 14 to the Consolidated Financial Statements.

Discontinued Operations

Total revenues and pre-tax income (loss) for entities reported as discontinued operations were as follows:

Three Months Ended March 31,	**Total Revenues**		**Percentage Increase/**	**Pre-tax Income (Loss)**		**Percentage Increase/**
(in millions)	**2010**	**2009**	**(Decrease)**	**2010**	**2009**	**(Decrease)**
AIA	**$ 3,175**	$ 2,787	14%	**$ 658**	$ 390	69%
ALICO	**3,522**	2,461	43	**543**	175	210
Nan Shan	**2,143**	1,638	31	**18**	(158)	-
Interest allocation*	**-**	-	-	**(183)**	(258)	-
Total	**$ 8,840**	$ 6,886	28%	**$ 1,036**	$ 149	-%

* *Represents interest expense, including periodic amortization of the prepaid commitment fee asset, on debt to be assumed by the buyers of AIA and ALICO and on the estimated portion of the FRBNY Credit Facility required to be repaid as a result of the disposition transactions.*

American International Assurance Company, Ltd.

AIA total revenues for the first quarter of 2010 increased over the same period last year reflecting increased business growth, higher net investment income, realized capital gains and the positive effect of foreign exchange. Premiums and other considerations increased 7 percent to $2.4 billion from continued strength in new and renewal business. Net investment income increased 27 percent to $0.7 billion as higher investment yields and

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growth in assets under management offset higher net investment losses related to policyholder investment income and trading gains (losses) which are offset in policyholder benefits and claims incurred. In the first quarter of 2010 AIA reported net realized capital gains of $107 million compared to $25 million in the same period last year. The improvement in net realized capital gains was due to lower impairment charges and equity gains realized in 2010.

Pre-tax income increased significantly over last year largely due to growth in business, higher realized capital gains, higher investment returns, and the positive effect of foreign exchange.

American Life Insurance Company

ALICO total revenues for the first quarter of 2010 increased over the same period last year reflecting increased business growth, higher net investment income and lower net realized capital losses. Premiums and other considerations increased 7 percent to $2.5 billion from continued strength in new and renewal business. Net investment income more than doubled from last year to $1.1 billion due to net investment income related to policyholder investment income and trading gains (losses) of $292 million in 2010 compared to a net investment loss related to policyholder investment income and trading gains (losses) of $239 million in 2009, as well as fair value gains on trading account assets in the U.K. Net investment income related to policyholder investment income and trading gains (losses) is offset in policyholder benefits and claims incurred. Realized capital losses declined in the first quarter of 2010 compared to the prior year primarily due to lower other-than-temporary impairment charges.

Pre-tax income increased significantly over last year largely due to lower realized capital losses and higher investment returns from trading gains in 2010 compared to trading losses in 2009. In addition, 2009 included a DAC benefit related to net realized capital losses of $232 million which more than offset the negative effect of market volatility on Japan annuity and investment-linked products.

Nan Shan Life Insurance Company

Nan Shan total revenues increased over the same period last year primarily due to net realized capital gains of $74 million in 2010 compared to net realized capital losses of $243 million in 2009, growth in business and the favorable effect of foreign exchange. Net realized capital gains in 2010 were driven mainly by realized capital gains on equity securities which more than offset impairment and derivative losses. The net realized capital losses in 2009 were comprised primarily of losses on derivatives hedging currency risk and other-than-temporary impairment charges.

Nan Shan reported pre-tax income in 2010 compared to a loss in 2009 primarily due to the realized capital gains which offset the effect of increased negative interest rate spreads.

Net income from discontinued operations also reflects a partial release of a valuation allowance attributable to an increase in estimated value to be realized on the expected sales of AIA and ALICO, which are classified as discontinued operations. See Note 14 to the Consolidated Financial Statements.

See Note 3 to the Consolidated Financial Statements.

Segment Results

AIG believes it should present and discuss its financial information in a manner most meaningful to its financial statement users. In managing its businesses, AIG analyzes the operating performance of each business based on pre-tax income (loss), excluding net realized capital gains (losses), results from discontinued operations and net gains (losses) on sales of divested businesses, because AIG believes that this permits better assessment and enhances understanding of the operating performance of each business by highlighting the results from ongoing operations and the underlying profitability of its businesses. When such measures are disclosed, reconciliations to GAAP pre-tax income are provided.

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American International Group, Inc., and Subsidiaries

The following table summarizes the operations of each reportable segment. (See also Note 2 to the Consolidated Financial Statements.)

Three Months Ended March 31, *(in millions)*	**2010**	2009
Total revenues:		
General Insurance	**$ 8,849**	$ 8,099
Domestic Life Insurance & Retirement Services	**3,226**	1,703
Foreign Life Insurance & Retirement Services	**1,075**	763
Financial Services	**1,508**	1,265
Other	**2,062**	2,180
Consolidation and eliminations	**(390)**	(695)
Total	**16,330**	13,315
Pre-tax income (loss) :		
General Insurance	**1,016**	102
Domestic Life Insurance & Retirement Services	**327**	(1,827)
Foreign Life Insurance & Retirement Services	**85**	(128)
Financial Services	**(439)**	(1,130)
Other	**(294)**	(3,444)
Consolidation and eliminations	**140**	(89)
Total	**$ 835**	$ (6,516)

General Insurance Operations

AIG's General Insurance subsidiaries, branded as Chartis in 2009, are multiple line companies writing substantially all lines of property and casualty insurance both domestically and abroad.

As previously noted, AIG believes it should present and discuss its financial information in a manner most meaningful to its financial statement users. Accordingly, in its General Insurance business, AIG uses underwriting profit (loss) to assess performance of the General Insurance business rather than statutory underwriting profit (loss).

Commercial Insurance writes substantially all classes of business insurance, accepting such business mainly from insurance brokers. This provides Commercial Insurance the opportunity to select specialized markets and retain underwriting control. Any licensed broker is able to submit business to Commercial Insurance without the traditional agent-company contractual relationship, but such broker usually has no authority to commit Commercial Insurance to accept a risk.

AIG's Foreign General insurance group writes both commercial and consumer lines of insurance through a network of branches and foreign based insurance subsidiaries. Foreign General insurance group uses various marketing methods and multiple distribution channels to write both commercial and consumer lines insurance with certain refinements for local laws, customs and needs. Foreign General insurance group operates in Asia, the Pacific Rim, Europe, the U.K., Africa, the Middle East and Latin America.

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American International Group, Inc., and Subsidiaries

General Insurance Results

The following table presents General Insurance results:

Three Months Ended March 31, *(in millions)*	**2010**	**2009**	**Percentage Increase/ (Decrease)**
Underwriting results:			
Net premiums written	**$ 7,644**	$ 7,727	(1)%
Decrease (increase) in unearned premiums	**(3)**	545	-
Net premiums earned	**7,641**	8,272	(8)
Claims and claims adjustment expenses incurred	**5,459**	5,787	(6)
Change in deferred acquisition costs	**(18)**	5	-
Other underwriting expenses	**2,392**	2,205	8
Underwriting profit (loss)	**(192)**	275	-
Net investment income	**1,071**	435	146
Net realized capital gains (losses)	**137**	(608)	-
Pre-tax income	**$ 1,016**	$ 102	-%

General Insurance Underwriting Results

In managing its general insurance businesses, AIG analyzes the operating performance of its businesses using underwriting profit. Underwriting profit is derived by reducing net premiums earned by claims and claims adjustment expenses incurred and underwriting expenses, including the change in deferred acquisition costs.

AIG, along with most property and casualty insurance companies, uses the loss ratio, the expense ratio and the combined ratio as measures of underwriting performance. The loss ratio is the sum of claims and claims adjustment expenses divided by net premiums earned. The expense ratio is underwriting expenses divided by net premiums earned. These ratios are relative measurements that describe, for every $100 of net premiums earned, the cost of claims and expenses, respectively. A combined ratio of less than 100 indicates an underwriting profit and over 100 indicates an underwriting loss.

Net premiums written are initially deferred and earned based upon the terms of the underlying policies. The net unearned premium reserve constitutes deferred revenues which are generally earned ratably over the policy period.

The underwriting environment varies from country to country, as does the degree of litigation activity. Regulation, product type and competition have a direct effect on pricing and consequently on profitability as reflected in underwriting profit and the combined ratio.

General Insurance Net Premiums Written

General Insurance recorded $7.6 billion in net premiums written in the first quarter of 2010, a 1 percent decrease from the first quarter of 2009. The modest decline reflects General Insurance's price discipline where market rates are unsatisfactory, including workers' compensation, strategic growth in high margin lines of business, and the favorable effect of foreign exchange. While the business continues to see increased business retention, new business submissions, and a continued stable rate environment, net premium writings continue to be affected by challenging economic conditions.

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American International Group, Inc., and Subsidiaries

AIG transacts business in most major foreign currencies. The following table summarizes the effect of changes in foreign currency exchange rates on General Insurance net premiums written:

Three Months Ended March 31,	**2010 vs. 2009**
Decrease in original currency*	**(3.8)%**
Foreign exchange effect	**2.7**
Decrease as reported in U.S. dollars	**(1.1)%**

* *Computed using a constant exchange rate for each period.*

General Insurance Underwriting Ratios

The following table summarizes General Insurance GAAP combined ratios:

Three Months Ended March 31,	**2010**	**2009**
Loss ratio	**71.4**	70.0
Expense ratio	**31.1**	26.7
Combined ratio	**102.5**	96.7

The increase in the General Insurance combined ratio primarily resulted from the following:

a loss ratio for accident year 2010 recorded in 2010 which was 7.0 points higher than the loss ratio for accident year 2009. This increase is the product of higher catastrophe losses driven by a $310 million loss due to the earthquake in Chile, $119 million in losses due to two severe windstorms in the Northeastern United States and $52 million in losses due to flooding in Madeira (Portugal), in total accounting for a 6.0 point increase in the accident year loss ratio;

an increase of 4.4 points in the expense ratio primarily due to a decline in earned premiums and higher expenses, driven by increased pension costs and higher transition and financial remediation costs; and

the effects of premium rate decreases and adverse changes in loss trends.

These increases were partially offset by favorable prior year development which amounted to $244 million for the three months ended March 31, 2010 compared to adverse development of $172 million for the three months ended March 31, 2009. The current period includes $204 million of favorable development in the Lexington businesses of Commercial Insurance, while the three months ended March 31, 2009 includes $169 million of adverse development related to the Excess Casualty business.

General Insurance Net Loss Development

General Insurance experienced $244 million of favorable development in the three months ended March 31, 2010. This is primarily attributable to strong favorable development in Commercial Insurance's Lexington lines of business, partially offset by adverse development in Risk Finance and Reinsurance. Foreign General Insurance also experienced favorable development, primarily in its directors & officers' liability

(D&O) lines.

General Insurance Investing Results and Other Income

Net investment income for General Insurance increased primarily due to improvement in returns from partnership investments. Net realized capital gains were recognized in 2010 compared to losses in 2009 primarily due to lower other-than-temporary impairments on investments.

See Consolidated Results for further discussion on Net investment income and Net realized capital gains (losses).

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American International Group, Inc., and Subsidiaries

Commercial Insurance Results

The following table presents Commercial Insurance results:

Three Months Ended March 31, *(in millions)*	**2010**	**2009**	**Percentage Increase/ (Decrease)**
Underwriting results:			
Net premiums written	**$ 3,787**	$ 4,184	(9)%
Decrease in unearned premiums	**775**	1,043	(26)
Net premiums earned	**4,562**	5,227	(13)
Claims and claims adjustment expenses incurred	**3,474**	4,094	(15)
Change in deferred acquisition costs	**129**	130	(1)
Other underwriting expenses	**1,070**	1,024	4
Underwriting loss	**(111)**	(21)	-
Net investment income	**844**	300	181
Net realized capital losses	**(3)**	(503)	-
Pre-tax income (loss)	**$ 730**	$ (224)	-%

Commercial Insurance Underwriting Results

Commercial Insurance Net Premiums written

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

Three Months Ended March 31, *(in millions)*	**2010**	**2009**	**Percentage Increase/ (Decrease)**
General liability/auto liability	**$ 582**	$ 669	(13)%
Workers' compensation	**547**	719	(24)
Property	**418**	427	(2)
A&H products	**385**	331	16
Management/professional liability	**353**	345	2
Commercial umbrella/excess	**325**	353	(8)
Multinational P&C	**236**	268	(12)
Private client group	**227**	210	8
Programs	**158**	168	(6)
Healthcare	**113**	158	(28)
Environmental	**109**	119	(8)
Aviation	**32**	34	(6)
Other	**302**	383	(21)
Total	**$ 3,787**	$ 4,184	(9)%

Commercial Insurance net premiums written decreased primarily due to:

lower U.S. workers' compensation premiums due to declining rates, lower employment levels, increased competition and a strategy to remain price disciplined; and

declines in the construction, real estate and transportation lines of business, which were more negatively affected by the credit crisis compared to other lines of businesses. In addition, limited capital for new projects reduced the demand for general liability and commercial umbrella insurance.

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American International Group, Inc., and Subsidiaries

Commercial Insurance Underwriting Ratios

The following table presents Commercial Insurance GAAP combined ratios:

Three Months Ended March 31,	**2010**	**2009**
Loss ratio	**76.2**	78.3
Expense ratio	**26.3**	22.1
Combined ratio	**102.5**	100.4

The increase in the Commercial Insurance combined ratio primarily resulted from the following:

an accident year loss ratio for the three months ended March 31, 2010 that was 5.5 points higher than the accident year loss ratio for the three months ended March 31, 2009, resulting from an increase in catastrophe-related losses of $177 million attributable to the combined losses of two severe windstorms in the Northeastern US and the earthquake in Chile;

an increase in the expense ratio of 4.2 points due to a decline in earned premiums and higher expenses driven by increased pension costs and transition and financial remediation costs; and

the effects of premium rate decreases and adverse changes in loss trends.

These increases were partially offset by a change in prior-year development. For the three month period ended March 31, 2010 Commercial Insurance recorded favorable development of $190 million compared to adverse development of $164 million in the same period of 2009. The net favorable development for 2010 includes $59 million of favorable development related to loss sensitive policies compared to $100 million of favorable development related to loss sensitive policies in the same period in 2009.

Commercial Insurance Net Loss Development

The $190 million of favorable development in the three months ended March 31, 2010 is primarily attributable to favorable development in the Lexington lines of business, with property contributing $127 million and catastrophe excess liability contributing $40 million. Lexington's development was partially offset by $35 million of adverse development in Risk Finance and $21 million of adverse development in Reinsurance. Excess casualty and excess workers' compensation, while not contributing to the favorable development in 2010, did not experience any further adverse development.

Commercial Insurance Investing Results

Net investment income for Commercial Insurance increased primarily due to improvement in returns from partnership investments of $463 million.

Net realized capital losses for Commercial Insurance declined due to lower other-than-temporary impairments on investments.

See Consolidated Results for further discussion on Net investment income and Net realized capital gains (losses).

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American International Group, Inc., and Subsidiaries

Foreign General Insurance Results

The following table presents Foreign General Insurance results:

Three Months Ended March 31, *(in millions)*	**2010**	**2009**	**Percentage Increase/ (Decrease)**
Underwriting results:			
Net premiums written	**$ 3,857**	$ 3,543	9%
Increase in unearned premiums	**(778)**	(498)	-
Net premiums earned	**3,079**	3,045	1
Claims and claims adjustment expenses incurred	**1,985**	1,693	17
Change in deferred acquisition costs	**(147)**	(125)	-
Other underwriting expenses	**1,322**	1,181	12
Underwriting profit (loss)	**(81)**	296	-
Net investment income	**227**	135	68
Net realized capital gains (losses)	**140**	(105)	-
Pre-tax income	**$ 286**	$ 326	(12)%

Foreign General Insurance Underwriting Results

Foreign General Insurance Net Premiums Written

The following table presents Foreign General Insurance net premiums written by line of business:

Three Months Ended March 31, *(in millions)*	**2010**	**2009**	**Percentage Increase/ (Decrease)**
A&H products	**$ 982**	$ 937	5%
Specialty lines	**781**	689	13
Casualty	**671**	579	16
Personal lines	**567**	553	3
Marine & Energy	**259**	204	27
Lloyds	**235**	231	2
Property	**174**	165	5
Aviation	**104**	102	2
Other	**84**	83	1
Total	**$ 3,857**	$ 3,543	9%

Foreign General Insurance net premiums written increased primarily due to:

positive effect of changes in foreign exchange rates, which contributed 6 percent to the increase; and

new business as global economic conditions improved.

From a regional perspective, Europe achieved growth of 6.0 percent in its critical renewal season. In addition, positive growth of 1.6 percent in the U.K and Ireland operations contributed to the continuing upward trend in production since the third quarter of 2009 which is attributable to improved retention and strong new business submissions.

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American International Group, Inc., and Subsidiaries

AIG transacts business in most major foreign currencies. The following table summarizes the effect of changes in foreign currency exchange rates on the growth of Foreign General Insurance net premiums written:

Three Months Ended March 31,	**2010 vs. 2009**
Increase in original currency*	**2.9%**
Foreign exchange effect	**6.0**
Increase as reported in U.S. dollars	**8.9%**

* *Computed using a constant exchange rate for each period.*

Foreign General Insurance Underwriting Ratios

The following table presents Foreign General Insurance combined ratios:

Three Months Ended March 31,	**2010**	**2009**
Loss ratio	**64.5**	55.6
Expense ratio	**38.2**	34.7
Combined ratio	**102.7**	90.3

The increase in the Foreign General Insurance combined ratio primarily resulted from the following:

- significant catastrophe related losses in the three months ended March 31, 2010, compared to none in the three months ended March 31, 2009, contributed 9 points to the loss ratio. Catastrophe losses included $252 million due to the earthquake in Chile and $52 million due to the flooding in Madeira (Portugal); and

- an increase in the expense ratio was primarily due to higher general operating expenses and acquisition costs.

Foreign General Insurance Net Loss Development

Foreign General Insurance experienced $54 million of favorable development in the three months ended March 31, 2010, including $28 million of favorable development from the D&O line of business. The remainder was spread throughout the other lines of business.

Foreign General Insurance Investing Results and Other Income

Foreign General Insurance Net investment income increased primarily due to higher partnership and mutual fund results partially offset by lower interest and dividend income.

Foreign General Insurance recorded Net realized capital gains in 2010 due to gains in the sales of fixed maturity securities, the favorable effect of foreign exchange and lower other-than-temporary impairments on investments.

On March 31, 2010, a subsidiary of Chartis International purchased additional voting shares in Fuji. Investment income for the three months ended March 31, 2010 includes an equity pick-up of $56 million pertaining to the minority ownership as well as a gain of $47 million reflecting remeasurement of the equity interest in Fuji held prior to the acquisition of the additional shares, offset by a $72 million charge resulting from the reversal through income of Chartis' share of Fuji's other comprehensive income. See Note 4 to the Consolidated Financial Statements for additional information.

Liability for unpaid claims and claims adjustment expense

The following discussion on the consolidated liability for unpaid claims and claims adjustment expenses (loss reserves) presents loss reserves for the Commercial Insurance and Foreign General Insurance reporting units in

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the General Insurance operating segment and loss reserves pertaining to divested and/or Noncore businesses, comprising the Mortgage Guaranty reporting unit reported in AIG's Other category.

The following table presents the components of the loss reserves by major lines of business on a statutory annual statement basis[a]:

(in millions)	March 31, 2010	December 31, 2009
Other liability occurrence	$ 20,473	$ 20,344
International[b]	16,269	12,582
Workers' compensation	15,632	15,200
Other liability claims made	11,650	12,619
Mortgage Guaranty/Credit	5,253	5,477
Property	3,868	3,872
Auto liability	3,175	4,164
Products liability	2,338	2,414
Medical malpractice	1,757	1,672
Accident and health	1,361	1,677
Aircraft	1,172	1,388
Commercial multiple peril	1,006	1,081
Fidelity/surety	943	875
Reinsurance	130	154
Other	1,462	1,867
Total	$ 86,489	$ 85,386

(a) *Presented by lines of business pursuant to statutory reporting requirements as prescribed by the National Association of Insurance Commissioners.*

(b) *Includes $1.5 billion related to the acquisition of Fuji on March 31, 2010.*

AIG's gross loss reserves represent the accumulation of estimates of ultimate losses, including estimates for incurred but not yet reported reserves (IBNR) and loss expenses. The methods used to determine loss reserve estimates and to establish the resulting reserves are continually reviewed and updated. Any adjustments resulting from this review are currently reflected in pre-tax income. Because loss reserve estimates are subject to the outcome of future events, changes in estimates are unavoidable given that loss trends vary and time is often required for changes in trends to be recognized and confirmed. Reserve changes that increase previous estimates of ultimate cost are referred to as unfavorable or adverse development or reserve strengthening. Reserve changes that decrease previous estimates of ultimate cost are referred to as favorable development.

The net loss reserves represent loss reserves reduced by reinsurance recoverable, net of an allowance for unrecoverable reinsurance and applicable discount for future investment income.

The following table classifies the components of the net liability for unpaid claims and claims adjustment expense by business unit:

(in millions)	March 31, 2010	December 31, 2009

General Insurance segment:				
Commercial Insurance	**$**	**50,089**	$	50,498
Foreign General Insurance		**13,956**		12,688
Total General Insurance		**64,045**		63,186
Mortgage Guaranty		**4,504**		4,713
Total net loss reserves	**$**	**68,549**	$	67,899

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Discounting of Reserves

At March 31, 2010, net loss reserves reflect a loss reserve discount of $2.66 billion, including tabular and non-tabular calculations. The tabular workers' compensation discount is calculated using a 3.5 percent interest rate and the 1979-81 Decennial Mortality Table. The non-tabular workers' compensation discount is calculated separately for companies domiciled in New York and Pennsylvania, and follows the statutory regulations for each state. For New York companies, the discount is based on a five percent interest rate and the companies' own payout patterns. For Pennsylvania companies, the statute has specified discount factors for accident years 2001 and prior, which are based on a six percent interest rate and an industry payout pattern. For accident years 2002 and subsequent, the discount is based on the payout patterns and investment yields of the companies. The discount is comprised of the following: $669 million tabular discount for workers' compensation in Commercial Insurance and $1.99 billion non-tabular discount for workers' compensation in Commercial Insurance.

Quarterly Reserving Process

AIG believes that the net loss reserves are adequate to cover net losses and loss expenses as of March 31, 2010. While AIG regularly reviews the adequacy of established loss reserves, there can be no assurance that AIG's ultimate loss reserves will not develop adversely and materially exceed AIG's loss reserves as of March 31, 2010. In the opinion of management, such adverse development and resulting increase in reserves is not likely to have a material adverse effect on AIG's consolidated financial condition, although it could have a material adverse effect on AIG's consolidated results of operations for an individual reporting period.

The following table presents the reconciliation of net loss reserves:

Three Months Ended March 31, *(in millions)*	**2010**	2009
Net liability for unpaid claims and claims adjustment expense at beginning of year	**$ 67,899**	$ 72,455
Foreign exchange effect	**(553)**	(290)
Acquisitions[(a)]	**1,538**	-
Dispositions	**(25)**	(287)[(b)]
Losses and loss expenses incurred:[(c)]		
Current year	**5,998**	7,862
Prior years, other than accretion of discount	**(476)**	64
Prior years, accretion of discount	**86**	98
Losses and loss expenses incurred	**5,608**	8,024
Losses and loss expenses paid[(c)]	**5,916**	7,648
Reclassified to liabilities of businesses held for sale	**(2)**	-
Net liability for unpaid claims and claims adjustment expense at end of period	**$ 68,549**	$ 72,254

(a) *Represents the acquisition of Fuji on March 31, 2010.*

(b) *HSB was sold during the first quarter of 2009.*

(c) *Includes amounts related to dispositions through the date of disposition.*

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The following tables summarize development, (favorable) or unfavorable, of incurred losses and loss expenses for prior years (other than accretion of discount):

Three Months Ended March 31, *(in millions)*	**2010**	**2009**
Prior Accident Year Development by Reporting Unit:		
General Insurance segment:		
Commercial Insurance	**$ (190)**	$ 164
Foreign General Insurance	**(54)**	8
Total General Insurance segment	**(244)**	172
Noncore businesses:		
Mortgage Guaranty	**(232)**	(94)
Other noncore insurance businesses*	**-**	(14)
Total Noncore businesses	**(232)**	(108)
Prior years, other than accretion of discount	**$ (476)**	$ 64

* *Entities were sold during 2009.*

Three Months Ended March 31, *(in millions)*	**Calendar Year 2010**	**2009**
Prior Accident Year Development by Accident Year:		
Accident Year		
2009	**$ (263)**	
2008	**(116)**	$ (147)
2007	**(58)**	115
2006	**(56)**	(25)
2005	**(35)**	(83)
2004	**29**	5
2003 and prior	**23**	199
Prior years, other than accretion of discount	**$ (476)**	$ 64

In determining the loss development from prior accident years, AIG conducts analyses to determine the change in estimated ultimate loss for each accident year for each class of business. For example, if loss emergence for a class of business is different than expected for certain accident years, the actuaries examine the indicated effect such emergence would have on the reserves of that class of business. In some cases, the higher or lower than expected emergence may result in no clear change in the ultimate loss estimate for the accident years in question, and no adjustment would be made to the reserves for the class of business for prior accident years. In other cases, the higher or lower than expected

emergence may result in a larger change, either favorable or unfavorable, than the difference between the actual and expected loss emergence. Such additional analyses were conducted for each class of business, as appropriate, in the three-month period ended March 31, 2010 to determine the loss development from prior accident years for three-month period ended March 31, 2010. As part of its reserving process, AIG also considers notices of claims received with respect to emerging issues, such as those related to the U.S. mortgage and housing market.

See General Insurance Results herein for further discussion of net loss development.

Asbestos and Environmental Reserves

The estimation of loss reserves relating to asbestos and environmental claims on insurance policies written many years ago is subject to greater uncertainty than other types of claims due to inconsistent court decisions as well as judicial interpretations and legislative actions that in some cases have tended to broaden coverage beyond the original intent of such policies and in others have expanded theories of liability.

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As described more fully in the 2009 Annual Report on Form 10-K, AIG's reserves relating to asbestos and environmental claims reflect a comprehensive ground-up analysis.

The following table provides a summary of reserve activity, including estimates for applicable IBNR, relating to asbestos and environmental claims separately and combined:

Three Months Ended March 31,	**2010**		**2009**	
(in millions)	**Gross**	**Net**	**Gross**	**Net**
Asbestos:				
Liability for unpaid claims and claims adjustment expense at beginning of year	**$ 3,236**	**$ 1,151**	$ 3,443	$ 1,200
Losses and loss expenses incurred*	**1**	**2**	27	12
Losses and loss expenses paid*	**(188)**	**(48)**	(140)	(17)
Liability for unpaid claims and claims adjustment expense at end of period	**$ 3,049**	**$ 1,105**	$ 3,330	$ 1,195
Environmental:				
Liability for unpaid claims and claims adjustment expense at beginning of year	**$ 338**	**$ 159**	$ 417	$ 194
Losses and loss expenses incurred*	**-**	**1**	3	-
Losses and loss expenses paid*	**(12)**	**(8)**	(12)	(12)
Liability for unpaid claims and claims adjustment expense at end of period	**$ 326**	**$ 152**	$ 408	$ 182
Combined:				
Liability for unpaid claims and claims adjustment expense at beginning of year	**$ 3,574**	**$ 1,310**	$ 3,860	$ 1,394
Losses and loss expenses incurred*	**1**	**3**	30	12
Losses and loss expenses paid*	**(200)**	**(56)**	(152)	(29)
Liability for unpaid claims and claims adjustment expense at end of period	**$ 3,375**	**$ 1,257**	$ 3,738	$ 1,377

* *All amounts pertain to policies underwritten in prior years, primarily to policies issued in 1984 and prior years.*

The following table presents the estimate of the gross and net IBNR included in the Liability for unpaid claims and claims adjustment expense, relating to asbestos and environmental claims separately and combined:

Three Months Ended March 31,	**2010**		**2009**	
(in millions)	**Gross**	**Net**	**Gross**	**Net**
Asbestos	**$ 2,016**	**$ 838**	$ 2,246	$ 929
Environmental	**159**	**63**	246	93
Combined	**$ 2,175**	**$ 901**	$ 2,492	$ 1,022

The following table presents a summary of asbestos and environmental claims count activity:

	2010			2009		
Three Months Ended March 31,	**Asbestos**	**Environmental**	**Combined**	**Asbestos**	**Environmental**	**Combined**
Claims at beginning of year	**5,417**	**5,994**	**11,411**	5,780	6,674	12,454
Claims during year:						
Opened	**133**	**111**	**244**	232	181	413
Settled	**(55)**	**(44)**	**(99)**	(133)	(38)	(171)
Dismissed or otherwise resolved	**(287)**	**(1,321)**	**(1,608)**	(178)	(289)	(467)
Claims at end of period	**5,208**	**4,740**	**9,948**	5,701	6,528	12,229

Survival Ratios Asbestos and Environmental

The following table presents AIG's survival ratios for asbestos and environmental claims at March 31, 2010 and 2009. The survival ratio is derived by dividing the current carried loss reserve by the average payments for the three most recent calendar years for these claims. Therefore, the survival ratio is a simplistic measure estimating

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the number of years it would be before the current ending loss reserves for these claims would be paid off using recent year average payments. The March 31, 2010 gross asbestos survival ratio is lower than the ratio at March 31, 2009 because the more recent periods included in the rolling average reflect higher claims payments. In addition, AIG's survival ratio for asbestos claims was negatively affected by certain favorable settlements during 2008 and 2007. These settlements reduced gross and net asbestos survival ratios at March 31, 2010 by approximately 0.5 years and 1.4 years, respectively; and reduced gross and net asbestos survival ratios at March 31, 2009 by approximately 1.1 years and 2.3 years, respectively. Many factors, such as aggressive settlement procedures, mix of business and level of coverage provided, have a significant effect on the amount of asbestos and environmental reserves and payments and the resultant survival ratio. Moreover, as discussed above, the primary basis for AIG's determination of its reserves is not survival ratios, but instead the ground-up and top-down analysis. Thus, caution should be exercised in attempting to determine reserve adequacy for these claims based simply on this survival ratio.

The following table presents AIG's survival ratios for asbestos and environmental claims, separately and combined, which were based upon a three-year average payment:

	2010		2009	
Three Months Ended March 31,	**Gross**	**Net**	**Gross**	**Net**
Survival ratios:				
Asbestos	**4.5**	**3.9**	5.0	3.9
Environmental	**4.4**	**3.3**	4.4	3.2
Combined	**4.5**	**3.8**	4.9	3.8

Domestic Life Insurance & Retirement Services Operations

AIG's Domestic Life Insurance & Retirement Services segment, operating as SunAmerica Financial Group, is comprised of several life insurance and retirement services businesses that offer a comprehensive suite of life insurance, retirement savings products and guaranteed income solutions through an established multi-channel distribution network that includes banks, national, regional and independent broker-dealers, career financial advisors, wholesale life brokers, insurance agents and a direct-to-consumer platform.

AIG's Domestic Life Insurance businesses offer a broad range of protection products, including individual term and universal life insurance, and group life and health products. In addition, Domestic Life Insurance offers a variety of payout annuities, which include single premium immediate annuities, structured settlements and terminal funding annuities. Domestic Retirement Services businesses offer group retirement products, individual fixed and variable annuities, mutual funds and financial planning and investment advisory services. Certain previously acquired closed blocks and fixed and variable annuity blocks that have been discontinued are reported as "runoff" annuities. Domestic Retirement Services also maintains a runoff block of Guaranteed Investment Contracts (GICs) that were written in (or issued to) the institutional market place prior to 2006.

In managing its Domestic Life Insurance & Retirement Services businesses, AIG analyzes the operating performance of each business using pre-tax income (loss) before net realized capital gains (losses). Pre-tax income (loss) before net realized capital gains (losses) is not a substitute for pre-tax income determined in accordance with U.S. GAAP. However, AIG believes that the presentation of pre-tax income (loss) before net realized capital gains (losses) enhances the understanding of the underlying profitability of the ongoing operations of the Domestic Life Insurance & Retirement Services businesses. The reconciliations to pre-tax income are provided in the tables that follow.

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Domestic Life Insurance & Retirement Services Results

The following table presents Domestic Life Insurance & Retirement Services results:

Three Months Ended March 31, *(in millions)*	**2010**	**2009**	**Percentage Increase/ (Decrease)**
Premiums and other considerations	**$ 1,315**	$ 1,440	(9)%
Net investment income	**2,707**	1,930	40
Policyholder benefits and claims incurred	**2,201**	2,590	(15)
Policy acquisition and other expenses	**698**	940	(26)
Pre-tax income (loss) before net realized capital losses	**1,123**	(160)	-
Net realized capital losses	**(796)**	(1,667)	-
Pre-tax income (loss)	**$ 327**	$ (1,827)	-%

Domestic Life Insurance & Retirement Services reported higher pre-tax income before net realized capital losses primarily due to the following:

an increase in net investment income as a result of growth in partnership returns, which amounted to $235 million in the three month period ended March 31, 2010 compared to losses of $373 million in the same period of 2009, as well as higher income from valuation adjustments from the interest in ML II, which offset the negative effects of higher liquidity in the investment portfolios; and

lower DAC and SIA unlocking and related reserve strengthening of $558 million. There were no unlockings in the three months ended March 31, 2010. Unlockings in the three months ended March 31, 2009 primarily were the result of reductions in the long-term growth assumptions for group retirement products and individual variable annuities and deteriorating equity market conditions early in 2009.

These improvements were partially offset by lower DAC and sale inducement assets (SIA) benefits related to net realized capital losses of $4 million in the three months ended March 31, 2010 compared to $349 million in the three months ended March 31, 2009.

Pre-tax income for Domestic Life Insurance & Retirement Services reflected a decline in net realized capital losses due principally to the significant decline in other-than-temporary impairments. See Results of Operations Consolidated Results Premiums and Other Considerations; Net Investment Income; and Net Realized Capital Gains (Losses).

Domestic Life Insurance Results

The following table presents Domestic Life Insurance results:

Three Months Ended March 31, *(in millions)*	**2010**	**2009**	**Percentage Increase/ (Decrease)**
Premiums and other considerations	**$ 1,040**	$ 1,182	(12)%
Net investment income	**1,034**	825	25
Policyholder benefits and claims incurred	**1,320**	1,373	(4)

Policy acquisition and other expenses	**387**	451	(14)
Pre-tax income before net realized capital losses	**367**	183	101
Net realized capital losses	**(140)**	(481)	-
Pre-tax income (loss)	**$ 227**	$ (298)	-%

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Domestic Life Insurance pre-tax income before net realized capital losses increased primarily due to the following:

- higher net investment income due to a $141 million increase in partnership income and a $129 million increase in the fair value of the interest in ML II; and
- favorable life insurance mortality experience.

Partially offsetting these increases was a lower DAC benefit related to net realized capital losses of $2 million in 2010 compared to a benefit of $25 million in 2009.

Domestic Life Insurance premiums and other considerations declined primarily due to the sale of AIG Life Canada on April 1, 2009. Policy acquisition and other insurance expenses declined primarily due to expense reductions.

Domestic Life Insurance reported pre-tax income in the three months ended March 31, 2010 compared to a pre-tax loss in the three months ended March 31, 2009 reflecting lower levels of net realized capital losses in 2010, due principally to a $291 million decline in other-than-temporary impairment charges.

Domestic Life Insurance Sales and Deposits

The following table summarizes Domestic Life Insurance sales and deposits by product[(a)]:

Three Months Ended March 31, ***(in millions)***	**2010**	**2009**	**Percentage Increase/ (Decrease)**
Life insurance			
Periodic premium by product:			
Universal life	**$ 9**	$ 14	(36)%
Variable universal life	**-**	8	-
Term life	**16**	24	(33)
Whole life/other	**1**	2	(50)
Total periodic premiums by product	**26**	48	(46)
Group life/health	**22**	55	(60)
Unscheduled and single deposits	**15**	37	(59)
Total life insurance	**63**	140	(55)
Career distribution			
By product:			
Periodic life insurance premiums	**19**	16	19
Unscheduled and single deposits	**5**	4	25
Accident and health insurance	**2**	1	100
Fixed annuities	**17**	56	(70)
Total career distribution	**43**	77	(44)
Payout annuities	**217**	191	14

Individual fixed and runoff annuities	**161**	195	(17)
Total sales and deposits[(b)]	**$ 484**	$ 603	(20)%

(a)

Includes divested operations. Life insurance sales include periodic premiums from new business expected to be collected over a one-year period and unscheduled and single premiums from new and existing policyholders. Sales of group accident and health insurance represent annualized first-year premium from new policies. Annuity sales represent deposits from new and existing customers.

(b)

The sales and deposit amounts presented for payout annuities have been revised in the first quarter of 2010 to better align with how management views the business. Prior periods have been revised to conform with the current period presentation.

Total Domestic Life Insurance sales and deposits decreased primarily due to lower fixed annuity deposits, life insurance premiums and the sale of AIG Life Canada, partially offset by increased payout annuity sales. Life

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insurance premiums decreased primarily due to lower Domestic Life Insurance financial strength ratings while fixed annuity sales declined as a result of the low interest rate environment. Payout annuity sales increased as a result of improved structured settlement, immediate annuity and terminal funding sales.

Domestic Retirement Services Results

The following table presents Domestic Retirement Services results:

Three Months Ended March 31, *(in millions)*	**2010**	**2009**	**Percentage Increase/ (Decrease)**
Premiums and other considerations	**$ 275**	$ 258	7%
Net investment income	**1,673**	1,105	51
Policyholder benefits and claims incurred	**881**	1,217	(28)
Policy acquisition and other expenses	**311**	489	(36)
Pre-tax income (loss) before net realized capital losses	**756**	(343)	-
Net realized capital losses	**(656)**	(1,186)	-
Pre-tax income (loss)	**$ 100**	$ (1,529)	-%

Domestic Retirement Services pre-tax income before net realized capital gains (losses) increased primarily due to the following:

higher net investment income due to a $467 million increase in partnership income and $276 million higher income from valuation adjustments in ML II; and

lower DAC and SIA unlockings and related reserve strengthening of $558 million. There were no unlockings in the three-month period ended March 31, 2010. Unlockings in the three-month period ended March 31, 2009 primarily were the result of reductions in the long-term growth assumptions for group retirement products and individual variable annuities and deteriorating equity market conditions early in 2009.

Partially offsetting these benefits were:

reduced DAC and SIA benefits of $322 million from lower net realized capital losses; and

a decrease in investment income due to lower reserves and assets in the GIC and fixed annuity blocks. As the GIC block is in runoff, AIG anticipates reserve and asset declines in future periods.

Pre-tax income for Domestic Retirement Services reflected lower levels of net realized capital losses principally from lower other-than-temporary impairment charges of $1.2 billion, partially offset by an increase of $853 million related to derivative fair value losses on interest rate and foreign exchange derivatives used to economically hedge the effect of interest rate and foreign exchange movements on GIC reserves.

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Domestic Retirement Services Sales and Deposits

The following table presents the account value rollforward for Domestic Retirement Services:

Three Months Ended March 31, *(in millions)*	**2010**	**2009**
Group retirement products		
Balance, beginning of year	**$ 63,419**	$ 56,861
Deposits annuities	**1,254**	1,228
Deposits mutual funds	**354**	401
Total Deposits	**1,608**	1,629
Surrenders and other withdrawals	**(1,676)**	(1,669)
Death benefits	**(73)**	(68)
Net inflows (outflows)	**(141)**	(108)
Change in fair value of underlying investments, interest credited, net of fees	**1,591**	(1,889)
Balance, end of period	**$ 64,869**	$ 54,864
Individual fixed annuities		
Balance, beginning of year	**$ 47,202**	$ 48,394
Deposits	**1,153**	1,474
Surrenders and other withdrawals	**(905)**	(2,369)
Death benefits	**(370)**	(433)
Net inflows (outflows)	**(122)**	(1,328)
Change in fair value of underlying investments, interest credited, net of fees	**467**	464
Balance, end of period	**$ 47,547**	$ 47,530
Individual variable annuities		
Balance, beginning of year	**$ 24,637**	$ 23,593
Deposits	**357**	262
Surrenders and other withdrawals	**(674)**	(732)
Death benefits	**(120)**	(110)
Net inflows (outflows)	**(437)**	(580)
Change in fair value of underlying investments, interest credited, net of fees	**666**	(1,516)
Balance, end of period	**$ 24,866**	$ 21,497
Total Domestic Retirement Services		
Balance, beginning of year	**$ 135,258**	$ 128,848
Deposits	**3,118**	3,365
Surrenders and other withdrawals	**(3,255)**	(4,770)
Death benefits	**(563)**	(611)
Net inflows (outflows)	**(700)**	(2,016)
Change in fair value of underlying investments, interest credited, net of fees	**2,724**	(2,941)

Balance, end of year, excluding runoff	**137,282**	123,891
Individual annuities runoff	**4,579**	4,898
GICs runoff	**8,427**	11,928
Balance at end of period	**$ 150,288**	$ 140,717
General and separate account reserves and mutual funds		
General account reserve	**$ 95,400**	$ 100,243
Separate account reserve	**46,639**	34,513
Total general and separate account reserves	**142,039**	134,756
Group retirement mutual funds	**8,249**	5,961
Total reserves and mutual funds	**$ 150,288**	$ 140,717

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Deposits for individual fixed annuities decreased primarily as a result of a slowdown in industry fixed annuity sales primarily due to less competitive rates and increased pricing on long term certificate of deposit products at certain banks. Variable annuity sales increased due to competitive product enhancements, reinstatements at a number of key broker-dealers, and increased wholesaler productivity.

Surrender rates and withdrawals have improved for individual fixed annuities and individual variable annuities as surrenders have returned to more normal levels.

The following table presents reserves by surrender charge category and surrender rates:

	March 31, 2010			March 31, 2009		
(in millions)	**Group Retirement Products***	**Individual Fixed Annuities**	**Individual Variable Annuities**	**Group Retirement Products***	**Individual Fixed Annuities**	**Individual Variable Annuities**
No surrender charge	**$ 48,590**	**$ 12,211**	**$ 11,488**	$ 42,196	$ 9,986	$ 7,945
0% 2%	**1,952**	**3,029**	**4,216**	1,119	3,184	2,878
Greater than 2% 4%	**1,906**	**5,660**	**2,040**	1,739	6,570	1,891
Greater than 4%	**3,338**	**23,483**	**6,692**	2,849	24,572	6,907
Non-Surrenderable	**834**	**3,164**	**430**	1,000	3,218	1,876
Total Reserves	**$ 56,620**	**$ 47,547**	**$ 24,866**	$ 48,903	$ 47,530	$ 21,497
Surrender rates	**10.6%**	**7.7%**	**11.2%**	12.2%	19.8%	14.6%

* *Excludes mutual funds of $8.2 billion and $6.0 billion at March 31, 2010 and 2009, respectively.*

Foreign Life Insurance & Retirement Services Operations

AIG's Foreign Life Insurance & Retirement Services operations include individual insurance and investment-oriented products such as term and whole life, endowments, term and whole life medical, cancer, fixed annuities and group products including life, medical and pension. The Foreign Life Insurance & Retirement Services products are sold through career agents, independent producers, financial institutions and direct marketing channels.

In managing its Foreign Life Insurance & Retirement Services businesses, AIG analyzes the operating performance of each business using pre-tax income (loss) before net realized capital gains (losses). Pre-tax income (loss) before net realized capital gains (losses) is not a substitute for pre-tax income determined in accordance with U.S. GAAP. However, AIG believes that the presentation of pre-tax income (loss) before net realized capital gains (losses) enhances the understanding of the operating performance of the Foreign Life Insurance & Retirement Services businesses by highlighting the results from ongoing operations and the underlying profitability of its businesses. The reconciliations to pre-tax income are provided in the table that follows.

Following the classification of AIA, ALICO, and Nan Shan as discontinued operations (see Note 3 to the Consolidated Financial Statements), AIG's remaining Foreign Life Insurance & Retirement Services operations are conducted through AIG Star Life Insurance Co. Ltd (AIG Star) and AIG Edison Life Insurance Company (AIG Edison).

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Foreign Life Insurance & Retirement Services Results

The following table presents Foreign Life Insurance & Retirement Services results:

Three Months Ended March 31, *(in millions)*	**2010**	**2009**	**Percentage Increase/ (Decrease)**
Premiums and other considerations	**$ 864**	$ 925	(7)%
Net investment income	**346**	324	7
Policyholder benefits and claims incurred	**726**	700	4
Policy acquisition and other expenses	**264**	191	38
Pre-tax income before net realized capital losses	**220**	358	(39)
Net realized capital losses	**(135)**	(486)	-
Pre-tax income (loss)	**$ 85**	$ (128)	-%

AIG's foreign life operations transact business solely in Japan and therefore Premiums and other considerations reported in U.S. dollars vary by volume and from changes in the Yen to U.S. dollar translation exchange rate.

The following table summarizes the effect of changes in foreign currency exchange rates on Foreign Life Insurance & Retirement Services Premiums and other considerations:

Three Months Ended March 31,	**2010 vs. 2009**
Decrease in original currency*	(5.6)%
Foreign exchange effect	(1.0)
Decline as reported in U.S. dollars	(6.6)%

* *Computed using a constant exchange rate each period.*

Premiums and other considerations declined due to lower in-force business as a result of surrenders and low sales volumes throughout 2009. Net investment income increased modestly due to higher returns from partnerships and mutual funds. The increase in policy acquisition and other expenses resulted from $74 million of lower DAC benefit, net of unearned revenue liability, related to higher realized capital losses in 2010 compared to a year ago.

Pre-tax income before net realized capital losses for Foreign Life Insurance & Retirement Services declined primarily due to the lower DAC benefit and decline of in-force business. Those declines were partially offset by the increase in net investment income.

Pre-tax income for Foreign Life Insurance & Retirement Services reflected a decline in net realized capital losses due principally to a significant decline in other-than-temporary impairments.

Foreign Life Insurance and Retirement Services Sales

As a consequence of the classification of AIA, ALICO and Nan Shan as discontinued operations, the segment is now comprised of Japan operations. In managing the Japan operations, management analyzes sales performance on an annualized new business premium basis. Annualized new business premiums represent the amount of premium expected to be collected over a twelve month period and also include 10 percent of first year premiums or deposits from single pay products.

The following table summarizes annualized new business premiums for Foreign Life Insurance & Retirement Services:

Three Months Ended March 31, (in millions)	**2010**	**2009**	**Percentage Increase/ (Decrease)**
Life	**$ 72**	$ 63	14%
Medical	**53**	45	18
Annuity	**33**	27	22
Total	**$ 158**	$ 135	17%

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Sales are transacted primarily in yen and therefore annualized new business premiums reported in U.S. dollars vary by volume and from changes in the Yen/U.S. dollar translation exchange rate. Annualized new business premiums measured on a constant exchange rate basis are as follows:

Three Months Ended March 31, *(in millions)*	**2010**	**2009**	**Percentage Increase/ (Decrease)**
Life	**$ 65**	$ 58	12%
Medical	**48**	41	17
Annuity	**30**	24	25
Total	**$ 143**	$ 123	16%

Life sales increased as independent producers have gradually returned to selling products of AIG Star and AIG Edison. Medical sales growth was supported by the launch of new products early in 2010, resulting in increased sales by both the captive agent and independent producer channels. Annuity sales increased due to a high rate of recapture of maturing annuities driven by a strong Yen exchange rate, and by gradually improving sales from banks that had previously suspended sales of products of AIG Star and AIG Edison.

Deferred Policy Acquisition Costs

DAC for Life Insurance & Retirement Services products arises from the deferral of costs that vary with, and are directly related to, the acquisition of new or renewal business. Policy acquisition costs for life insurance products are generally deferred and amortized over the premium paying period. Policy acquisition costs that relate to universal life and investment-type products are generally deferred and amortized, with interest in relation to the incidence of estimated gross profits to be realized over the estimated lives of the contracts. Value of Business Acquired (VOBA) is determined at the time of acquisition and is reported on the consolidated balance sheet with DAC and amortized over the life of the business similar to DAC.

The following table summarizes the major components of the changes in DAC/VOBA:

Three Months Ended March 31, *(in millions)*	**2010**	**2009**
Domestic Life Insurance & Retirement Services		
Balance at beginning of year	**$ 11,098**	$ 14,447
Acquisition costs deferred	**233**	282
Amortization charged to pre-tax income	**(267)**	(463)
Change in unrealized gains (losses) on securities	**(422)**	(503)
Decrease due to foreign exchange	**(1)**	(15)
Consolidation and eliminations	**48**	54
Balance at end of period	**$ 10,689**	$ 13,802
Foreign Life Insurance & Retirement Services		
Balance at beginning of year	**$ 24,792**	$ 26,166
Acquisition costs deferred	**169**	204
Amortization charged to pre-tax income	**(129)**	(56)
Change in unrealized gains (losses) on securities	**(32)**	(12)
Decrease due to foreign exchange	**(84)**	(64)

Other	**-**	(10)
Activity of discontinued operations	**(184)**	(568)
Reclassified to Assets of businesses held for sale	**(20,925)**	-
Balance at end of period	**$ 3,607**	$ 25,660

As AIG operates in various global markets, the estimated gross profits used to amortize DAC and VOBA are subject to differing market returns and interest rate environments in any single period. The combination of market

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returns and interest rates may lead to acceleration of amortization in some products and regions and simultaneous deceleration of amortization in other products and regions.

DAC and VOBA for insurance-oriented, investment-oriented and retirement services products are reviewed for recoverability, which involves estimating the future profitability of current business. This review involves significant management judgment. If actual future profitability is substantially lower than estimated, AIG's DAC and VOBA may be subject to an impairment charge and AIG's results of operations could be significantly affected in future periods.

Financial Services Operations

AIG's Financial Services subsidiaries engage in diversified activities including aircraft leasing, capital markets, and consumer finance and insurance premium finance. Together, the Aircraft Leasing, Capital Markets and Consumer Finance operations generate the majority of the revenues produced by the Financial Services operations.

Aircraft Leasing

AIG's Aircraft Leasing operations are the operations of ILFC, which generates its revenues primarily from leasing new and used commercial jet aircraft to foreign and domestic airlines. Revenues also result from the remarketing of commercial jet aircraft for ILFC's own account, and remarketing and fleet management services for airlines and other aircraft fleet owners.

Capital Markets

Capital Markets represents the operations of AIGFP, which engaged as principal in a wide variety of financial transactions, including standard and customized financial products involving commodities, credit, currencies, energy, equities and interest rates. AIGFP also invests in a diversified portfolio of securities and engaged in borrowing activities that involve issuing standard and structured notes and other securities and entering into GIAs. AIGFP has continued to unwind its businesses and portfolios, including those associated with credit protection written through credit default swaps on super senior risk tranches of diversified pools of loans and debt securities. See Liquidity of Parent and Subsidiaries Financial Services AIGFP Wind-down.

Historically, AIG's Capital Markets operations derived a significant portion of their revenues from hedged financial positions entered into in connection with counterparty transactions. AIGFP has also participated as a dealer in a wide variety of financial derivatives transactions. Revenues and pre-tax income of the Capital Markets operations and the percentage change in these amounts for any given period are significantly affected by changes in the fair value of AIGFP's assets and liabilities and by the number, size and profitability of transactions entered into during that period relative to those entered into during the comparative period.

Consumer Finance

AIG's Consumer Finance operations in North America are principally conducted through AGF. AGF derives most of its revenues from finance charges assessed on real estate loans, secured and unsecured non-real estate loans and retail sales finance receivables.

AIG's foreign consumer finance operations are principally conducted through AIGCFG. AIGCFG operates primarily in emerging and developing markets. At March 31, 2010, AIGCFG had operations in Argentina, Poland, Taiwan, India and Colombia. During 2009 and through April 30, 2010, AIG has completed the sale of the AIGCFG operations in China, Colombia, Thailand, the Philippines, Mexico, Hong Kong, Brazil, Russia and Taiwan. AIG has also entered into contracts to sell the AIGCFG operations in Argentina, India and Poland.

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American International Group, Inc., and Subsidiaries

Financial Services Results

Financial Services results were as follows:

Three Months Ended March 31, *(in millions)*	**2010**	**2009**	**Percentage Increase/ (Decrease)**
Revenues:			
Aircraft Leasing	**$ 882**	$ 1,281	(31)%
Capital Markets	**(234)**	(969)	-
Consumer Finance	**779**	813	(4)
Other, including intercompany adjustments	**81**	140	(42)
Total	**$ 1,508**	$ 1,265	19%
Pre-tax income (loss):			
Aircraft Leasing	**$ (81)**	$ 316	-%
Capital Markets	**(298)**	(1,121)	-
Consumer Finance	**(25)**	(306)	-
Other, including intercompany adjustments	**(35)**	(19)	-
Total	**$ (439)**	$ (1,130)	-%

Financial Services reported a lower pre-tax loss for the three-month period ended March 31, 2010 compared to the same period in 2009 due to the following:

AIGFP reported a pre-tax loss of $298 million for the three-month period ended March 31, 2010 compared to a pre-tax loss of $1.1 billion during the first quarter of 2009. AIGFP reported unrealized market valuation gains related to its super senior credit default swap portfolio of $119 million in the three-month period ended March 31, 2010 and unrealized market valuation losses of $452 million in the three-month period ended March 31, 2009. The operating results in the three-month period ended March 31, 2010 and 2009 include a net loss of $49 million and a net gain of $1.8 billion, respectively, representing the effect of changes in credit spreads on the valuation of AIGFP's assets and liabilities, including a credit valuation adjustment loss of $113 million and a credit valuation adjustment gain of $106 million, respectively, reflected in Unrealized market valuation gains (losses) on AIGFP super senior credit default swap portfolio. Interest expense on intercompany borrowings and the effect on operating results related to the continued wind-down of AIGFP's portfolios were significantly lower during the three-month period ended March 31, 2010 compared to the same period in 2009.

ILFC reported a pre-tax loss of $81 million for the three-month period ended March 31, 2010 due to impairment charges taken primarily on aircraft under contract to be sold subsequent to March 31, 2010. ILFC signed an agreement to sell 53 aircraft. Due to current market conditions, ILFC recorded asset impairment losses aggregating $347 million and operating lease related charges aggregating $84 million related to those aircraft under contract to sell and two aircraft that are subject to a letter of intent between ILFC and a potential buyer. These charges more than offset the benefit from a larger fleet and lower administrative expenses.

Consumer Finance operations reported a decrease in pre-tax losses of $281 million primarily due to improvement in AGF results. AGF's pre-tax loss decreased primarily from a decline in provision for loan losses as a result of amounts provided for allowance for loan losses in first quarter 2009; foreign exchange gains on AGF's foreign currency denominated debt; lower interest expense due to lower average debt; and lower operating expenses due to management expense reductions across all

AGF operations. These favorable variances were partially offset by a decline in AGF's finance charges reflecting the 2009 sales of real estate portfolios as part of AGF's liquidity management efforts.

Capital Markets Results

AIGFP reported a lower pre-tax loss in 2010 compared to 2009 primarily due to lower interest expense on intercompany borrowings and the effect on operating results related to the continued wind-down of AIGFP's portfolios along with a market valuation gain in 2010 compared to a loss in 2009 on its super senior credit default swap portfolio. These positive results were partially offset by the significant decrease related to the net effect of

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changes in credit spreads on the valuation of AIGFP's assets and liabilities. For a further discussion, see Executive Overview 2010 Business Outlook Financial Services Capital Markets.

The principal components of AIGFP's valuation gains and losses recognized on its super senior credit default swap portfolio were as follows:

AIGFP recognized an unrealized market valuation loss of $7 million in the three-month period ended March 31, 2010, with respect to CDS transactions in the corporate arbitrage portfolio, compared to an unrealized market valuation gain of $358 million in the three-month period ended March 31, 2009 as a result of a reduced portfolio size and shorter maturities.

AIGFP recognized an unrealized market valuation gain of $158 million in the three-month period ended March 31, 2010, with respect to CDS transactions written on multi-sector CDOs, compared to unrealized market valuation losses of $809 million in the three-month period ended March 31, 2009.

AIGFP recognized an unrealized market valuation gain of $33 million in the three-month period ended March 31, 2010, with respect to CDS transactions written on regulatory capital prime residential mortgage transactions. During the fourth quarter of 2009, one counterparty notified AIG that it would not terminate early two of its prime residential mortgage transactions. With respect to these two transactions, the counterparty no longer has any rights to terminate the transaction early and is required to pay fees on the original notional amounts reduced only by realized losses through the final maturity. Because these two transactions have weighted average lives that are considerably less than their final legal maturities, there is value to AIGFP due to the counterparty paying its contractual fees beyond the date at which the net notional amounts have fully amortized through the final maturity date. The gain was more than offset by losses on the mezzanine tranches of those transactions.

See Critical Accounting Estimates Level 3 Assets and Liabilities Valuation of Level 3 Assets and Liabilities for a discussion of AIGFP's super senior credit default swap portfolio.

During the three-month period ended March 31, 2010, AIGFP:

recognized a gain of $17 million on credit default swap contracts referencing single-name exposures written on corporate, index and asset backed credits which are not included in the super senior credit default swap portfolio; and

incurred interest charges of $521 million compared to $933 million relating to intercompany borrowings with AIG that are eliminated in consolidation.

The following table presents AIGFP's credit valuation adjustment gains (losses) (excluding intercompany transactions):

(in millions)

	Counterparty Credit Valuation Adjustment on Assets		**AIG's Own Credit Valuation Adjustment on Liabilities**
Three Months Ended March 31, 2010			
Bond trading securities	**$ 823**	Notes and bonds payable	**$ (196)**
Loans and other assets	**46**	Hybrid financial instrument liabilities	**(249)**
Derivative assets	**(57)**	GIAs	**(145)**

		Other liabilities	**(37)**
		Derivative liabilities*	**(234)**
Increase in assets	**$ 812**	Increase in liabilities	**$ (861)**
Net pre-tax decrease to Other income	**$ (49)**		
Three Months Ended March 31, 2009			
Bond trading securities	$ (1,131)	Notes and bonds payable	$ 644
Loans and other assets	(48)	Hybrid financial instrument liabilities	604
Derivative assets	441	GIAs	451
		Other liabilities	104
		Derivative liabilities*	722
Decrease in assets	$ (738)	Decrease in liabilities	$ 2,525
Net pre-tax increase to Other income	$ 1,787		

* *Includes super senior credit default swap portfolio.*

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AIGFP's pre-tax loss in the three-month period ended March 31, 2010 includes a net loss representing the effect of changes in credit spreads on the valuation of AIGFP's assets and liabilities, including $113 million of losses reflected in the unrealized market valuation gain on super senior credit default swaps. The loss was primarily the result of tightening of AIG's credit spreads during the first quarter, and was partially offset by the continued tightening of spreads on asset-backed securities and CDOs, which represent a significant segment of AIGFP's investment portfolio.

AIGFP's operating loss in the three-month period ended March 31, 2009 includes a net gain representing the effect of changes in credit spreads on the valuation of AIGFP's assets and liabilities, including $106 million of gains reflected in the unrealized market valuation loss on super senior credit default swaps. The gain in the first quarter of 2009 was primarily the result of significant widening in AIG's credit spreads during the quarter, and was partially offset by continued widening of spreads on asset-backed securities and CDOs, which represent a significant component of AIGFP's investment portfolio.

Other Operations

AIG's Other operations includes results from Parent & Other operations, after allocations to AIG's business segments, and results from noncore businesses.

AIG's Parent & Other operations consist primarily of interest expense, restructuring costs, expenses of corporate staff not attributable to specific reportable segments, expenses related to efforts to improve internal controls, corporate initiatives, certain compensation plan expenses, corporate level net realized capital gains and losses, certain litigation related charges and net gains and losses on sale of divested businesses.

Noncore businesses include results of certain businesses that have been divested or are being wound down or repositioned.

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American International Group, Inc., and Subsidiaries

Other Results

The pre-tax income (loss) of AIG's Other operations was as follows:

Three Months Ended March 31, *(in millions)*	**2010**	**2009**	**Percentage Increase/ (Decrease)**
Parent & Other:			
Interest income	**$ 588**	$ 976	(40)%
Accrued and compounding interest	**(194)**	(708)	-
Amortization of prepaid commitment asset	**(639)**	(822)	-
Total interest expense on FRBNY Credit Facility[(a)]	**(833)**	(1,530)	-
Other interest expense	**(540)**	(546)	-
Unallocated corporate expenses	**(83)**	(63)	-
Restructuring expenses	**(97)**	(120)	-
Change in fair value of ML III[(b)]	**-**	(1,940)	-
Net realized capital gains	**285**	732	(61)
Net gain (loss) on sale of divested businesses	**(77)**	262	-
Other miscellaneous, net	**112**	172	(35)
Total Parent & Other	**$ (645)**	$ (2,057)	-%
Noncore businesses:			
Mortgage Guaranty	**$ 96**	$ (480)	-%
Change in fair value of ML III[(b)]	**751**	-	-
Noncore Asset Management	**(463)**	(1,012)	-
Other noncore insurance	**(33)**	105	-
Total Noncore businesses	**$ 351**	$ (1,387)	-%
Total Other operations	**$ (294)**	$ (3,444)	-%

(a) *Includes interest expense of $183 million and $258 million for the first three months of 2010 and 2009, respectively, allocated to discontinued operations in consolidation.*

(b) *Parent & Other contributed its equity interest in ML III to an AIG subsidiary, reported above in Noncore businesses, during the second quarter of 2009.*

Parent & Other

Parent & Other pre-tax loss decreased primarily due to a decline in interest expense on the FRBNY Credit Facility and the reclassification of ML III to Noncore businesses in the second quarter of 2009. These decreases were partially offset by lower interest income on intercompany loans, which is eliminated in consolidation and a decline in net realized capital gains. See Consolidated Results Interest Expense herein for further discussion of the decline in interest expense.

The following table summarizes the net gain (loss) on sale of divested businesses:

Three Months Ended March 31,	**Gain/(loss)**	
(in millions)	**2010**	**2009**
HSB	**$ -**	$ 251
Consumer Finance businesses	**(16)**	11
AIG Credit businesses	**(33)**	-
AIG Capital India	**(42)**	-
AIG Life Canada	**(8)**	-
Other businesses	**22**	-
Total net gain (loss)	**$ (77)**	$ 262

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American International Group, Inc., and Subsidiaries

Noncore businesses

Mortgage Guaranty

The main business of the subsidiaries of UGC is the issuance of residential mortgage guaranty insurance, both domestically and internationally, that covers the first loss for credit defaults on high loan-to-value conventional first-lien mortgages for the purchase or refinance of one- to four-family residences.

Mortgage Guaranty reported pre-tax income of $96 million compared to a pre-tax loss of $480 million in 2009. This improvement reflected a decline in claim and claims adjustment expenses incurred of $794 million, offset in part by an amortization of the second-lien premium deficiency reserve of $222 million in the first quarter of 2009. Domestic first-lien and second-lien businesses reported pre-tax income of $19 million and $67 million respectively, for the three months ended March 31, 2010 which was $423 million and $104 million, respectively, higher than the three months ended March 31, 2009. The improvement in pre-tax income reflects the decline in loss and loss expenses of $414 million for first liens and $343 million for second liens. The improved operating results correspond to lower levels of newly reported delinquencies in both the first- and second-lien products, higher mortgage cure rates on existing first-lien delinquent loans and the recognition of stop loss limits on certain second-lien policies.

UGC, like other participants in the mortgage insurance industry, has made claims against various counterparties in relation to alleged underwriting failures, and received similar claims from counterparties. These claims and counterclaims allege breach of contract, breach of good faith and fraud among other allegations.

UGC has found increased occurrences of fraudulent claims, underwriting guideline violations and other deviations from contractual terms, mostly related to the 2006 and 2007 vintage books of business. These policy violations have resulted in increased loan rescissions and increased claims denials (collectively referred to as rescissions). UGC rescinded $58 million of claims on first lien business during the first quarter of 2010. UGC expects this increased rescission activity to continue during 2010 and to affect its financial results, but cannot reasonably estimate the ultimate financial impact from these rescissions. AIG believes it has provided appropriate reserves for currently delinquent loans, consistent with industry practice.

In December 2009, UGC entered into two stock purchase agreements for the sale of its Canadian and Israel operations. The Israel transaction closed on January 21, 2010 and the Canadian transaction closed on April 16, 2010.

UGC's domestic first-lien mortgage risk in force totaled $26.1 billion as of March 31, 2010 and the 60+ day delinquency ratio on primary loans was 18.7 percent (based on number of policies, consistent with mortgage industry practice) compared to domestic first-lien mortgage risk in force of $27.1 billion and a delinquency ratio of 12.4 percent at March 31, 2009.

The second-lien risk in force at March 31, 2010 totaled $2.5 billion compared to $2.9 billion of risk in force at March 31, 2009. Risk in force represents the full amount of second-lien loans insured reduced for contractual aggregate loss limits on certain pools of loans, usually 10 percent of the full amount of loans insured in each pool. Certain second-lien pools have reinstatement provisions.

Change in Fair Value of ML III

Gains in the three-month period ended March 31, 2010 resulted from improvements in valuation, primarily resulting from the shortening of weighted average life from 9.6 years to 9.0 years, and the narrowing of credit spreads by approximately 128 basis points. Positively affecting the fair value was a decrease in projected credit losses in the underlying collateral securities.

Noncore Asset Management Operations

AIG's Noncore Asset Management operations include the results of the MIP program and Institutional Asset Management businesses.

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American International Group, Inc., and Subsidiaries

On March 26, 2010, AIG completed the sale of its third party asset management business. The results of operations from January 1 through the closing of the sale are included in the Institutional Asset Management results. Subsequent to the sale of AIG's third party asset management business, the revenues of the Institutional Asset Management business (excluding AIG Global Real Estate) are derived from providing asset management services to AIG and its subsidiaries. Both AIG Global Real Estate and the MIP's operating results are impacted by performance in the credit, equity and real estate markets.

MIP Results

The MIP reported a lower pre-tax loss due to significantly lower other-than-temporary impairments on fixed maturity investments due primarily to the improved credit environment and the adoption of the new accounting standard on other-than-temporary impairments. The results were also affected by the discontinuation of hedge accounting in the first quarter of 2010 as a result of the novation of certain intercompany derivative transactions with AIGFP to another AIG subsidiary, AIG Markets, which is part of Institutional Asset Management. These novations were done in conjunction with the wind-down of AIGFP. The discontinuation of hedge accounting resulted in additional income statement volatility which will continue for the foreseeable future until hedge accounting is reestablished. Residual balances from de-designated hedges will be amortized prospectively into operating income.

AIG enters into derivative arrangements to hedge the effect of changes in currency and interest rates associated with the fixed and floating rate and foreign currency denominated obligations issued under these programs. Further, the MIP invests in short single name credit default swaps in order to obtain unfunded credit exposure.

Institutional Asset Management Results

Institutional Asset Management recognized higher pre-tax operating losses primarily resulting from higher real estate impairments and the negative impact of AIG's narrowing credit spreads on the valuation of derivative liabilities held through AIG Markets. These losses were partially offset by lower operating losses on investments originally acquired for warehouse purposes, as many of these investments have been divested, and lower unrealized carried interest losses.

Real estate impairments of $309 million during 2010 were incurred in the direct investment portfolio as well as through real estate joint ventures as a result of continued pressure on real estate values, occupancy rates and leasing activity. Approximately $37 million of these impairments was included in noncontrolling interests, which is not part of pre-tax income (loss). The availability of refinancing and required capital has caused management to reduce the estimated time period before sale for certain investments, resulting in impairments. AIG Markets acts as a derivative intermediary transacting with AIG and its subsidiaries and the third parities.

Other Noncore Insurance Businesses

Other noncore insurance businesses include the operating results of the following divested businesses through the date of their sale.

Transatlantic

Transatlantic offers reinsurance capacity on both a treaty and facultative basis both in the U.S. and abroad. Transatlantic structures programs for a full range of property and casualty products with an emphasis on specialty risk.

On June 10, 2009, AIG closed a secondary public offering of 29.9 million shares of Transatlantic common stock owned directly and indirectly by AIG for aggregate gross proceeds of $1.1 billion. At the close of the public offering, AIG indirectly retained 13.9 percent of the Transatlantic common stock issued and outstanding. As a result, AIG deconsolidated Transatlantic, which resulted in a $1.4 billion reduction in Noncontrolling interests, a component of Total equity. On March 15, 2010, AIG closed a secondary public

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offering of 8,466,693 shares of Transatlantic common stock owned by American Home Assurance Company, a subsidiary of AIG, for aggregate gross proceeds of approximately $452 million.

21st Century

On July 1, 2009, AIG closed the sale of 21st Century Insurance Group and the Agency Auto Division (excluding AIG Private Client Group).

HSB

On March 31, 2009, AIG closed the sale of HSB, the parent company of the Hartford Steam Boiler Inspection and Insurance Company.

Critical Accounting Estimates

The preparation of financial statements in conformity with GAAP requires the application of accounting policies that often involve a significant degree of judgment. AIG considers its accounting policies that are most dependent on the application of estimates and assumptions, and therefore viewed as critical accounting estimates, to be those relating to items considered by management in the determination of:

AIG's ability to continue as a going concern. See Note 1 to the Consolidated Financial Statements for additional discussion regarding going concern considerations;

liability for general insurance unpaid claims and claims adjustment expenses;

future policy benefits for life and accident and health contracts;

recoverability of DAC;

estimated gross profits for investment-oriented products;

the allowance for finance receivable losses;

flight equipment recoverability;

other-than-temporary impairments of investments;

goodwill impairment;

liability for legal contingencies;

estimates with respect to income taxes;

fair value measurements of certain financial assets and liabilities, including credit default swaps and AIG's interests in ML II and ML III (Maiden Lane Interests);

classification of entities as discontinued operations; and

measurement of the fair values of the assets and liabilities including noncontrolling interests related to acquisitions.

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, AIG's financial condition and results of operations would be directly affected. Refer to the 2009 Annual Report on Form 10-K for more information on AIG's accounting estimates.

Allowance for Finance Receivable Losses

AGF estimates its allowance for finance receivable losses primarily using migration analysis and the Monte Carlo technique applied to sub-portfolios of large numbers of relatively small homogenous accounts. Both techniques are historically-based statistical techniques that attempt to predict the future amount of losses for existing pools of finance receivables. AGF adjusts the amounts determined by migration and Monte Carlo for

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AGF management's estimate of the effects of model imprecision, any changes to its underwriting criteria, portfolio seasoning, and current economic conditions, including the levels of unemployment and personal bankruptcies.

AGF uses its internal data of net charge-offs and delinquency by sub-portfolio as the basis to determine the historical loss experience component of its allowance for finance receivable losses. AGF used monthly bankruptcy statistics, monthly unemployment statistics, and various other monthly or periodic economic statistics published by departments of the U.S. government and other economic statistics providers to determine the economic component of its allowance for finance receivable losses.

AGF also establishes troubled debt restructuring (TDR) reserves for impaired loans, which are included in its allowance for finance receivable losses. The allowance for finance receivable losses related to AGF's TDRs is calculated in homogeneous aggregated pools of impaired loans that have common risk characteristics. AGF establishes its allowance for finance receivable losses related to its TDRs by calculating the present value (discounted at the loan's effective interest rate prior to modification) of all expected cash flows less the recorded investment in the aggregated pool. AGF uses certain assumptions to estimate the expected cash flows from its TDRs. The primary assumptions for AGF's model are prepayment speeds, default rates, and severity rates.

Goodwill Impairment:

Goodwill is the excess of the cost of an acquired business over the fair value of the identifiable net assets of the acquired business. Goodwill is tested for impairment annually or more frequently if circumstances indicate impairment may have occurred. As a result of entering into the ALICO Stock Purchase Agreement, AIG performed a goodwill impairment test at March 31, 2010 for ALICO and separately for the businesses to be retained that previously composed the Japan & Other reporting unit.

The impairment assessment involves a two-step process in which an initial assessment for potential impairment is performed and, if potential impairment is present, the amount of impairment is measured (if any) and recorded. Impairment is tested at the reporting unit level.

Management initially assesses the potential for impairment by estimating the fair value of each of AIG's reporting units and comparing the estimated fair values with the carrying amounts of those reporting units, including allocated goodwill. The estimate of a reporting unit's fair value may be based on one or a combination of approaches including market-based earning multiples of the unit's peer companies, discounted expected future cash flows, external appraisals or, in the case of reporting units being considered for sale, third-party indications of fair value, if available. Management considers one or more of these estimates when determining the fair value of a reporting unit to be used in the impairment test. As part of the impairment test, management compares the sum of the estimated fair values of all of AIG's reporting units with AIG's market capitalization as a basis for concluding on the reasonableness of the estimated reporting unit fair values.

If the estimated fair value of a reporting unit exceeds its carrying value, goodwill is not impaired. If the carrying value of a reporting unit exceeds its estimated fair value, goodwill associated with that reporting unit potentially is impaired. The amount of impairment, if any, is measured as the excess of the carrying value of goodwill over the estimated fair value of the goodwill. The estimated fair value of the goodwill is measured as the excess of the fair value of the reporting unit over the amounts that would be assigned to the reporting unit's assets and liabilities in a hypothetical business combination. An impairment charge is recognized in earnings to the extent of the excess.

In connection with the announced sale of ALICO on March 7, 2010 and management's decision that ALICO met the held-for-sale criteria on March 31, 2010, total goodwill of $4.6 billion associated with the Foreign Life Insurance & Retirement Services Japan & Other reporting unit was allocated among ALICO and the Japan & Other businesses to be retained based on their relative fair values as of March 31, 2010. This resulted in $3.3 billion and $1.3 billion of goodwill being allocated to ALICO and the retained businesses, respectively. Management tested goodwill for impairment in both groups and determined the fair values of ALICO and the retained businesses exceeded book value at March 31, 2010, by 1 percent and 51 percent, respectively, and, therefore, the goodwill of these reporting units was considered not impaired.

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The fair value of ALICO used to test goodwill for impairment was determined by AIG by considering, among other information, a third-party valuation at March 31, 2010 of the announced proceeds from the sale of ALICO to MetLife. Given the significance of the equity component of the consideration, the fair value of ALICO is sensitive to the market value and volatility of MetLife common stock, the risk-free interest rate yield curve and discount rate assumptions used in estimating fair value. Given that the amount of estimated fair value of ALICO only exceeded the book value by 1 percent, a relatively modest change in any of these assumptions could have resulted in a potential impairment of the goodwill allocated to ALICO, ranging from zero to $3.3 billion. The evaluation of the potential impairment is an ongoing requirement. As such, an increase in the net assets of ALICO through future operating or comprehensive income generation could result in impairment when compared to the fair value of consideration at that future time.

AIG will continue to monitor overall competitive, business and economic conditions, and other events or circumstances, including ALICO's operating results and level of net assets and the performance of MetLife's common stock, that might result in an impairment of goodwill in the future.

Valuation Allowance on Deferred Tax Assets:

At March 31, 2010 and December 31, 2009, AIG recorded a net deferred tax asset after valuation allowance of $8.2 billion and $5.9 billion, respectively. A valuation allowance is established, if necessary, to reduce the deferred tax asset to an amount that is more likely than not to be realized (a likelihood of more than 50 percent). Realization of AIG's net deferred tax asset depends upon its ability to generate sufficient earnings from transactions expected to be completed in the near future and tax planning strategies that would be implemented, if necessary, to protect against the loss of the deferred tax asset, but does not depend on projected future operating income.

When making its assessment about the realization of its deferred tax asset at March 31, 2010, AIG considered all available evidence, including:

- the nature, frequency, and severity of current and cumulative financial reporting losses;
- transactions completed, including the sale of the Otemachi building in Tokyo, and the sales of AIA and ALICO expected to be completed in 2010;
- the carryforward periods for the net operating and capital loss and foreign tax credit carryforwards; and
- tax planning strategies that would be implemented, if necessary, to protect against the loss of the deferred tax asset.

Estimates of future taxable income generated from specific transactions and tax planning strategies discussed above could change in the near term, perhaps materially, which may require AIG to adjust its valuation allowance. Such adjustment, either positive or negative, could be material to AIG's consolidated financial condition or its results of operations for an individual reporting period.

U.S. Income Taxes on Earnings of Certain Foreign Subsidiaries:

Due to the complexity of the U.S. federal income tax laws involved in determining the amount of income taxes incurred on potential dispositions, as well as AIG's reliance on reasonable assumptions and estimates in calculating this liability, AIG considers the U.S. federal income taxes accrued on the earnings of certain foreign subsidiaries to be a critical accounting estimate.

Measurement of the Fair Values of the Assets Acquired, Liabilities Assumed, and Noncontrolling Interests of Fuji

On March 31, 2010, AIG, through a Chartis International subsidiary, purchased additional voting shares in Fuji. The acquisition of the additional voting shares for $145 million increased Chartis' total voting ownership interest in Fuji from 41.7 percent to 54.8 percent, which

resulted in Chartis obtaining control of Fuji.

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Chartis' acquisition was accounted for under the acquisition method of accounting. The identifiable assets acquired, liabilities assumed and noncontrolling interest in Fuji were recorded at their respective acquisition date estimated fair values. The fair values were determined based on information available to Chartis. Chartis is in the process of obtaining appraisals to support the estimated fair values of the assets acquired and liabilities assumed. Therefore, the fair values are provisional and subject to refinement for up to one year after the closing date as information relative to closing date fair values become available. The assumptions used in determining the provisional fair values are subject to a significant amount of sensitivity, which may result in significant differences between the estimated fair values recorded as of March 31, 2010 and the appraisals. Upon completion of the appraisals, AIG will adjust the allocated acquisition price for any significant differences to the provisional amounts. An adjustment of the allocated acquisition price may also occur if new information on Fuji becomes known or discovered during the allocation period, the period of time required to identify and measure the fair values of the assets and liabilities acquired in the business combination.

Based on the fair values assigned to the assets acquired, liabilities assumed and noncontrolling interests, Chartis recorded an unallocated purchase price of $581 million in Other liabilities in the Consolidated Balance Sheet. Chartis is in the process of reassessing the recognition and measurement of identifiable assets acquired and liabilities assumed. Upon completion of the reassessment process, Chartis will adjust the fair value of the assets acquired and liabilities assumed for any significant differences to the provisional fair values. Upon final determination of fair values, AIG may recognize a bargain purchase gain, which could be substantial. It is anticipated that any gain recognized will not be subject to U.S. or foreign income tax, since such gain would only be recognized for tax purposes upon sale of the Fuji shares.

For a discussion regarding the Liability for general insurance unpaid claims and claims adjustment expense and flight equipment recoverability, see General Insurance Operations Liability for Unpaid Claims and Claims Adjustment Expense, and Financial Services Operations Financial Services Results, respectively.

Fair Value Measurements of Certain Financial Assets and Liabilities:

Overview

The following table presents the fair value of fixed income and equity securities by source of value determination:

At March 31, 2010 *(in billions)*	**Fair Value**	**Percent of Total**
Fair value based on external sources[(a)]	$ 265	91%
Fair value based on internal sources	26	9
Total fixed income and equity securities[(b)]	$ 291	100%

(a) *Includes $19 billion for which the primary source is broker quotes.*

(b) *Includes available for sale, trading and securities lending invested collateral securities.*

See Note 5 to the Consolidated Financial Statements for more detailed information about AIG's accounting policy for the incorporation of credit risk in fair value measurements and the measurement of fair value of financial assets and financial liabilities.

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Level 3 Assets and Liabilities

Assets and liabilities recorded at fair value in the Consolidated Balance Sheet are classified in a hierarchy for disclosure purposes consisting of three "levels" based on the observability of inputs available in the marketplace used to measure the fair value. See Note 5 to the Consolidated Financial Statements for additional information about the three levels of observability.

At March 31, 2010, AIG classified $35.9 billion and $9.1 billion of assets and liabilities, respectively, measured at fair value on a recurring basis as Level 3. This represented 4.2 percent and 1.2 percent of the total assets and liabilities, respectively, at March 31, 2010. At December 31, 2009, AIG classified $38.9 billion and $13.9 billion of assets and liabilities, respectively, measured at fair value on a recurring basis as Level 3. This represented 4.6 percent and 1.9 percent of the total assets and liabilities, respectively, at December 31, 2009. Level 3 fair value measurements are based on valuation techniques that use at least one significant input that is unobservable. These measurements are made under circumstances in which there is little, if any, market activity for the asset or liability. AIG's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment.

In making the assessment, AIG considers factors specific to the asset or liability. In certain cases, the inputs used to measure fair value of an asset or a liability 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 is classified is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Level 3 Transfers

During the three-month period ended March 31, 2010, AIG transferred into Level 3 approximately $1.2 billion of assets, primarily representing investments in certain ABS, RMBS and CMBS, which coincided with a decrease in market transparency and downward credit migration of these securities, and investments in private placement corporate debt securities, for which pricing adjustments were made to reflect an additional risk premium not captured in the matrix pricing. In addition certain municipal bonds related to SunAmerica Affordable Housing partnerships were transferred into Level 3 based on limitations on market activity and related input for their valuation. During the three-month period ended March 31, 2010, AIG transferred approximately $1.1 billion of assets out of Level 3. These transfers out of Level 3 primarily related to investments in certain ABS and RMBS and investments in private placement corporate debt. See Note 5 to the Consolidated Financial Statements for additional information about transfers into and out of Level 3.

Valuation of Level 3 Assets and Liabilities

AIG values its assets and liabilities classified as Level 3 using judgment and valuation models or other pricing techniques that require a variety of inputs including contractual terms, market prices and rates, yield curves, credit curves, measures of volatility, prepayment rates and correlations of such inputs, some of which may be unobservable. The following paragraphs describe the methods AIG uses to measure on a recurring basis the fair value of the major classes of assets and liabilities classified in Level 3.

Private equity and real estate fund investments: These assets initially are valued at the transaction price, i.e., the price paid to acquire the asset. Subsequently, they are measured based on net asset value using information provided by the general partner or manager of these investments, the accounts of which generally are audited on an annual basis. AIG considers observable market data and performs diligence procedures in validating the appropriateness of using the net asset value as a fair value measurement.

Corporate bonds and private placement debt: These assets initially are valued at the transaction price. Subsequently, they are valued using market data for similar instruments (e.g., recent transactions, bond spreads or credit default swap spreads). When observable price quotations are not available, fair value is determined based on cash flow models using yield curves observed from indices or credit default swap spreads.

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Certain RMBS and CMBS: These assets initially are valued at the transaction price. Subsequently, they may be valued by comparison to transactions in instruments with similar collateral and risk profiles considering remittances received and updated cumulative loss data on underlying obligations, or discounted cash flow techniques.

Certain ABS non-mortgage: These assets initially are valued at the transaction price. Subsequently, they may be valued based on external price/spread data. When position-specific external price data are not observable, the valuation is based on prices of comparable securities.

CDOs: These assets initially are valued at the transaction price. Subsequently, they are valued based on external price/spread data from independent third parties, dealer quotations, matrix pricing, the Binomial Expansion Technique (BET) model or a combination of these methods.

Interests in the Maiden Lane Interests: At their inception, ML II and ML III were valued at the transaction prices of $1 billion and $5 billion, respectively. Subsequently, Maiden Lane Interests are valued using a discounted cash flow methodology that uses the estimated future cash flows of the assets to which the Maiden Lane Interests are entitled and the discount rates applicable to such interests as derived from the fair value of the entire asset pool. The implicit discount rates are calibrated to the changes in the estimated asset values for the underlying assets commensurate with AIG's interests in the capital structure of the respective entities. Estimated cash flows and discount rates used in the valuations are validated, to the extent possible, using market observable information for securities with similar asset pools, structure and terms.

The fair value methodology used assumes that the underlying collateral in the Maiden Lane Interests will continue to be held and generate cash flows into the foreseeable future and does not assume a current liquidation of the assets of the Maiden Lane Interests. Other methodologies employed or assumptions made in determining fair value for these investments could result in amounts that differ significantly from the amounts reported.

Refer to Note 5 for sensitivity analysis disclosures with respect to the Maiden Lane Interests.

AIGFP's Super Senior Credit Default Swap Portfolio: AIGFP wrote credit protection on the super senior risk layer of collateralized loan obligations (CLOs), multi-sector CDOs and diversified portfolios of corporate debt, and prime residential mortgages. In these transactions, AIGFP is at risk of credit performance on the super senior risk layer related to such assets. To a lesser extent, AIGFP also wrote protection on tranches below the super senior risk layer, primarily in respect of regulatory capital relief transactions.

The following table presents the net notional amount, fair value of derivative (asset) liability and unrealized market valuation gain (loss) of the AIGFP super senior credit default swap portfolio, including credit default swaps written on mezzanine tranches of certain regulatory capital relief transactions, by asset class:

	Net Notional Amount		Fair Value of Derivative (Asset) Liability at		Unrealized Market Valuation Gain (Loss) Three Months Ended March 31,	
(in millions)	**March 31, 2010[a]**	**December 31, 2009[a]**	**March 31, 2010[b][c]**	**December 31, 2009[b][c]**	**2010[c]**	**2009[c]**
Regulatory Capital:						
Corporate loans	**$ 41,993**	$ 55,010	**$ -**	$ -	**$ -**	$ -
Prime residential mortgages	**65,844**	93,276	**(170)**	(137)	**33**	-
Other	**1,552**	1,760	**15**	21	**6**	(14)
Total	**109,389**	150,046	**(155)**	(116)	**39**	(14)
Arbitrage:						
Multi-sector CDOs[d][e]	**7,574**	7,926	**4,250**	4,418	**158**	(809)
Corporate debt/CLOs[d][f]	**16,367**	22,076	**308**	309	**(7)**	358
Total	**23,941**	30,002	**4,558**	4,727	**151**	(451)

Mezzanine tranches[(g)]	**3,104**	3,478	**214**	143	**(71)**	13	
Total	**$ 136,434**	$ 183,526	**$ 4,617**	$ 4,754	**$ 119**	$ (452)	

(a)
Net notional amounts presented are net of all structural subordination below the covered tranches.

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

(c) *Includes credit valuation adjustment losses of $113 million and credit valuation adjustment gains of $106 million in the three-month periods ended March 31, 2010 and 2009, respectively, representing the effect of changes in AIG's credit spreads on the valuation of the derivatives liabilities.*

(d) *During the three-month period ended March 31, 2010, AIGFP terminated super senior CDS transactions with its counterparties with a net notional amount of $5.4 billion, included in Corporate debt/CLOs. These transactions were terminated at approximately their fair value at the time of the termination. As a result, an $8 million loss, which was previously included in the fair value derivative liability as an unrealized market valuation loss, was realized. During the three-month period ended March 31, 2010, AIGFP also made a payment of $10 million to its counterparty with respect to a Multi-sector CDO. Upon payment, a $10 million loss, which was previously included in the fair value derivative liability as an unrealized market valuation loss, was realized.*

(e) *Includes $6.1 billion and $6.3 billion in net notional amount of credit default swaps written with cash settlement provisions at March 31, 2010 and December 31, 2009, respectively.*

(f) *Includes $1.4 billion in net notional amount of credit default swaps written on the super senior tranches of CLOs at both March 31, 2010 and December 31, 2009.*

(g) *Net of offsetting purchased CDS of $1.4 billion and $1.5 billion in net notional amount at March 31, 2010 and December 31, 2009, respectively.*

The following table presents changes in the net notional amount of the AIGFP super senior credit default swap portfolio, including credit default swaps written on mezzanine tranches of certain regulatory capital relief transactions:

For the Three Months Ended March 31, 2010 ***(in millions)***	**Net Notional Amount December 31, 2009[a]**	**Terminations**	**Maturities**	**Effect of Foreign Exchange Rates[b]**	**Amortization/ Reclassification, net of Replenishments**	**Net Notional Amount March 31, 2010[a]**
Regulatory Capital:						
Corporate loans	$ 55,010	$ (3,058)	$ -	$ (2,857)	$ (7,102)	$ 41,993
Prime residential mortgages	93,276	(22,577)	-	(3,725)	(1,130)	65,844
Other	1,760	-	-	(105)	(103)	1,552
Total	150,046	(25,635)	-	(6,687)	(8,335)	109,389
Arbitrage:						
Multi-sector CDOs[c]	7,926	-	-	(176)	(176)	7,574
Corporate debt/CLOs[d]	22,076	(5,379)	-	(404)	74	16,367
Total	30,002	(5,379)	-	(580)	(102)	23,941
Mezzanine tranches[e]	3,478	(226)	-	(141)	(7)	3,104
Total	$ 183,526	$ (31,240)	$ -	$ (7,408)	$ (8,444)	$ 136,434

(a) *Net notional amounts presented are net of all structural subordination below the covered tranches.*

(b)

Relates to the strengthening of the U.S. dollar, primarily against the Euro and the British Pound.

(c)

Includes $6.1 billion and $6.3 billion in net notional amount of credit default swaps written with cash settlement provisions at March 31, 2010 and December 31, 2009, respectively.

(d)

Includes $1.4 billion in net notional amount of credit default swaps written on the super senior tranches of CLOs at both March 31, 2010 and December 31, 2009.

(e)

Net of offsetting purchased CDS of $1.4 billion and $1.5 billion in net notional amount at March 31, 2010 and December 31, 2009, respectively.

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The following table presents summary statistics for AIGFP's super senior credit default swaps at March 31, 2010 and totals for December 31, 2009:

	Regulatory Capital Portfolio				Arbitrage Portfolio				Total	
Category	Corporate Loans	Prime Residential Mortgages	Other	Subtotal	Corporate Debt/ CLOs	Multi-Sector CDOs w/ Subprime	Multi-Sector CDOs w/ No Subprime	Subtotal	March 31, 2010	December 31, 2009
Gross Transaction Notional Amount (in millions)	$ 59,264	$ 73,736	$ 1,809	$ 134,809	$ 23,461	$ 7,034	$ 9,732	$ 40,227	**$ 175,036**	$ 246,215
Net Notional Amount (in millions)	$ 41,993	$ 65,844	$ 1,552	$ 109,389	$ 16,367	$ 3,752	$ 3,822	$ 23,941	**$ 133,330**	$ 180,048
Number of Transactions	15	15	1	31	17	10	6	33	**64**	71
Weighted Average Subordination (%)	27.19%	10.74%	14.17%	18.02%	23.55%	35.22%	22.57%	25.35%	**19.70%**	18.67%
Weighted Average Number of loans/ Transaction	1,056	91,777	2,065	50,691	122	146	96			
Weighted Average Expected Maturity (Years)	1.05	2.48	5.54	1.89	5.01	5.80	6.22			

Regulatory Capital Portfolio

During the three-month period ended March 31, 2010, $25.6 billion in net notional amount was terminated or matured at no cost to AIGFP. Through April 30, 2010, AIGFP had also received a formal termination notice with respect to an additional $11.6 billion in net notional amount with an effective termination date in 2010. AIGFP continues to reassess the expected maturity of this portfolio. As of March 31, 2010, AIGFP estimated that the weighted average expected maturity of the portfolio was 1.89 years. AIGFP has not been required to make any payments as part of terminations initiated by counterparties. The regulatory benefit of these transactions for AIGFP's financial institution counterparties is generally derived from the terms of Basel I that existed through the end of 2007 and which is in the process of being replaced by Basel II. It was expected that financial institution counterparties would have transitioned from Basel I to Basel II by the end of the two-year adoption period on December 31, 2009, after which they would have received little or no additional regulatory benefit from these CDS transactions, except in a small number of specific instances. However, in 2009, the Basel Committee announced that it had agreed to keep in place the Basel I capital floors beyond the end of 2009, although it remains to be seen how this extension will be implemented by the various European Central Banking districts. Should certain counterparties continue to receive favorable regulatory capital benefits from these transactions, those counterparties may not exercise their options to terminate the transactions in the expected time frame.

The weighted average expected maturity of the Regulatory Capital Portfolio increased as of March 31, 2010 by 0.5 years from December 31, 2009 due to certain counterparties not terminating transactions with a combined net notional amount of $33.1 billion. Where these counterparties continue to have a right to terminate the transaction early, AIGFP has extended the expected maturity dates by one year, which is based on how long AIGFP believes the Basel I extension will be effective. Where the counterparties no longer have the right to terminate early, AIGFP has used the weighted average life of those transactions as their expected maturity. These counterparties in the Corporate Loan and Prime Residential Mortgage portfolios continue to receive favorable regulatory capital benefits as a result of the extension of the Basel I capital floor announced by the Basel Committee on Banking Supervision and, thus, AIG continues to categorize them as Regulatory Capital transactions.

In addition, as of March 31, 2010, AIG had expected $304 million of Regulatory Capital CDS transactions to terminate early between April 1, 2010 and April 30, 2010. Of that amount, none had been called. The counterparties to these transactions continue to receive favorable regulatory benefits as a result of the extension of the Basel I capital floor. Since all of these counterparties retain the right to terminate the transactions early, the expected maturity for these transactions has been extended by one year.

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Included in the Regulatory Capital portfolio are transactions with one counterparty that notified AIG that it would not terminate early two of its Prime Residential Mortgage transactions with a combined net notional amount of $29.7 billion that were expected to be terminated in the first quarter of 2010. With respect to these transactions, the counterparty no longer has any rights to terminate the transactions early and is required to pay AIG fees on the original notional amounts reduced only by realized losses through the final contractual maturity. Since the two transactions have weighted average lives that are considerably less than their final contractual maturities, there is value to AIGFP representing counterparty contractual fees to be received beyond the date at which the net notional amounts have fully amortized through to the final contractual maturity date. The fair value of these two super senior transactions as of March 31, 2010 was a derivative asset of $170 million. With respect to these two transactions, AIGFP has also written CDS transactions on the mezzanine tranches of these portfolios; however, the majority of the transactions on the mezzanine tranches were hedged by AIGFP with other third party CDS transactions. The fair value of the net derivative liability for all mezzanine tranches (including hedge transactions) increased from $143 million as of December 31, 2009 to $214 million as of March 31, 2010. For more information on AIGFP collateral calls, see Collateral Calls below.

In light of early termination experience to date and after analyses of other market data, to the extent deemed relevant and available, AIG determined that there was no unrealized market valuation adjustment for any of the transactions in this regulatory capital relief portfolio for the three-month period ended March 31, 2010 other than (1) for transactions where AIGFP believes the counterparty is no longer using the transaction to obtain regulatory capital relief as discussed above and (2) for transactions where the counterparty has failed to terminate the transaction early as expected and no longer has any rights to terminate early in the future. Although AIGFP believes the value of contractual fees receivable on these transactions through maturity exceeds the economic benefits of any potential payments to the counterparties, the counterparties' early termination rights, and AIGFP's expectation that such rights will be exercised, preclude the recognition of a derivative asset for these transactions.

The following table presents, for each of the regulatory capital CDS transactions in the corporate loan portfolio, the gross transaction notional amount, net notional amount, attachment points, inception to date realized losses and percent non-investment grade:

(dollars in millions) CDS	Gross Transaction Notional Amount at March 31, 2010	Net Notional Amount at March 31, 2010	Attachment Point at Inception[a]	Attachment Point at March 31, 2010[a]	Realized Losses through March 31, 2010[b]	Percent Non-investment Grade at March 31, 2010[c]
1	$ 588	$ 492	10.03%	16.38%	0.52%	25.57%
2[d]	8,609	2,662	44.00%	69.08%	0.00%	9.29%
3	1,839	1,599	10.00%	13.02%	0.16%	25.86%
4	8,001	7,094	11.00%	11.33%	0.00%	10.84%
5	369	126	18.00%	65.90%	0.00%	67.80%
6	10,241	9,073	10.80%	11.41%	0.00%	6.78%
7[e]	5,619	4,223	11.30%	24.84%	0.19%	32.30%
8	5,052	4,462	11.00%	11.68%	0.09%	12.71%
9	3,757	3,210	13.26%	14.54%	0.00%	70.12%
10[f]	2,907	617	12.00%	39.06%	0.00%	8.21%
11	2,369	1,973	15.85%	16.73%	0.00%	11.57%
12	1,122	657	14.00%	32.54%	0.16%	36.34%
13	710	386	14.00%	32.54%	0.16%	36.34%
14	1,735	1,363	14.00%	32.54%	0.16%	36.34%
15[g]	6,346	4,056	17.00%	36.10%	0.05%	17.48%
Total	$ 59,264	$ 41,993				

(a) *Expressed as a percentage of gross transaction notional amount of the referenced obligations. As a result of participation ratios and replenishment rights, the attachment point may not always be computed by dividing net notional amount by gross transaction notional amount.*

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(b) *Represents realized losses incurred by the transaction (defaulted amounts less amounts recovered) from inception through March 31, 2010 expressed as a percentage of the initial gross transaction notional amount.*

(c) *Represents non-investment grade obligations in the underlying pools of corporate loans expressed as a percentage of gross transaction notional amount.*

(d) *Terminated effective June 15, 2010.*

(e) *Terminated effective April 1, 2010.*

(f) *Terminated effective June 21, 2010.*

(g) *Terminated effective May 19, 2010.*

The following table presents, for each of the regulatory capital CDS transactions prime residential mortgage portfolio, the gross transaction notional amount, net notional amount, attachment points, and inception to date realized losses:

(dollars in millions) **CDS**	**Gross Transaction Notional Amount at March 31, 2010**	**Net Notional Amount at March 31, 2010**	**Attachment Point at Inception[(a)]**	**Attachment Point at March 31, 2010[(a)]**	**Realized Losses through March 31, 2010[(b)]**
1	$ 466	$ 255	17.01%	44.27%	2.49%
2	295	154	18.48%	47.54%	1.86%
3	271	177	16.81%	34.51%	1.42%
4	1,232	1,097	10.00%	10.97%	0.00%
5	391	304	13.19%	22.15%	0.40%
6[(c)]	5,242	4,770	7.95%	9.19%	0.03%
7[(c)]	1,749	1,391	7.95%	20.33%	0.05%
8[(c)]	4,994	4,571	8.00%	8.62%	0.04%
9[(c)]	6,184	5,707	7.85%	7.86%	0.01%
10	10,889	10,077	7.50%	7.46%	0.04%
11[(c)]	8,198	7,555	7.95%	7.95%	0.01%
12	2,301	1,814	12.40%	21.15%	0.00%
13	21,704	19,603	9.20%	9.68%	0.06%
14	8,454	7,452	11.50%	11.86%	0.00%
15	1,366	917	14.57%	32.86%	0.00%
Total	$ 73,736	$ 65,844			

(a) *Expressed as a percentage of gross transaction notional amount of the referenced obligations. As a result of participation ratios and replenishment rights, the attachment point may not always be computed by dividing net notional amount by gross transaction notional amount.*

(b) *Represents realized losses incurred by the transaction (defaulted amounts less amounts recovered) from inception through March 31, 2010 expressed as a percentage of the initial gross transaction notional amount.*

(c)

Delinquency information is not provided to AIGFP for the underlying pools of residential mortgages of these transactions. However, information with respect to principal amount outstanding, defaults, recoveries, remaining term, property use, geography, interest rates, and ratings of the underlying junior tranches are provided to AIGFP for such referenced pools.

All of the regulatory capital CDS transactions directly or indirectly reference tranched pools of large numbers of whole loans that were originated by the financial institution (or its affiliates) receiving the credit protection, rather than structured securities containing loans originated by other third parties. In the vast majority of transactions, the loans are intended to be retained by the originating financial institution and in all cases the originating financial institution is the purchaser of the CDS, either directly or through an intermediary.

As further discussed below, AIGFP receives information monthly or quarterly regarding the performance and credit quality of the underlying referenced assets. AIGFP also obtains other information, such as ratings of the tranches below the super senior risk layer. The nature of the information provided or otherwise available to AIGFP with respect to the underlying assets in each regulatory capital CDS transaction is not consistent across all transactions. Furthermore, in a majority of corporate loan transactions and all of the residential mortgage transactions, the pools are blind, meaning that the identities of the obligors are not disclosed to AIGFP. In

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addition, although AIGFP receives periodic reports on the underlying asset pools, virtually all of the regulatory capital CDS transactions contain confidentiality restrictions that preclude AIGFP's public disclosure of information relating to the underlying referenced assets. The originating financial institutions, calculation agents or trustees (each a Report Provider) provide periodic reports on all underlying referenced assets as described below, including for those within the blind pools. While much of this information received by AIGFP cannot be aggregated in a comparable way for disclosure purposes because of the confidentiality restrictions and the inconsistency of the information, it does provide a sufficient basis for AIGFP to evaluate the risks of the portfolio and to determine a reasonable estimate of fair value.

For regulatory capital CDS transactions written on underlying pools of corporate loans, AIGFP receives monthly or quarterly updates from one or more Report Providers for each such referenced pool detailing, with respect to the corporate loans comprising such pool, the principal amount outstanding and defaults. In virtually all of these reports, AIGFP also receives information on recoveries and realized losses. AIGFP also receives quarterly stratification tables for each pool incorporating geography, industry and, when not publicly rated, the counterparty's assessment of the credit quality of the underlying corporate loans. Additionally, for a significant majority of these regulatory capital CDS transactions, upon the occurrence of a credit event with respect to any corporate loan included in any such pool, AIG receives a notice detailing the identity or identification number of the borrower, notional amount of such loan and the effective date of such credit event.

Ratings from independent ratings agencies for the underlying assets of the corporate loan portfolio are not universally available, but AIGFP estimates the ratings for the assets not rated by independent agencies by mapping the information obtained from the Report Providers to rating agency criteria. The "Percent Non-Investment Grade" information in the table above is provided as an indication of the nature of loans underlying the transactions, not necessarily as an indicator of relative risk of the CDS transactions, which is determined by the individual transaction structures. For example, Small and Medium Enterprise (SME) loan balances tend to be rated lower than loans to large, well-established enterprises. However, the greater number of loans and the smaller average size of the SME loans mitigate the risk profile of the pools. In addition, the transaction structures reflect AIGFP's assessment of the loan collateral arrangements, expected recovery values, and reserve accounts in determining the level of subordination required to minimize the risk of loss. The percentage of non-investment grade obligations in the underlying pools of corporate loans varies considerably. The two pools containing the highest percentages of non-investment grade obligations, which include all transactions with pools having non-investment grade percentages greater than 40.00 percent, are all granular SME loan pools which benefit from collateral arrangements made by the originating financial institutions and from work out of recoveries by the originating financial institutions. The average number of loans in each pool is over 4,800. This large number of SME loans increases the predictability of the expected loss and lessens the probability that discrete events will have a meaningful impact on the results of the overall pool. These transactions benefit from a tranche junior to it which was still rated AAA by at least two rating agencies at March 31, 2010. Three other pools, with a total net notional amount of $2.4 billion, have non-investment grade percentages greater than 35.00 percent, each with a remaining life to maturity of 16.0 years. These pools have realized losses of 0.16 percent from inception through March 31, 2010 and have current weighted average attachment points of 32.54 percent. Approximately 0.47 percent of the assets underlying the corporate loan transactions are in default. The percentage of assets in default by transaction was available for all transactions and ranged from 0.00 percent to 2.86 percent.

For regulatory capital CDS transactions written on underlying pools of residential mortgages, AIGFP receives quarterly reports for each such referenced pool detailing, with respect to the residential mortgages comprising such pool, the aggregate principal amount outstanding, defaults and realized losses. These reports include additional information on delinquencies for the large majority of the transactions and recoveries for substantially all transactions. AIGFP also receives quarterly stratification tables for each pool incorporating geography for the underlying residential mortgages. The stratification tables also include information on remaining term, property use and interest rates for a large majority of the transactions.

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Delinquency information for the mortgages underlying the residential mortgage transactions was available on approximately 64.24 percent of the total gross transaction notional amount and mortgages delinquent more than 30 days ranged from 0.08 percent to 3.49 percent, averaging 0.86 percent. For all but three transactions, which comprised less than 1.50 percent of the total gross transaction notional amount, the average default rate (expressed as a percentage of gross transaction notional amount) was 0.22 percent and ranged from 0.00 percent to 2.42 percent. The default rate on the remaining three transactions ranged from 4.53 percent to 16.71 percent. The subordination on these three transactions ranged from 34.51 percent to 47.54 percent.

For all regulatory capital transactions, where the rating agencies directly rate the junior tranches of the pools, AIG monitors the rating agencies' releases for any affirmations or changes in such ratings, as well as any changes in rating methodologies or assumptions used by the rating agencies to the extent available. The tables below show the percentage of regulatory capital CDS transactions where there is an immediately junior tranche that is rated and the average rating of that tranche across all rated transactions.

AIGFP analyzes the information regarding the performance and credit quality of the underlying pools of assets to make its own risk assessment and to determine any changes in credit quality with respect to such pools of assets. This analysis includes a review of changes in pool balances, subordination levels, delinquencies, realized losses, and expected performance under more adverse credit conditions. Using data provided by the Report Providers, and information available from rating agencies, governments, and other public sources that relate to macroeconomic trends and loan performance, AIGFP is able to analyze the expected performance of the overall portfolio because of the large number of loans that comprise the collateral pools.

Given the current performance of the underlying portfolios, the level of subordination and AIGFP's own assessment of the credit quality, as well as the risk mitigants inherent in the transaction structures, AIGFP does not expect that it will be required to make payments pursuant to the contractual terms of those transactions providing regulatory relief. Further, AIGFP expects that counterparties will terminate these transactions prior to their maturity.

The following table presents AIGFP's Regulatory Capital Corporate loans portfolio by geographic location:

At March 31, 2010						Weighted Average Maturity (Years)			Ratings of Junior Tranches[d]	
Exposure Portfolio	Net Notional Amount (in millions)	Percent of Total	Current Average Attachment Point[a]	Realized Losses through March 31, 2010[b]	To First Call[c]	To Maturity	Number of Transactions	Percent Rated	Average Rating
Primarily Single Country:									
Germany	$ 5,301	12.62%	14.27%	0.09%	2.50	8.90	3	100%	A+
Finland	126	0.30%	65.90%	-	0.79	4.79	1	100	AAA
Subtotal Single Country	5,427	12.92%	17.17%	0.08	2.40	8.66	4	100	A+
Regional:									
Asia	1,973	4.70%	16.73%	-	0.76	2.00	1	100	AAA
Europe	34,593	82.38%	28.99%	0.06%	0.88	4.36	10	100	AA+

Subtotal Regional		36,566	87.08%	28.44%	0.06	0.88	4.26	11	100	AA+
Total	$	41,993	100.00%	27.19%	0.06	1.05	4.74	15	100	AA

(a)

Expressed as a percentage of gross transaction notional amount of the referenced obligations.

(b)

Represents realized losses incurred by the transaction (defaulted amounts less amounts recovered) from inception through March 31, 2010 expressed as a percentage of the initial gross transaction notional amount.

(c)

Where no call right remains, the weighted average expected maturity is used.

(d)

Represents the weighted average ratings, when available, of the tranches immediately junior to AIGFP's super senior tranche. The percentage rated represents the percentage of net notional amount where there exists a rated tranche immediately junior to AIGFP's super senior tranche.

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The following table presents AIGFP's Regulatory Capital Prime residential mortgage portfolio summarized by geographic location:

At March 31, 2010	Net Notional Amount (in millions)	Percent of Total	Current Average Attachment Point[(a)]	Realized Losses through March 31, 2010[(b)]	Weighted Average Maturity (Years) To First Call[(c)]	Weighted Average Maturity (Years) To Maturity	Number of Transactions	Ratings of Junior Tranches[(d)] Percent Rated	Ratings of Junior Tranches[(d)] Average Rating
Country:									
Denmark	$ 29,680	45.08%	8.94%	0.05%	4.36	29.48	2	100.00%	AAA
France	23,994	36.44	9.12%	0.03%	0.96	29.95	5	100.00	AAA
Germany	3,621	5.50	28.73%	0.59%	1.53	43.41	6	75.00	AAA
Netherlands	1,097	1.66	10.97%	0.00%	0.75	70.75	1	-	Not rated
Sweden	7,452	11.32	11.86%	0.00%	0.85	29.85	1	100.00	AAA
Total	$ 65,844	100.00%	10.74%	0.10%	2.48	31.34	15	97.00%	AAA

(a) *Expressed as a percentage of gross transaction notional amount of the referenced obligations.*

(b) *Represents realized losses incurred by the transaction (defaulted amounts less amounts recovered) from inception through March 31, 2010 expressed as a percentage of the initial gross transaction notional amount.*

(c) *Where no call right remains, the weighted average expected maturity is used.*

(d) *Represents the weighted average ratings, when available, of the tranches immediately junior to AIGFP's super senior tranche. The percentage rated represents the percentage of net notional amount where there exists a rated tranche immediately junior to AIGFP's super senior tranche.*

Arbitrage Portfolio

A portion of AIGFP's super senior credit default swaps as of March 31, 2010 are arbitrage-motivated transactions written on multi-sector CDOs or designated pools of investment grade senior unsecured corporate debt or CLOs.

Multi-Sector CDOs

The following table summarizes gross transaction notional amount of the multi-sector CDOs on which AIGFP wrote protection on the super senior tranche, subordination below the super senior risk layer, net notional amount and fair value of derivative liability by underlying collateral type:

At March 31, 2010 *(in millions)*	Gross Transaction Notional Amount[(a)]	Subordination Below the Super Senior Risk Layer	Net Notional Amount	Fair Value of Derivative Liability

High grade with sub-prime collateral	$ 3,459	$ 1,847	$ 1,612	$ 681
High grade with no sub-prime collateral	8,057	5,032	3,025	1,263
Total high grade[(b)]	11,516	6,879	4,637	1,944
Mezzanine with sub-prime collateral	3,575	1,435	2,140	1,693
Mezzanine with no sub-prime collateral	1,675	878	797	613
Total mezzanine[(c)]	5,250	2,313	2,937	2,306
Total	$ 16,766	$ 9,192	$ 7,574	$ 4,250

(a) *Total outstanding principal amount of securities held by a CDO.*

(b) *"High grade" refers to transactions in which the underlying collateral credit ratings on a stand-alone basis were predominantly AA or higher at origination.*

(c) *"Mezzanine" refers to transactions in which the underlying collateral credit ratings on a stand-alone basis were predominantly A or lower at origination.*

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The following table summarizes net notional amounts of the remaining multi-sector CDOs on which AIGFP wrote protection on the super senior tranche, by settlement alternative:

(in millions)	March 31, 2010	December 31, 2009
CDS transactions with cash settlement provisions		
U.S. dollar-denominated	**$ 4,545**	$ 4,580
Euro-denominated	**1,574**	1,720
Total CDS transactions with cash settlement provisions	**6,119**	6,300
CDS transactions with physical settlement provisions		
U.S. dollar-denominated	**201**	265
Euro-denominated	**1,254**	1,361
Total CDS transactions with physical settlement provisions	**1,455**	1,626
Total	**$ 7,574**	$ 7,926

The following table summarizes changes in the fair values of the derivative liability of the AIGFP super senior multi-sector CDO credit default swap portfolio:

(in millions)	Three Months Ended March 31, 2010	Year Ended December 31, 2009
Fair value of derivative liability, beginning of year	**$ 4,418**	$ 5,906
Unrealized market valuation (gain) loss	**(158)**	669
Purchases of underlying CDO securities*	**-**	(234)
Other terminations and realized losses	**(10)**	(1,923)
Fair value of derivative liability, end of period	**$ 4,250**	$ 4,418

* *In connection with the exercise of the maturity-shortening puts that allow the holders of the securities issued by certain CDOs to treat the securities as short-term 2a-7 eligible investments under the Investment Company Act of 1940 (2a-7 Puts) by counterparties, AIGFP acquired the underlying CDO securities. In certain cases, simultaneously with the exercise of the 2a-7 Puts by AIGFP's counterparties, AIGFP accessed financing arrangements previously entered into with such counterparties, pursuant to which the counterparties remained the legal owners of the underlying CDO securities. However, these securities were reported as part of AIGFP's investment portfolio as required by generally accepted accounting principles. Most of these underlying CDO securities were later acquired by ML III from AIGFP's counterparties. In a separate case, AIGFP extinguished its obligations with respect to one CDS by purchasing the protected CDO security.*

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The following table presents, for each multi-sector CDO that is a reference obligation in a CDS written by AIGFP, the gross and net notional amounts, attachment points and percentage of gross notional amount rated less than B-/B-3:

(dollars in millions) *CDO*	Gross Notional Amount at March 31, 2010	Net Notional Amount at March 31, 2010	Attachment Point at Inception*	Attachment Point at March 31, 2010*	Percentage of Gross Notional Amount Rated Less than B-/B-3 at March 31, 2010
1	$ 1,075	$ 443	40.00%	58.84%	52.75%
2	687	326	53.00%	52.52%	27.45%
3	988	470	53.00%	52.39%	56.07%
4	1,192	322	76.00%	73.00%	69.62%
5	880	3	10.83%	8.17%	25.75%
6	268	192	39.33%	28.38%	84.04%
7	982	497	12.27%	6.30%	5.70%
8	1,058	757	25.24%	23.23%	7.43%
9	1,387	1,287	10.00%	7.25%	24.21%
10	387	296	33.00%	23.62%	72.55%
11	2,311	1,574	16.50%	18.75%	2.51%
12	376	197	32.00%	47.51%	68.61%
13	653	420	24.49%	35.66%	72.55%
14	543	402	32.90%	26.04%	91.83%
15	272	191	34.51%	29.98%	91.89%
16	3,707	197	9.72%	15.58%	63.58%
Total	$ 16,766	$ 7,574			

* *Expressed as a percentage of gross notional amount of the referenced obligations. As a result of participation ratios and partial terminations, the attachment point may not always be computed by dividing net notional amount by gross notional amount.*

In a number of instances, the level of subordination with respect to individual CDOs has increased since inception relative to the overall size of the CDO. While the super senior tranches are amortizing, subordinate layers have not been reduced by realized losses to date. Such losses are expected to emerge in the future. At inception, substantially all of the underlying assets were rated B-/B3 or higher and in most cases at least BBB or Baa. Thus, the percentage of gross notional amount rated less than B-/B3 represents deterioration in the credit quality of the underlying assets.

The following table summarizes the gross transaction notional amount, percentage of the total CDO collateral pools, and ratings and vintage breakdown of collateral securities in the multi-sector CDOs, by asset-backed securities (ABS) category:

At March 31, 2010
(in millions)

			Ratings							Vintage				
ABS Category	**Gross Transaction Notional Amount**	**Percent of Total**	**AAA**	**AA**	**A**	**BBB**	**BB**	**<BB**	**NR**	**2009**	**2008**	**2007**	**2006**	**2005+P**

RMBS PRIME	$ 2,030	12.11%	0.47%	0.46%	0.45%	0.59%	1.90%	8.24%	0.00%	0.00%	0.41%	6.98%	3.35%	1.37%
RMBS ALT-A	2,808	16.75%	0.12%	0.09%	0.32%	1.41%	0.52%	14.29%	0.00%	0.00%	0.62%	4.73%	6.21%	5.19%
RMBS SUBPRIME	3,604	21.50%	0.70%	1.01%	0.52%	0.66%	1.18%	17.43%	0.00%	0.00%	0.00%	1.03%	1.87%	18.60%
CMBS	3,270	19.50%	0.76%	1.88%	2.19%	3.18%	1.87%	9.50%	0.12%	0.00%	0.10%	1.71%	8.41%	9.28%
CDO	1,781	10.62%	0.12%	0.86%	0.83%	0.92%	0.99%	6.79%	0.11%	0.00%	0.00%	0.67%	1.77%	8.18%
OTHER	3,273	19.52%	5.45%	4.54%	4.75%	3.03%	0.79%	0.84%	0.12%	0.00%	0.62%	1.09%	5.14%	12.67%
Total	$ 16,766	100.00%	7.62%	8.84%	9.06%	9.79%	7.25%	57.09%	0.35%	0.00%	1.75%	16.21%	26.75%	55.29%

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Corporate Debt/CLOs

The corporate arbitrage portfolio consists principally of CDS written on portfolios of corporate obligations that were generally rated investment grade at the inception of the CDS. These CDS transactions require cash settlement. This portfolio also includes CDS with a net notional amount of $1.4 billion written on the senior part of the capital structure of CLOs, which require physical settlement.

The following table summarizes gross transaction notional amount of CDS transactions written on portfolios of corporate obligations, percentage of the total referenced portfolios, and ratings by industry sector, in addition to the subordinations below the super senior risk layer, AIGFP's net notional amounts and fair value of derivative liability:

At March 31, 2010 *(in millions)*		**Gross Transaction Notional Amount**	**Percent of Total**	**Ratings** **Aa**	**A**	**Baa**	**Ba**	**<Ba**	**NR**
Industry Sector									
United States									
Industrial	$	8,660	36.9%	0.2%	5.1%	17.4%	4.1%	8.1%	2.0%
Financial		2,336	10.0%	0.2%	3.3%	3.3%	0.2%	1.8%	1.2%
Utilities		672	2.9%	0.0%	0.3%	2.4%	0.0%	0.1%	0.1%
Other		162	0.7%	0.0%	0.1%	0.1%	0.1%	0.0%	0.4%
Total United States		11,830	50.5%	0.4%	8.8%	23.2%	4.4%	10.0%	3.7%
Non-United States									
Industrial		9,199	39.2%	0.2%	6.0%	12.7%	4.3%	4.8%	11.2%
Financial		1,152	4.9%	0.0%	2.5%	1.7%	0.1%	0.2%	0.4%
Government		884	3.8%	0.1%	1.6%	1.5%	0.4%	0.0%	0.2%
Utilities		314	1.3%	0.0%	0.1%	0.7%	0.0%	0.1%	0.4%
Other		82	0.3%	0.0%	0.1%	0.0%	0.0%	0.1%	0.1%
Total Non-United States		11,631	49.5%	0.3%	10.3%	16.6%	4.8%	5.2%	12.3%
Total gross transaction notional amount		23,461	100.0%	0.7%	19.1%	39.8%	9.2%	15.2%	16.0%
Subordination		7,094							
Net Notional Amount	$	16,367							
Fair Value of Derivative Liability	$	308							

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The following table presents, for each of the corporate debt and CLO CDS transactions, the net notional amounts, attachment points and inception to date defaults:

(dollars in millions) CDS	Type	Net Notional Amount at March 31, 2010	Attachment Point at Inception[(a)]	Attachment Point at March 31, 2010[(a)]	Defaults through March 31, 2010[(b)]
1	Corporate Debt	$ 2,520	20.68%	19.52%	6.10%
2	Corporate Debt	989	22.14%	20.60%	3.58%
3	Corporate Debt	5,338	22.00%	20.68%	3.73%
4	Corporate Debt	989	22.14%	20.60%	3.58%
5	Corporate Debt	1,967	22.15%	20.93%	3.78%
6	Corporate Debt	983	20.80%	18.91%	4.17%
7	Corporate Debt	216	28.00%	27.68%	1.01%
8	Corporate Debt	641	24.00%	22.98%	3.54%
9	Corporate Debt	1,288	24.00%	22.89%	3.67%
10	CLO	249	35.85%	30.14%	3.96%
11	CLO	127	43.76%	42.36%	2.58%
12	CLO	198	44.20%	45.62%	1.86%
13	CLO	80	44.20%	45.62%	1.86%
14	CLO	151	44.20%	45.62%	1.86%
15	CLO	167	31.76%	34.10%	1.39%
16	CLO	337	30.40%	28.75%	0.00%
17	CLO	127	31.23%	29.08%	0.03%
Total		$ 16,367			

(a) *Expressed as a percentage of gross transaction notional amount of the referenced obligations.*

(b) *Represents defaults (assets that are technically defaulted but for which the losses have not yet been realized) from inception through March 31, 2010 expressed as a percentage of the gross transaction notional amount at March 31, 2010.*

Collateral

Most of AIGFP's credit default swaps are subject to collateral posting provisions. These provisions differ among counterparties and asset classes. Although AIGFP has collateral posting obligations associated with both regulatory capital relief transactions and arbitrage transactions, the large majority of these obligations to date have been associated with arbitrage transactions in respect of multi-sector CDOs.

Regulatory Capital Relief Transactions

As of March 31, 2010, 61.5 percent of AIGFP's regulatory capital relief transactions (measured by net notional amount) were subject to Credit Support Annexes (CSA) linked to AIG's credit rating and 38.5 percent of the regulatory capital relief transactions were not subject to collateral posting provisions. In general, each regulatory capital relief transaction is subject to a stand-alone International Swaps and Derivatives Association, Inc. (ISDA) Master Agreement (Master Agreement) or similar agreement, under which the aggregate Exposure is calculated with reference to only a single transaction.

The underlying mechanism that determines the amount of collateral to be posted varies by counterparty, and there is no standard formula. The varied mechanisms resulted from individual negotiations with different counterparties. The following is a brief description of the primary

mechanisms that are currently being employed to determine the amount of collateral posting for this portfolio.

Reference to Market Indices Under this mechanism, the amount of collateral to be posted is determined based on a formula that references certain tranches of a market index, such as either iTraxx or CDX. This mechanism is used for CDS transactions that reference either corporate loans, or residential mortgages. While the market index is not a direct proxy, it has the advantage of being readily obtainable.

Expected Loss Models Under this mechanism, the amount of collateral to be posted is determined based on the amount of expected credit losses, generally determined using a rating-agency model.

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Negotiated Amount Under this mechanism, the amount of collateral to be posted is determined based on terms negotiated between AIGFP and the counterparty, which could be a fixed percentage of the notional amount or present value of premiums to be earned by AIGFP.

The following table presents the amount of collateral postings by underlying mechanism as described above with respect to the regulatory capital relief portfolio (prior to consideration of transactions other than AIGFP's super senior credit default swaps subject to the same Master Agreements) as of the periods ended:

(in millions)	December 31, 2009	March 31, 2010	April 30, 2010
Reference to market indices	$ 60	$ 28	$ 36
Expected loss models	20	19	19
Negotiated amount	230	219	220
Total	$ 310	$ 266	$ 275

Arbitrage Portfolio Multi-Sector CDOs

In the CDS transactions, with physical settlement provisions, in respect of multi-sector CDOs, the standard CSA provisions for the calculation of Exposure have been modified, with the Exposure amount determined pursuant to an agreed formula that is based on the difference between the net notional amount of such transaction and the market value of the relevant underlying CDO security, rather than the replacement value of the transaction. As of any date, the "market value" of the relevant CDO security is the price at which a marketplace participant would be willing to purchase such CDO security in a market transaction on such date, while the "replacement value of the transaction" is the cost on such date of entering into a credit default swap transaction with substantially the same terms on the same referenced obligation (e.g., the CDO security). In cases where a formula is utilized, a transaction-specific threshold is generally factored into the calculation of Exposure, which reduces the amount of collateral required to be posted. These thresholds typically vary based on the credit ratings of AIG and/or the reference obligations, with greater posting obligations arising in the context of lower ratings. For the large majority of counterparties to these transactions, the Master Agreement and CSA cover non-CDS transactions (e.g., interest rate and cross currency swap transactions) as well as CDS transactions. As a result, the amount of collateral to be posted by AIGFP in relation to the CDS transactions will be added to or offset by the amount, if any, of the Exposure AIG has to the counterparty on the non-CDS transactions.

Arbitrage Portfolio Corporate Debt/CLOs

All of AIGFP's corporate arbitrage transactions are subject to CSAs. None of these transactions (measured by net notional amount) contains a special collateral posting provision, but each is subject to a Master Agreement that includes a CSA. These transactions are treated the same as other transactions subject to the same Master Agreement and CSA, with the calculation of collateral in accordance with the standard CSA procedures outlined above. None of these transactions, although subject to a Master Agreement and CSA, has specific valuation and threshold provisions.

Collateral Calls

AIGFP has received collateral calls from counterparties in respect of certain super senior credit default swaps, of which a large majority relate to multi-sector CDOs. To a lesser extent, AIGFP has also received collateral calls in respect of certain super senior credit default swaps entered into by counterparties for regulatory capital relief purposes and in respect of corporate arbitrage.

From time to time, valuation methodologies used and estimates made by counterparties with respect to certain super senior credit default swaps or the underlying reference CDO securities, for purposes of determining the amount of collateral required to be posted by AIGFP in connection with such instruments, have resulted in estimates that differ, at times significantly, from AIGFP's estimates. In almost all cases, AIGFP has been able to successfully resolve the differences or otherwise reach an accommodation with respect to collateral posting levels, including in certain cases by entering into compromise collateral arrangements. Due to the ongoing nature of

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collateral arrangements, AIGFP regularly is engaged in discussions with one or more counterparties in respect of these differences, including at the present time. Valuation estimates made by counterparties for collateral purposes are, like any other third-party valuation, considered in the determination of the fair value estimates of AIGFP's super senior credit default swap portfolio.

The following table presents the amount of collateral postings with respect to AIGFP's super senior credit default swap portfolio (prior to offsets for other transactions) as of the periods ended:

(in millions)	**December 31, 2009**	**March 31, 2010**	**April 30, 2010**
Regulatory capital	$ 310	$ 266	$ 275
Arbitrage multi-sector CDO	3,715	3,683	3,606
Arbitrage corporate	565	503	538
Total	$ 4,590	$ 4,452	$ 4,419

The amount of future collateral posting requirements is a function of AIG's credit ratings, the rating of the reference obligations and any further decline in the market value of the relevant reference obligations, with the latter being the most significant factor. While a high level of correlation exists between the amount of collateral posted and the valuation of these contracts in respect of the arbitrage portfolio, a similar relationship does not exist with respect to the regulatory capital portfolio given the nature of how the amount of collateral for these transactions is determined. Given the severe market disruption, lack of observable data and the uncertainty regarding the potential effects on market prices of measures recently undertaken by the federal government to address the credit market disruption, AIGFP is unable to reasonably estimate the amounts of collateral that it may be required to post in the future.

Valuation Sensitivity Arbitrage Portfolio

Multi-Sector CDOs

AIG utilizes sensitivity analyses that estimate the effects of using alternative pricing and other key inputs on AIG's calculation of the unrealized market valuation loss related to the AIGFP super senior credit default swap portfolio. While AIG believes that the ranges used in these analyses are reasonable, given the current difficult market conditions, AIG is unable to predict which of the scenarios is most likely to occur. As recent experience demonstrates, actual results in any period are likely to vary, perhaps materially, from the modeled scenarios, and there can be no assurance that the unrealized market valuation loss related to the AIGFP super senior credit default swap portfolio will be consistent with any of the sensitivity analyses. On average, prices for CDOs increased 0.90 percent of the notional amount outstanding for the first quarter of 2010. Further, it is difficult to extrapolate future experience based on current market conditions.

For the purposes of estimating sensitivities for the super senior multi- sector CDO credit default swap portfolio, the change in valuation derived using the BET model is used to estimate the change in the fair value of the derivative liability. Out of the total $7.6 billion net notional amount of CDS written on multi-sector CDOs outstanding at March 31, 2010, a BET value is available for $4.8 billion net notional amount. No BET value is determined for $2.8 billion of CDS written on European multi-sector CDOs as prices on the underlying securities held by the CDOs are not provided by collateral managers; instead these CDS are valued using counterparty prices. Therefore, sensitivities disclosed below apply only to the net notional amount of $4.8 billion.

The most significant assumption used in the BET model is the estimated price of the securities within the CDO collateral pools. If the actual price of the securities within the collateral pools differs from the price used in estimating the fair value of the super senior credit default swap portfolio, there is potential for material variation in the fair value estimate. Any further declines in the value of the underlying collateral securities held by a CDO will similarly affect the value of the super senior CDO securities. While the models attempt to predict changes in the prices of underlying collateral securities held within a CDO, the changes are subject to actual market conditions which have proved to be highly volatile, especially given current market conditions. AIG cannot predict reasonably likely changes in the prices of the underlying collateral securities held within a CDO at this time.

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The following table presents key inputs used in the BET model, and the potential increase (decrease) to the fair value of the derivative liability by ABS category at March 31, 2010 corresponding to changes in these key inputs:

(dollars in millions)	Average Inputs Used at March 31, 2010	Change	Increase (Decrease) to Fair Value of Derivative Liability: Entire Portfolio	RMBS PRIME	RMBS ALT-A	RMBS Subprime	CMBS	CDOs	Other
Bond prices	42 points	Increase of 5 points	$ (299)	$ (11)	$ (25)	$ (134)	$ (82)	$ (32)	$ (15)
		Decrease of 5 points	258	12	24	103	83	13	23
Weighted average life	5.98 years	Increase of 1 year	49	1	6	38	-	1	3
		Decrease of 1 year	(90)	(3)	(3)	(86)	4	(1)	(1)
Recovery rates	23%	Increase of 10%	(38)	(1)	(1)	(10)	(23)	(1)	(2)
		Decrease of 10%	41	-	1	16	23	-	1
Diversity score[(a)]	13	Increase of 5	(9)						
		Decrease of 5	31						
Discount curve[(b)]	N/A	Increase of 100bps	13						

(a) *The diversity score is an input at the CDO level. A calculation of sensitivity to this input by type of security is not possible.*

(b) *The discount curve is an input at the CDO level. A calculation of sensitivity to this input by type of security is not possible. Furthermore, for this input it is not possible to disclose a weighted average input as a discount curve consists of a series of data points.*

These results are calculated by stressing a particular assumption independently of changes in any other assumption. No assurance can be given that the actual levels of the key inputs will not exceed, perhaps significantly, the ranges assumed by AIG for purposes of the above analysis. No assumption should be made that results calculated from the use of other changes in these key inputs can be interpolated or extrapolated from the results set forth above.

Corporate Debt

The following table represents the relevant market credit inputs used to estimate the sensitivity for the credit default swap portfolio written on investment-grade corporate debt and the estimated increase (decrease) to fair value of derivative liability at March 31, 2010 corresponding to changes in these market credit inputs:

Input Used at March 31, 2010 *(in millions)*	Increase (Decrease) To Fair Value of Derivative Liability

Credit spreads for all names	
Effect of an increase by 10 basis points	$23
Effect of a decrease by 10 basis points	$(23)
All base correlations	
Effect of an increase by 1%	$6
Effect of a decrease by 1%	$(6)
Assumed recovery rate	
Effect of an increase by 1%	$(5)
Effect of a decrease by 1%	$5

These results are calculated by stressing a particular assumption independently of changes in any other assumption. No assurance can be given that the actual levels of the indices and maturity will not exceed, perhaps significantly, the ranges assumed by AIGFP for purposes of the above analysis. No assumption should be made that results calculated from the use of other changes in these indices and maturity can be interpolated or extrapolated from the results set forth above.

Other derivatives. Valuation models that incorporate unobservable inputs initially are calibrated to the transaction price. Subsequent valuations are based on observable inputs to the valuation model (e.g., interest rates, credit spreads, volatilities, etc.). Model inputs are changed only when corroborated by observable market data.

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Investments

Investments by Segment

The following tables summarize the composition of AIG's investments by segment:

(in millions)	General Insurance	Domestic Life Insurance & Retirement Services	Foreign Life Insurance & Retirement Services	Financial Services	Other	Total
At March 31, 2010						
Fixed maturity securities:						
Bonds available for sale, at fair value	**$ 86,560**	**$ 122,669**	**$ 35,553**	**$ 2,025**	**$ 10,063**	**$ 256,870**
Bond trading securities, at fair value	**-**	**960**	**208**	**19,927**	**5,270**	**26,365**
Equity securities:						
Common and preferred stock available for sale, at fair value	**4,466**	**293**	**1,383**	**22**	**667**	**6,831**
Common and preferred stock trading, at fair value	**50**	**1**	**238**	**317**	**7**	**613**
Mortgage and other loans receivable, net of allowance	**623**	**17,222**	**1,587**	**467**	**2,634**	**22,533**
Finance receivables, net of allowance	**-**	**-**	**-**	**18,912**	**-**	**18,912**
Flight equipment primarily under operating leases, net of accumulated depreciation	**-**	**-**	**-**	**43,258**	**-**	**43,258**
Other invested assets	**12,184**	**13,131**	**1,754**	**182**	**5,999**	**33,250**
Securities purchased under agreements to resell, at fair value	**-**	**-**	**-**	**1,615**	**-**	**1,615**
Short-term investments	**13,094**	**14,808**	**838**	**7,056**	**3,004**	**38,800**
Total investments[(a)]	**116,977**	**169,084**	**41,561**	**93,781**	**27,644**	**449,047**
Cash	**694**	**299**	**168**	**460**	**512**	**2,133**
Total cash and investments[(b)]	**$ 117,671**	**$ 169,383**	**$ 41,729**	**$ 94,241**	**$ 28,156**	**$ 451,180**

(in millions)	General Insurance	Domestic Life Insurance & Retirement Services	Foreign Life Insurance & Retirement Services	Financial Services	Other	Total
At December 31, 2009						
Fixed maturity securities:						
Bonds available for sale, at fair value	$ 79,507	$ 116,629	$ 158,279	$ 2,057	$ 9,079	$ 365,551
Bond trading securities, at fair value	-	846	6,227	19,651	4,519	31,243
Equity securities:						
Common and preferred stock available for sale, at fair value	2,770	320	5,781	22	629	9,522

Common and preferred stock trading, at fair value	48	1	7,881	388	-	8,318
Mortgage and other loans receivable, net of allowance	9	17,728	6,810	428	2,486	27,461
Finance receivables, net of allowance	-	-	-	20,327	-	20,327
Flight equipment primarily under operating leases, net of accumulated depreciation	-	-	-	44,091	-	44,091
Other invested assets	11,668	13,141	13,749	213	6,464	45,235
Securities purchased under agreements to resell, at fair value	-	-	-	2,154	-	2,154
Short-term investments	12,094	17,456	10,840	3,767	3,106	47,263
Total investments[(a)]	106,096	166,121	209,567	93,098	26,283	601,165
Cash	780	63	1,151	1,847	559	4,400
Total cash and investments	$ 106,876	$ 166,184	$ 210,718	$ 94,945	$ 26,842	$ 605,565

(a)

At March 31, 2010, approximately 82 percent and 18 percent of investments were held by domestic and foreign entities, respectively, compared to approximately 60 percent and 40 percent, respectively, at December 31, 2009.

(b)

Total cash and investments of businesses held for sale amounted to $216.2 billion at March 31, 2010. See Note 3 to the Consolidated Financial Statements.

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American International Group, Inc., and Subsidiaries

Investment Strategy

AIG's investment strategies are tailored to the specific business needs of each operating unit. The investment objectives are driven by the business model for each of the businesses: General Insurance, life insurance, retirement services and the Matched Investment Program. The primary objectives are generation of investment income, preservation of capital, liquidity management and growth of surplus to support the insurance products.

At the local operating unit level, investment strategies are based on considerations that include the local market, liability duration and cash flow characteristics, rating agency and regulatory capital considerations, legal investment limitations, tax optimization and diversification.

The majority of assets backing insurance liabilities at AIG consist of intermediate and long duration fixed maturity securities. In the case of life insurance & retirement services companies, as well as in the MIP portfolio, the fundamental investment strategy is, as nearly as is practicable, to match the duration characteristics of the liabilities with comparable duration assets. Fixed maturity securities held by the insurance companies included in the Commercial Insurance Group historically have consisted primarily of laddered holdings of tax-exempt municipal bonds, which provided attractive after-tax returns and limited credit risk. In order to meet the Commercial Insurance Group's current risk/return and tax objectives, the domestic property and casualty companies have begun to shift investment allocations away from tax exempt municipal bonds towards taxable instruments which meet the companies' liquidity, duration and quality objectives as well as current risk-return and tax objectives. Fixed maturity securities held by Foreign General Insurance companies consist primarily of intermediate duration high grade securities.

The market price of fixed maturity securities reflects numerous components, including interest rate environment, credit spread, embedded optionality (such as call features), liquidity, structural complexity, foreign exchange risk, and other credit and non-credit factors. However, in most circumstances, pricing is most sensitive to interest rates, such that the market price declines as interest rates rise, and increases as interest rates fall. This effect is more pronounced for longer duration securities.

AIG accounts for the vast majority of the invested assets held by its insurance companies at fair value. However, with limited exceptions (primarily with respect to separate account products on AIG's Consolidated Balance Sheet), AIG does not mark-to-market its insurance liabilities for changes in interest rates, even though rising interest rates have the effect of reducing the fair value of such liabilities, and falling interest rates have the opposite effect. This results in the recording of changes in unrealized gains (losses) on securities in Accumulated other comprehensive income resulting from changes in interest rates without any correlative, inverse changes in gains (losses) on AIG's liabilities. Because AIG's asset duration in certain low-yield currencies, particularly Japan and Taiwan, is shorter than its liability duration, AIG views increasing interest rates in these countries as economically advantageous, notwithstanding the effect that higher rates have on the market value of its fixed maturity portfolio.

At March 31, 2010, approximately 78 percent of the fixed maturity securities were in domestic entities. Approximately 29 percent of such securities were rated AAA by one or more of the principal rating agencies. Approximately 11 percent were below investment grade or not rated. AIG's investment decision process relies primarily on internally generated fundamental analysis and internal risk ratings. Third-party rating services' ratings and opinions provide one source of independent perspectives for consideration in the internal analysis.

A significant portion of the foreign fixed maturity portfolio is rated by Moody's, S&P or similar foreign rating services. Rating services are not available in all overseas locations. AIG's Credit Risk Committee closely reviews the credit quality of the foreign portfolio's non-rated fixed maturity securities. At March 31, 2010, approximately 17 percent of the foreign fixed income investments were either rated AAA or, on the basis of AIG's internal analysis, were equivalent from a credit standpoint to securities so rated. Approximately 2 percent were below investment grade or not rated at that date. Approximately one third of the foreign fixed maturity portfolio is sovereign fixed maturity securities supporting policy liabilities in the country of issuance.

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The following table presents the credit ratings of AIG's fixed maturity investments:

	March 31, 2010*	December 31, 2009
Rating:		
AAA	**27%**	23%
AA	**24**	24
A	**21**	28
BBB	**19**	17
Below investment grade	**7**	6
Non-rated	**2**	2
Total	**100%**	100%

* *Excludes fixed maturity securities of businesses held for sale as of March 31, 2010.*

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Available for Sale Investments

The following table presents the amortized cost or cost and fair value of AIG's available for sale securities:

(in millions)	Amortized Cost or Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Other-Than-Temporary Impairments in AOCI[a]
March 31, 2010					
Bonds available for sale:					
U.S. government and government sponsored entities	**$ 4,777**	**$ 106**	**$ (27)**	**$ 4,856**	**$ -**
Obligations of states, municipalities and political subdivisions	**50,427**	**2,018**	**(292)**	**52,153**	**-**
Non-U.S. governments	**23,305**	**725**	**(213)**	**23,817**	**(1)**
Corporate debt	**127,707**	**8,507**	**(1,862)**	**134,352**	**14**
Mortgage-backed, asset-backed and collateralized:					
RMBS	**30,089**	**1,027**	**(3,897)**	**27,219**	**(1,595)**
CMBS	**10,869**	**256**	**(3,180)**	**7,945**	**(451)**
CDO/ABS	**7,242**	**324**	**(1,038)**	**6,528**	**64**
Total mortgage-backed, asset-backed and collateralized	**48,200**	**1,607**	**(8,115)**	**41,692**	**(1,982)**
Total bonds available for sale[b]	**254,416**	**12,963**	**(10,509)**	**256,870**	**(1,969)**
Equity securities available for sale:					
Common stock	**2,511**	**1,770**	**(19)**	**4,262**	**-**
Preferred stock	**635**	**103**	**(1)**	**737**	**-**
Mutual funds	**1,736**	**102**	**(6)**	**1,832**	**-**
Total equity securities available for sale	**4,882**	**1,975**	**(26)**	**6,831**	**-**
Total[c]	**$ 259,298**	**$ 14,938**	**$ (10,535)**	**$ 263,701**	**$ (1,969)**
December 31, 2009					
Bonds available for sale:					
U.S. government and government sponsored entities	$ 5,098	$ 174	$ (49)	$ 5,223	$ -

Obligations of states, municipalities and political subdivisions	52,324	2,163	(385)	54,102	-
Non-U.S. governments	63,080	3,153	(649)	65,584	(1)
Corporate debt	185,188	10,826	(3,876)	192,138	119
Mortgage-backed, asset-backed and collateralized:					
RMBS	32,173	991	(4,840)	28,324	(2,121)
CMBS	18,717	195	(5,623)	13,289	(739)
CDO/ABS	7,911	284	(1,304)	6,891	(63)
Total mortgage-backed, asset-backed and collateralized	58,801	1,470	(11,767)	48,504	(2,923)
Total bonds available for sale[(b)]	364,491	17,786	(16,726)	365,551	(2,805)
Equity securities available for sale:					
Common stock	4,460	2,913	(75)	7,298	-
Preferred stock	740	94	(20)	814	-
Mutual funds	1,264	182	(36)	1,410	-
Total equity securities available for sale	6,464	3,189	(131)	9,522	-
Total	$ 370,955	$ 20,975	$ (16,857)	$ 375,073	$ (2,805)

(a) *Represents the amount of other-than-temporary impairment losses recognized in Accumulated other comprehensive income, which, starting on April 1, 2009, were not included in earnings. Amount includes unrealized gains and losses on impaired securities relating to changes in the value of such securities subsequent to the impairment measurement date.*

(b) *At March 31, 2010 and December 31, 2009, bonds available for sale held by AIG that were below investment grade or not rated totaled $18.2 billion and $24.5 billion, respectively.*

(c) *Excludes $163.0 billion and $36.1 billion of available for sale investments at fair value from businesses held for sale at March 31, 2010 and December 31, 2009, respectively. See Note 3 to the Consolidated Financial Statements.*

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The following table presents the industry categories of AIG's available for sale corporate debt securities:

Industry Category	March 31, 2010[(a)]	December 31, 2009
Financial institutions:		
Money Center /Global Bank Groups	**14%**	18%
Regional banks other	**4**	5
Life insurance	**4**	4
Securities firms and other finance companies	**2**	2
Insurance non-life	**3**	3
Regional banks North America	**3**	2
Other financial institutions	**5**	4
Utilities	**16**	14
Communications	**7**	8
Consumer noncyclical	**9**	8
Capital goods	**7**	7
Consumer cyclical	**5**	5
Energy	**6**	6
Other	**15**	14
Total[(b)]	**100%**	100%

(a) *Excludes corporate debt of businesses held for sale as of March 31, 2010.*

(b) *At March 31, 2010 and December 31, 2009, approximately 92 percent and 94 percent, respectively, of these investments were rated investment grade.*

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Structured Securities

Excluded in the tables below as of March 31, 2010 are structured securities of businesses held for sale with a fair value of $7.8 billion.

Investments in RMBS

The following table presents AIG's RMBS investments by year of vintage:

	March 31, 2010					December 31, 2009				
(in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Percent of Amortized Cost	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Percent of Amortized Cost
Total RMBS[a]										
2010	**$ 537**	**$ -**	**$ -**	**$ 537**	**2%**	$ -	$ -	$ -	$ -	-%
2009	**1,794**	**27**	**(5)**	**1,816**	**6**	1,716	19	(6)	1,729	5
2008	**3,110**	**146**	**-**	**3,256**	**10**	3,418	135	(1)	3,552	11
2007	**4,523**	**146**	**(703)**	**3,966**	**15**	4,982	135	(881)	4,236	16
2006	**4,979**	**193**	**(907)**	**4,265**	**17**	5,206	197	(1,161)	4,242	16
2005 and prior	**15,146**	**515**	**(2,282)**	**13,379**	**50**	16,851	505	(2,791)	14,565	52
Total RMBS	**$ 30,089**	**$ 1,027**	**$ (3,897)**	**$ 27,219**	**100%**	$ 32,173	$ 991	$ (4,840)	$ 28,324	100%
Alt-A										
2010	**$ 71**	**$ -**	**$ -**	**$ 71**	**1%**	$ -	$ -	$ -	$ -	-%
2009	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-
2008	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-
2007	**1,431**	**37**	**(331)**	**1,137**	**27**	1,490	21	(408)	1,103	28
2006	**1,458**	**10**	**(467)**	**1,001**	**28**	1,484	9	(568)	925	28
2005 and prior	**2,269**	**15**	**(595)**	**1,689**	**44**	2,397	13	(705)	1,705	44
Total Alt-A	**$ 5,229**	**$ 62**	**$ (1,393)**	**$ 3,898**	**100%**	$ 5,371	$ 43	$ (1,681)	$ 3,733	100%
Subprime										
2010	**$ -**	**$ -**	**$ -**	**$ -**	**-%**	$ -	$ -	$ -	$ -	-%
2009	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-
2008	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-
2007	**58**	**17**	**(15)**	**60**	**4**	61	16	(18)	59	4
2006	**150**	**8**	**(24)**	**134**	**10**	180	6	(42)	144	11
2005 and prior	**1,329**	**1**	**(578)**	**752**	**86**	1,358	-	(659)	699	85
Total Subprime	**$ 1,537**	**$ 26**	**$ (617)**	**$ 946**	**100%**	$ 1,599	$ 22	$ (719)	$ 902	100%
Prime non-agency[b]										
2010	**$ 79**	**$ -**	**$ -**	**$ 79**	**1%**	$ -	$ -	$ -	$ -	-%
2009	**334**	**6**	**(1)**	**339**	**3**	387	6	-	393	3
2008	**55**	**6**	**-**	**61**	**1**	109	9	-	118	1
2007	**1,638**	**13**	**(259)**	**1,392**	**16**	1,920	21	(340)	1,601	17

2006	**2,163**	**99**	**(309)**	**1,953**	**21**	2,259	91	(415)	1,935	20
2005 and prior	**5,861**	**49**	**(981)**	**4,929**	**58**	6,783	42	(1,272)	5,553	59
Total Prime non-agency	**$ 10,130**	**$ 173**	**$ (1,550)**	**$ 8,753**	**100%**	$ 11,458	$ 169	$ (2,027)	$ 9,600	100%

(a) *Includes $13.2 billion in agency backed securities.*

(b) *Includes foreign and jumbo RMBS-related securities.*

AIG's operations held investments in RMBS with an estimated fair value of $27.2 billion or approximately 6 percent of AIG's total invested assets at March 31, 2010. In addition, AIG's insurance operations held investments with a fair value totaling $6.2 billion in CDOs/ABS, of which $6 million included some level of subprime exposure. AIG's RMBS investments are predominantly in tranches that contain substantial protection features through collateral subordination. As of April 30, 2010, $11.5 billion of AIG's RMBS portfolio had been downgraded as a result of rating agency actions since January 1, 2007, and $121 million of such investments had been upgraded. Of the downgrades, $10.0 billion were AAA rated securities. In addition to the downgrades, as of April 30, 2010, the rating agencies had $1.4 billion of RMBS on watch for downgrade.

In the three-month periods ended March 31, 2010 and 2009, AIG collected approximately $1.3 billion and $1.0 billion, respectively, of principal payments on RMBS.

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The following table presents AIG's RMBS investments by credit rating:

	March 31, 2010					December 31, 2009				
(in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Percent of Amortized Cost	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Percent of Amortized Cost
Rating:										
Total RMBS										
AAA	**$ 19,119**	**$ 812**	**$ (830)**	**$ 19,101**	**64%**	$ 20,503	$ 793	$ (1,256)	$ 20,040	64%
AA	**1,442**	**1**	**(377)**	**1,066**	**5**	1,547	22	(447)	1,122	5
A	**858**	**-**	**(319)**	**539**	**3**	1,423	6	(451)	978	4
BBB	**991**	**29**	**(274)**	**746**	**3**	1,428	30	(440)	1,018	5
Below investment grade	**7,607**	**174**	**(2,095)**	**5,686**	**25**	7,204	131	(2,245)	5,090	22
Non-rated	**72**	**11**	**(2)**	**81**	**-**	68	9	(1)	76	-
Total RMBS[a][b]	**$ 30,089**	**$ 1,027**	**$ (3,897)**	**$ 27,219**	**100%**	$ 32,173	$ 991	$ (4,840)	$ 28,324	100%
Alt-A RMBS										
AAA	**$ 1,460**	**$ 27**	**$ (262)**	**$ 1,225**	**28%**	$ 1,707	$ 15	$ (406)	$ 1,316	32%
AA	**364**	**-**	**(115)**	**249**	**7**	296	-	(108)	188	5
A	**156**	**-**	**(63)**	**93**	**3**	247	-	(95)	152	5
BBB	**151**	**-**	**(41)**	**110**	**3**	141	3	(46)	98	3
Below investment grade	**3,098**	**34**	**(912)**	**2,220**	**59**	2,980	25	(1,026)	1,979	55
Non-rated	**-**	**1**	**-**	**1**	**-**	-	-	-	-	-
Total Alt-A	**$ 5,229**	**$ 62**	**$ (1,393)**	**$ 3,898**	**100%**	$ 5,371	$ 43	$ (1,681)	$ 3,733	100%
Subprime RMBS										
AAA	**$ 581**	**$ 13**	**$ (151)**	**$ 443**	**38%**	$ 677	$ 13	$ (207)	$ 483	42%
AA	**185**	**-**	**(75)**	**110**	**12**	150	1	(70)	81	10
A	**135**	**-**	**(65)**	**70**	**9**	191	1	(107)	85	12
BBB	**102**	**-**	**(48)**	**54**	**6**	160	-	(99)	61	10
Below investment grade	**534**	**13**	**(278)**	**269**	**35**	421	7	(236)	192	26
Non-rated	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-
Total Subprime	**$ 1,537**	**$ 26**	**$ (617)**	**$ 946**	**100%**	$ 1,599	$ 22	$ (719)	$ 902	100%
Prime non-agency										
AAA	**$ 4,591**	**$ 18**	**$ (392)**	**$ 4,217**	**44%**	$ 5,191	$ 40	$ (600)	$ 4,631	45%
AA	**863**	**-**	**(177)**	**686**	**9**	1,018	21	(258)	781	9
A	**474**	**-**	**(138)**	**336**	**5**	879	5	(187)	697	8
BBB	**600**	**29**	**(139)**	**490**	**6**	957	4	(225)	736	8
Below investment grade	**3,530**	**115**	**(704)**	**2,941**	**35**	3,345	90	(757)	2,678	29

Non-rated	**72**	**11**	**-**	**83**	**1**	68	9	-	77	1
Total prime non-agency	**$ 10,130**	**$ 173**	**$ (1,550)**	**$ 8,753**	**100%**	$ 11,458	$ 169	$ (2,027)	$ 9,600	100%

(a) *The weighted average expected life is 6 years.*

(b) *Includes $13.2 billion in agency backed securities.*

AIG's underwriting practices for investing in RMBS, other asset-backed securities and CDOs take into consideration the quality of the originator, the manager, the servicer, security credit ratings, underlying characteristics of the mortgages, borrower characteristics, and the level of credit enhancement in the transaction. AIG's strategy is typically to invest in securities rated AA or better at the time of the investment.

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Investments in CMBS

The following table presents the amortized cost, gross unrealized gains (losses) and fair value of AIG's CMBS investments:

	March 31, 2010					December 31, 2009				
(in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Percent of Amortized Cost	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Percent of Amortized Cost
CMBS (traditional)	$ 9,657	$ 161	$ (2,733)	$ 7,085	89%	$ 16,599	$ 161	$ (4,925)	$ 11,835	89%
ReRemic/CRE CDO	696	29	(390)	335	6	932	20	(578)	374	5
Agency	216	9	-	225	2	200	8	(3)	205	1
Other	300	57	(57)	300	3	986	6	(117)	875	5
Total	$ 10,869	$ 256	$ (3,180)	$ 7,945	100%	$ 18,717	$ 195	$ (5,623)	$ 13,289	100%

The following table presents AIG's CMBS investments by credit rating:

	March 31, 2010					December 31, 2009				
(in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Percent of Amortized Cost	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Percent of Amortized Cost
Rating:										
AAA	$ 3,626	$ 115	$ (241)	$ 3,500	33%	$ 8,579	$ 127	$ (997)	$ 7,709	45%
AA	1,179	1	(346)	834	11	2,265	2	(839)	1,428	12
A	1,429	10	(374)	1,065	13	1,967	13	(832)	1,148	11
BBB	2,107	23	(918)	1,212	19	2,188	15	(1,009)	1,194	12
Below investment grade	2,449	86	(1,286)	1,249	23	3,155	38	(1,844)	1,349	17
Non-rated	79	21	(15)	85	1	563	-	(102)	461	3
Total	$ 10,869	$ 256	$ (3,180)	$ 7,945	100%	$ 18,717	$ 195	$ (5,623)	$ 13,289	100%

The following table presents AIG's CMBS investments by year of vintage:

	March 31, 2010					December 31, 2009				
(in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Percent of Amortized Cost	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Percent of Amortized Cost
Year:										
2009	$ 35	$ -	$ -	$ 35	-%	$ 35	$ -	$ (1)	$ 34	-%
2008	256	2	(51)	207	2	263	-	(70)	193	1
2007	3,476	119	(1,383)	2,212	32	4,968	42	(2,134)	2,876	27
2006	1,455	33	(538)	950	13	2,842	19	(1,250)	1,611	15
2005 and prior	5,647	102	(1,208)	4,541	53	10,609	134	(2,168)	8,575	57
Total	$ 10,869	$ 256	$ (3,180)	$ 7,945	100%	$ 18,717	$ 195	$ (5,623)	$ 13,289	100%

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The following table presents the percentage of AIG's CMBS investments by geographic region:

	March 31, 2010	December 31, 2009
Geographic region:		
New York	**15%**	15%
California	**13**	14
Texas	**6**	7
Florida	**6**	6
Virginia	**4**	3
Illinois	**3**	3
New Jersey	**3**	3
Maryland	**3**	2
Georgia	**3**	3
Pennsylvania	**2**	3
All Other*	**42**	41
Total	**100%**	100%

* *Includes Non-U.S. locations.*

The following table presents the percentage of AIG's CMBS investments by industry:

	March 31, 2010	December 31, 2009
Industry:		
Office	**31%**	30%
Retail	**28**	30
Multi-family	**17**	15
Lodging	**8**	7
Industrial	**7**	7
Other	**9**	11
Total	**100%**	100%

There have been disruptions in the CMBS market due to weakness in underlying commercial real estate fundamentals and the market's anticipation of increasing delinquencies and defaults. Although the market value has improved and CMBS spreads have tightened during the three-month period ended March 31, 2010, the market value of the holdings continues to be below amortized cost. The majority of AIG's investments in CMBS are in tranches that contain substantial protection features through collateral subordination. As indicated in the tables, downgrades have occurred on many CMBS holdings. The majority of CMBS holdings are traditional conduit transactions, broadly diversified across property types and geographical areas.

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Investments in CDOs

The following table presents AIG's CDO investments, other than those of AIGFP, by collateral type:

	March 31, 2010					December 31, 2009				
(in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Percent of Amortized Cost	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Percent of Amortized Cost
Collateral Type:										
Bank loans (CLO)	**$ 1,884**	**$ 61**	**$ (495)**	**$ 1,450**	**78%**	$ 2,015	$ 63	$ (596)	$ 1,482	75%
Synthetic investment grade	**116**	**87**	**(8)**	**195**	**5**	220	83	(21)	282	8
Other	**380**	**29**	**(97)**	**312**	**16**	443	27	(107)	363	16
Subprime ABS	**30**	**1**	**(25)**	**6**	**1**	33	1	(27)	7	1
Total	**$ 2,410**	**$ 178**	**$ (625)**	**$ 1,963**	**100%**	$ 2,711	$ 174	$ (751)	$ 2,134	100%

The following table presents AIG's CDO investments, other than those of AIGFP, by credit rating:

	March 31, 2010					December 31, 2009				
(in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Percent of Amortized Cost	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Percent of Amortized Cost
Rating:										
AAA	**$ 216**	**$ 2**	**$ (25)**	**$ 193**	**9%**	$ 326	$ 5	$ (42)	$ 289	12%
AA	**151**	**1**	**(26)**	**126**	**6**	135	1	(29)	107	5
A	**813**	**23**	**(217)**	**619**	**34**	1,028	22	(311)	739	38
BBB	**690**	**22**	**(210)**	**502**	**29**	670	19	(214)	475	25
Below investment grade	**540**	**130**	**(147)**	**523**	**22**	550	108	(155)	503	20
Non-rated	**-**	**-**	**-**	**-**	**-**	2	19	-	21	-
Total	**$ 2,410**	**$ 178**	**$ (625)**	**$ 1,963**	**100%**	$ 2,711	$ 174	$ (751)	$ 2,134	100%

Commercial Mortgage Loans

At March 31, 2010, AIG had direct commercial mortgage loan exposure of $14.8 billion, with $14.4 billion representing U.S. loan exposure. At that date, over 98 percent of the U.S. loans were current. Foreign commercial mortgage loans of $0.3 billion are secured predominantly by properties in Japan. A total of $1.0 billion of commercial mortgage loans are recorded in assets of businesses held for sale.

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American International Group, Inc., and Subsidiaries

The following table presents the U.S. commercial mortgage loan exposure by state and type of loan:

At March 31, 2010 *(dollars in millions)*	**Number of Loans**	**Amount***	**Apartments**	**Offices**	**Retails**	**Industrials**	**Hotels**	**Others**	**Percent of Total**
State:									
California	210	$ 3,856	$ 117	$ 1,587	$ 231	$ 980	$ 403	$ 538	27%
New York	75	1,579	305	928	173	40	48	85	11
New Jersey	72	1,272	591	281	274	49	-	77	9
Texas	70	1,019	74	450	125	259	81	30	7
Florida	102	985	41	355	234	114	29	212	7
Pennsylvania	64	518	94	134	141	116	18	15	4
Ohio	62	421	198	51	71	47	40	14	3
Maryland	23	398	28	192	169	1	4	4	3
Arizona	18	329	107	55	61	11	9	86	2
Colorado	25	328	18	208	4	11	27	60	2
Other states	412	3,742	308	1,513	735	404	324	458	25
Total	1,133	$ 14,447	$ 1,881	$ 5,754	$ 2,218	$ 2,032	$ 983	$ 1,579	100%

* *Excludes portfolio valuation losses.*

AIGFP Trading Investments

The following table presents the fair value of AIGFP's fixed maturity trading investments:

	March 31, 2010		**December 31, 2009**	
(in millions)	**Fair Value**	**Percent of Total**	**Fair Value**	**Percent of Total**
U.S. government and government sponsored entities	**$ 6,284**	**32%**	$ 6,292	33%
Non-U.S. governments	**224**	**1**	247	1
Corporate debt	**1,633**	**8**	1,342	7
State, territories and political subdivisions	**348**	**2**	365	2
Mortgage-backed, asset-backed and collateralized:				
RMBS	**2,539**	**13**	2,806	15
CMBS	**2,534**	**13**	2,219	12
CDO/ABS and other collateralized	**5,933**	**31**	5,991	30
Total mortgage-backed, asset-backed and collateralized	**11,006**	**57**	11,016	57
Total	**$ 19,495**	**100%**	$ 19,262	100%

The following table presents the credit ratings of AIGFP's fixed maturity trading investments:

	March 31, 2010	December 31, 2009
Rating:		
AAA	**56%**	64%
AA	**16**	13
A	**13**	12
BBB	**4**	3
Below investment grade	**11**	8
Total	**100%**	100%

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Other-Than-Temporary Impairments

As a result of AIG's periodic evaluation of its securities for other-than-temporary impairments in value, AIG recorded impairment charges in earnings of $1.1 billion and $3.6 billion in the three-month periods ended March 31, 2010 and 2009, respectively. Refer to Note 6 to the Consolidated Financial Statements for a discussion of AIG's other-than-temporary impairment accounting policy.

The following table presents other-than-temporary impairment charges in earnings by segment:

(in millions)	General Insurance	Domestic Life Insurance & Retirement Services	Foreign Life Insurance & Retirement Services	Financial Services	Other	Total
Three Months Ended March 31, 2010						
Impairment Type:						
Severity	**$ 20**	**$ 8**	**$ 23**	**$ -**	**$ -**	**$ 51**
Change in intent	**1**	**6**	**21**	**-**	**-**	**28**
Foreign currency declines	**2**	**-**	**30**	**-**	**-**	**32**
Issuer-specific credit events	**78**	**577**	**140**	**6**	**162**	**963**
Adverse projected cash flows on structured securities	**-**	**-**	**-**	**-**	**-**	**-**
Total	**$ 101**	**$ 591**	**$ 214**	**$ 6**	**$ 162**	**$ 1,074**
Three Months Ended March 31, 2009						
Impairment Type:						
Severity	$ 110	$ 813	$ 195	$ 2	$ 490	$ 1,610
Change in intent	121	537	-	-	42	700
Foreign currency declines	-	-	78	-	-	78
Issuer-specific credit events	252	588	3	7	270	1,120
Adverse projected cash flows on structured securities	-	116	-	4	21	141
Total	$ 483	$ 2,054	$ 276	$ 13	$ 823	$ 3,649

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The following table presents other-than-temporary impairment charges in earnings by type of security and type of impairment:

(in millions)	RMBS	CDO/ABS	CMBS	Other Fixed Income	Equities/Other Invested Assets*	Total
Three Months Ended March 31, 2010						
Impairment Type:						
Severity	**$ -**	**$ -**	**$ -**	**$ -**	**$ 51**	**$ 51**
Change in intent	**-**	**-**	**6**	**7**	**15**	**28**
Foreign currency declines	**-**	**-**	**-**	**32**	**-**	**32**
Issuer-specific credit events	**248**	**4**	**466**	**20**	**225**	**963**
Adverse projected cash flows on structured securities	**-**	**-**	**-**	**-**	**-**	**-**
Total	**$ 248**	**$ 4**	**$ 472**	**$ 59**	**$ 291**	**$ 1,074**
Three Months Ended March 31, 2009						
Impairment Type:						
Severity	$ 824	$ 440	$ 23	$ 98	$ 225	$ 1,610
Change in intent	-	-	-	585	115	700
Foreign currency declines	-	-	17	61	-	78
Issuer-specific credit events	690	64	97	126	143	1,120
Adverse projected cash flows on structured securities	140	1	-	-	-	141
Total	$ 1,654	$ 505	$ 137	$ 870	$ 483	$ 3,649

* *Includes other-than-temporary impairment charges on partnership investments and direct private equity investments.*

The following table presents other-than-temporary impairment charges in earnings by type of security and credit rating:

(in millions)	RMBS	CDO/ABS	CMBS	Other Fixed Income	Equities/Other Invested Assets*	Total
Three Months Ended March 31, 2010						
Rating:						
AAA	**$ 2**	**$ -**	**$ -**	**$ 14**	**$ -**	**$ 16**
AA	**7**	**1**	**-**	**10**	**-**	**18**
A	**19**	**-**	**6**	**13**	**3**	**41**
BBB	**23**	**-**	**36**	**1**	**4**	**64**
Below investment grade	**197**	**3**	**292**	**21**	**-**	**513**
Non-rated	**-**	**-**	**138**	**-**	**284**	**422**
Total	**$ 248**	**$ 4**	**$ 472**	**$ 59**	**$ 291**	**$ 1,074**
Three Months Ended March 31, 2009						
Rating:						
AAA	$ 755	$ 15	$ 50	$ 26	$ -	$ 846

AA	316	17	41	61	10	445
A	174	330	29	209	14	756
BBB	122	77	13	208	28	448
Below investment grade	287	65	4	346	132	834
Non-rated	-	1	-	20	299	320
Total	$ 1,654	$ 505	$ 137	$ 870	$ 483	$ 3,649

* *Includes other-than-temporary impairment charges on partnership investments and direct private equity investments.*

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AIG has recognized the other-than-temporary impairment charges (severity losses) shown above in the three-month periods ended March 31, 2010 and 2009, respectively. With the adoption of the new other-than-temporary impairments accounting standard on April 1, 2009, such severity loss charges subsequent to that date exclusively related to equity securities and other invested assets. In all prior periods, such charges primarily related to mortgage-backed, asset-backed and collateralized securities, corporate debt securities of financial institutions and other equity securities. Notwithstanding AIG's intent and ability to hold such securities until they had recovered their cost or amortized cost basis, and despite structures that indicated, at the time, that a substantial amount of the securities should have continued to perform in accordance with original terms, AIG concluded, at the time, that it could not reasonably assert that the impairment would be temporary.

Determinations of other-than-temporary impairments are based on fundamental credit analyses of individual securities without regard to rating agency ratings. Based on this analysis, AIG expects to receive cash flows sufficient to cover the amortized cost of all below investment grade securities for which credit losses were not recognized.

In addition to the above severity losses, AIG recorded other-than-temporary impairment charges in the three-month periods ended March 31, 2010 and 2009 related to:

- securities for which AIG has changed its intent to hold or sell;
- declines due to foreign exchange rates;
- issuer-specific credit events;
- certain structured securities; and
- other impairments, including equity securities, partnership investments and private equity investments.

With respect to the issuer-specific credit events shown above, no other-than-temporary impairment charge with respect to any one single credit was significant to AIG's consolidated financial condition or results of operations, and no individual other-than-temporary impairment charge exceeded 0.10 percent and 0.06 percent of Total equity in the three-month periods ended March 31, 2010 and 2009, respectively.

In periods subsequent to the recognition of an other-than-temporary impairment charge for available for sale fixed maturity securities that is not foreign exchange related, AIG generally prospectively accretes into earnings the difference between the new amortized cost and the expected undiscounted recovery value over the remaining expected holding period of the security. The amounts of accretion recognized in earnings for the three-month periods ended March 31, 2010 and 2009 were $92 million and $445 million, respectively. For a discussion of recent accounting standards affecting fair values and other-than-temporary impairments, see Notes 1 and 6 to the Consolidated Financial Statements.

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An aging of the pre-tax unrealized losses of fixed maturity and equity securities, distributed as a percentage of cost relative to unrealized loss (the extent by which the fair value is less than amortized cost or cost), including the number of respective items was as follows:

At March 31, 2010	Less than or equal to 20% of Cost[b]			Greater than 20% to 50% of Cost[b]			Greater than 50% of Cost[b]			Total		
Aging[a] *(dollars in millions)*	**Cost[c]**	**Unrealized Loss**	**Items[e]**	**Cost[c]**	**Unrealized Loss**	**Items[e]**	**Cost[c]**	**Unrealized Loss**	**Items[e]**	**Cost[c]**	**Unrealized Loss[d]**	**Items[e]**
Investment grade bonds												
0-6 months	$ 22,520	$ 419	2,536	$ 161	$ 40	21	$ 41	$ 21	8	$ 22,722	$ 480	2,565
7-12 months	6,554	477	465	2,520	819	254	884	561	104	9,958	1,857	823
> 12 months	23,422	1,659	2,347	5,175	1,520	604	1,449	1,001	168	30,046	4,180	3,119
Total	$ 52,496	$ 2,555	5,348	$ 7,856	$ 2,379	879	$ 2,374	$ 1,583	280	$ 62,726	$ 6,517	6,507
Below investment grade bonds												
0-6 months	$ 855	$ 45	170	$ 67	$ 17	18	$ 29	$ 18	57	$ 951	$ 80	245
7-12 months	2,676	289	337	1,643	525	198	1,293	852	116	5,612	1,666	651
> 12 months	2,466	233	282	3,170	1,012	311	1,478	1,001	233	7,114	2,246	826
Total	$ 5,997	$ 567	789	$ 4,880	$ 1,554	527	$ 2,800	$ 1,871	406	$ 13,677	$ 3,992	1,722
Total bonds												
0-6 months	$ 23,375	$ 464	2,706	$ 228	$ 57	39	$ 70	$ 39	65	$ 23,673	$ 560	2,810
7-12 months	9,230	766	802	4,163	1,344	452	2,177	1,413	220	15,570	3,523	1,474
> 12 months	25,888	1,892	2,629	8,345	2,532	915	2,927	2,002	401	37,160	6,426	3,945
Total[e]	$ 58,493	$ 3,122	6,137	$ 12,736	$ 3,933	1,406	$ 5,174	$ 3,454	686	$ 76,403	$ 10,509	8,229
Equity securities												
0-6 months	$ 262	$ 18	351	$ 19	$ 5	16	$ -	$ -	1	$ 281	$ 23	368
7-12 months	7	1	15	6	2	9	-	-	-	13	3	24
> 12 months	-	-	-	-	-	-	-	-	-	-	-	-
Total	$ 269	$ 19	366	$ 25	$ 7	25	$ -	$ -	1	$ 294	$ 26	392

(a) *Represents the number of consecutive months that fair value has been less than cost by any amount.*

(b) *Represents the percentage by which fair value is less than cost at the balance sheet date.*

(c) *For bonds, represents amortized cost.*

(d)

The effect on Net income of unrealized losses after taxes will be mitigated upon realization because certain realized losses will be charged to participating policyholder accounts, or realization will result in current decreases in the amortization of certain DAC.

(e)

Item count is by CUSIP by subsidiary.

For the three-month period ended March 31, 2010, net unrealized gains related to fixed maturity and equity securities increased by $3.8 billion reflecting an increase in fair value primarily due to the narrowing of credit spreads.

See also Note 6 to the Consolidated Financial Statements.

Regulation

Directive 2002/87/EC (Directive) issued by the European Parliament provides that certain financial conglomerates with regulated entities in the European Union are subject to supplementary supervision. Pursuant to the Directive, the Commission Bancaire (the French banking regulator) was appointed as AIG's supervisory coordinator. From February 2007 until March 2010, with the approval of the Commission Bancaire, the Office of Thrift Supervision (OTS) acted as AIG's equivalent supervisor, as permitted by the Directive in circumstances in which a financial conglomerate organized outside the European Union (such as AIG) has proposed to have one of its existing regulators recognized as its coordinator and such regulator's supervision is determined to be equivalent to that required by the Directive. Since March 2010, AIG has been in discussions with the Commission Bancaire regarding the possibility of proposing another of AIG's existing regulators as its equivalent supervisor.

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For additional information concerning the regulation of AIG and its businesses, see Item 1. Business Regulation in the 2009 Annual Report on Form 10-K.

Risk Management

For a complete discussion of AIG's risk management program, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations Risk Management in the 2009 Annual Report on Form 10-K.

Overview

AIG continues to focus on enhancing its risk management control environment, risk management processes and its enterprise risk management functions, at the board, corporate and individual business levels. AIG continues to explore process improvements and risk mitigation strategies, both at the corporate and business levels in an effort to minimize the capital and liquidity needs of AIG's local legal entities.

Credit Risk Management

AIG defines its aggregate credit exposures to a counterparty as the sum of its fixed maturities, loans, finance leases, reinsurance recoverables, derivatives (mark-to-market), deposits and letters of credit (both in the case of financial institutions) and the specified credit equivalent exposure to certain insurance products which embody credit risk.

The following table presents AIG's largest credit exposures as a percentage of Total equity:

At March 31, 2010 Category	Risk Rating[(a)]	Credit Exposure as a Percentage of Total Equity
Investment Grade:		
10 largest combined	A-[(b)]	112.9%[(c)]
Single largest non-sovereign (financial institution)	BBB-	9.2
Single largest corporate	AA	3.3
Single largest sovereign	AAA	26.1
Non-Investment Grade:		
Single largest sovereign	BB-	2.0
Single largest non-sovereign	BB	0.6

(a) *Reflects AIG's internal risk ratings.*

(b) *Six of the ten largest credit exposures are to financial institutions and four are to investment-grade rated sovereigns. Based on support from the US Government, the exposure to government-sponsored entities is included in the US Government total, rather than in financial institutions. None of the top ten is rated lower than BBB- or its equivalent.*

(c) *Exposure to the ten largest combined as a percentage of Total equity was 102.8 percent at December 31, 2009.*

AIG monitors its aggregate cross-border exposures by country and regional group of countries. AIG defines its cross-border exposure to include both cross- border credit exposures and its cross-border investments in its own international subsidiaries. Nine countries had

cross-border exposures in excess of 10 percent of Total equity at March 31, 2010 and December 31, 2009. Based on AIG's internal risk ratings, at that date, six were rated AAA, two were rated AA and one was rated A. The two largest sovereign exposures are to Bermuda and the United Kingdom.

In addition, AIG reviews and manages its industry concentrations. AIG's single largest industry credit exposure is to the global financial institutions sector, which includes banks and finance companies, securities firms and insurance and reinsurance companies.

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The following table presents AIG's largest credit exposures to the global financial institution sector as a percentage of Total equity:

At March 31, 2010	Credit Exposure as a Percentage of Total Equity[(a)]
Industry Category:	
Money Center / Global Bank Groups	82.6%[(b)]
European Regional Financial Institutions	14.7
Global Life Insurance Companies	13.2
Global Reinsurance Companies	12.4
Asian Regional Financial Institutions	10.1
Supranational Banks	8.0
North American Based Regional Financial Institutions	7.7

(a) *The table includes amounts related to AIA, ALICO and Nan Shan because their respective sales have not yet closed.*

(b) *Exposure to Money Center/Global Bank Groups as a percentage of Total equity was 83.9 percent at December 31, 2009.*

AIG's exposure to its five largest money center/global bank group institutions was 34.0 percent of Total equity at March 31, 2010 compared to 33.5 percent of Total equity at December 31, 2009.

AIG also has a risk concentration through the investment portfolios of its insurance companies in the U.S. municipal sector. AIG holds approximately $48.8 billion of tax-exempt and taxable securities issued by a wide number of municipal authorities across the U.S. and its territories. A majority of these securities are held in available-for-sale portfolios of AIG's domestic property-casualty insurance companies. These securities are comprised of the general obligations of states and local governments, revenue bonds issued by these same governments and bonds issued by transportation authorities, universities, state housing finance agencies and hospital systems. The average credit quality of these issuers is A-.

Currently, several states, local governments and other issuers are facing pressures on their budget revenues from the effects of the recession and have had to cut spending and draw on reserve funds. Consequently, several municipal issuers in AIG's portfolios have been downgraded one or more notches by the rating agencies. The most notable of these issuers is the State of California, of which AIG holds approximately $1.1 billion of general obligation bonds, $95.7 million of which are defeased, and which at March 31, 2010 was also the largest single issuer in AIG's municipal finance portfolio. Nevertheless, despite the budget pressures facing the sector, AIG does not expect any significant defaults in portfolio holdings of municipal issuers.

On April 27, 2010 one nationally recognized statistical rating agency lowered its rating of the government of Greece to sub-investment grade. As of May 4, 2010, AIG holds sovereign bonds issued by the Greek government amounting to $1.03 billion, the majority of which is in ALICO and its subsidiaries. AIG also holds sovereign bonds issued by the governments of Italy, Spain, Portugal and Ireland which collectively total approximately $2.0 billion. Although all are still investment grade, both Spain and Portugal were recently downgraded. The majority (approximately $1.2 billion) is held by ALICO and its subsidiaries.

The Credit Risk Committee (CRC) reviews quarterly concentration reports in all categories listed above as well as credit trends by risk ratings. The CRC may adjust limits to provide reasonable assurance that AIG does not incur excessive levels of credit risk and that AIG's credit risk profile is properly calibrated across business units.

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ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

Included in Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

ITEM 4. Controls and Procedures

In connection with the preparation of this Quarterly Report on Form 10-Q, an evaluation was carried out by AIG's management, with the participation of AIG's Chief Executive Officer and Chief Financial Officer, of the effectiveness of AIG's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (Exchange Act)). Disclosure controls and procedures are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures. Based on that evaluation, AIG's Chief Executive Officer and Chief Financial Officer have concluded that, as of March 31, 2010, AIG's disclosure controls and procedures were effective. There has been no change in AIG's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the quarter ended March 31, 2010 that has materially affected, or is reasonably likely to materially affect, AIG's internal control over financial reporting.

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Part II OTHER INFORMATION

ITEM 1. Legal Proceedings

Included in Note 9(a) to the Consolidated Financial Statements.

ITEM 1A. Risk Factors

The following updates the "Execution of Restructuring Plan" risk factor in Item 1A. Risk Factors of the 2009 Annual Report on Form 10-K.

Significant conditions precedent must be satisfied in order to complete the AIA and ALICO sales on the agreed terms.

Completion of the AIA sale is subject to the satisfaction (or waiver) of a number of conditions precedent, including:

- the approval of the transaction by 75 percent of Prudential shareholders;
- the approval of the scheme of arrangement between Prudential and existing Prudential shareholders by The High Court of Justice in England and Wales;
- regulatory approvals in various foreign jurisdictions in connection with the acquisition by Prudential of the transferred businesses; and
- regulatory approvals in certain U.S. states and various foreign jurisdictions in connection with the acquisition by AIG of the securities consideration.

The ALICO sale also is subject to the satisfaction (or waiver) of similar regulatory approvals in both the United States and various foreign jurisdictions.

Any relevant regulatory body may refuse its approval or may seek to make its approval subject to compliance by Prudential or MetLife, as the case may be, with unanticipated or onerous conditions, or, even if approval is not required, the regulator may impose requirements on Prudential or MetLife or the local operations of the transferred businesses. Prudential or MetLife, as the case may be, may not agree to those requirements.

Because of the closing conditions applicable to each transaction, completion of either or both of the AIA sale and ALICO sale is not assured or may be delayed or, even if completed, may need to be significantly restructured.

Failure to complete the sales of AIA and ALICO could negatively affect AIG's businesses and financial results.

If the sale of AIA or ALICO is not completed, the ongoing businesses of AIG may be adversely affected and AIG will be subject to several risks, including the following:

- alternative plans to dispose of AIA or ALICO may be difficult to structure and may take extended periods of time to implement;

AIG may not be able to realize equivalent value for AIA or ALICO under an alternative asset disposition plan;

AIG will have incurred certain significant costs relating to the sales without receiving the benefits of the sales; and

negative customer perception could adversely affect the ability of the retained businesses to compete for, or to win, new and renewal business in the marketplace.

ITEM 6. Exhibits

See accompanying Exhibit Index.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AMERICAN INTERNATIONAL GROUP, INC.
(Registrant)

/s/ DAVID L. HERZOG

David L. Herzog
Executive Vice President
Chief Financial Officer
Principal Financial Officer

/s/ JOSEPH D. COOK

Joseph D.Cook
Vice President
Controller
Principal Accounting Officer

Dated: May 7, 2010

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Exhibit Index

Exhibit Number	Description	Location
2.1	Share Purchase Agreement, dated as of March 1, 2010 between AIA Aurora LLC, American International Group, Inc., Prudential Group Limited and Prudential plc	Incorporated by reference to Exhibit 2.1 to AIG's Current Report on Form 8-K filed with the SEC on March 5, 2010 (File No. 1-8787)
2.2	Stock Purchase Agreement, dated as of March 7, 2010, among American International Group, Inc., ALICO Holdings LLC and MetLife, Inc.	Incorporated by reference to Exhibit 2.1 to AIG's Current Report on Form 8-K filed with the SEC on March 11, 2010 (File No. 1-8787)
10.1	Determination Memorandum, dated March 23, 2010, from the Office of the Special Master for TARP Executive Compensation to AIG	Incorporated by reference to Exhibit 10.1 to AIG's Current Report on Form 8-K filed with the SEC on April 2, 2010 (File No. 1-8787)
10.2	Determination Memorandum, dated April 16, 2010, from the Office of the Special Master for TARP Executive Compensation to AIG	Filed herewith.
10.3	Asset Purchase Agreement, dated as of December 12, 2008, among the Sellers party thereto, AIF Securities Lending Corp., AIG, Maiden Lane II LLC and the Federal Reserve Bank of New York	Filed herewith.
11	Statement re computation of per share earnings	Included in Note 9 to the Consolidated Financial Statements.
12	Computation of ratios of earnings to fixed charges	Filed herewith.
31	Rule 13a-14(a)/15d-14(a) Certifications	Filed herewith.
32	Section 1350 Certifications	Filed herewith.
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheet as of March 31, 2010 and December 31, 2009, (ii) the Consolidated Statement of Income (Loss) for the three months ended March 31, 2010 and March 31, 2009, (iii) the Consolidated Statement of Equity for the three months ended March 31, 2010, (iv) the Consolidated Statement of Cash Flows for the three months ended March 31, 2010 and March 31, 2009, (v) the Consolidated Statement of Comprehensive Income (Loss) for the three months ended March 31, 2010 and March 31, 2009 and (vi) the Notes to the Consolidated Financial Statements, tagged as blocks of text.*	Filed herewith.

* *As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.*

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