

HEARTLAND PAYMENT SYSTEMS INC
Form 8-K
May 04, 2011

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) May 4, 2011

HEARTLAND PAYMENT SYSTEMS, INC.
(Exact name of registrant as specified in its charter)

Delaware 001-32594 22-3755714
(State or other jurisdiction of (Commission File No) (I.R.S. Employer
incorporation or organization) Identification Number)

90 Nassau Street, Princeton, New Jersey 08542
(Address of principal executive offices) (Zip Code)
(609) 683-3831
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communication pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02 Results of Operations and Financial Condition

The following information is furnished pursuant to Item 2.02, "Results of Operations and Financial Condition."

On May 4, 2011, Heartland Payment Systems, Inc., a Delaware corporation (the "Company"), issued a press release announcing its financial results for the first quarter ended March 31, 2011. The information contained in this report, including Exhibit 99.1 attached hereto, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, except as shall be expressly set forth by specific reference in such filing.

On May 4, 2011, the Company conducted a previously-scheduled conference call to discuss its results of operations for the the first quarter ended March 31, 2011 and to answer any questions raised by the call's audience.

Item 8.01 Other Events

Cash Dividend

On May 4, 2011, the board of directors of the Company declared a quarterly cash dividend of \$0.04 per share of the Company's common stock, which will be payable on June 15, 2011 to stockholders of record as of May 25, 2011. The press release announcing the cash dividend is furnished as Exhibit 99.1 to this report.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

Exhibit Number	Description
99.1	Press Release of the Company dated May 4, 2011

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 hereunto duly authorized.

Dated: May 4, 2011

Heartland Payment Systems, Inc.
(Registrant)

By: /s/ Maria Rueda
Maria Rueda
Chief Financial Officer

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1,049

2,400

2,924

3,134

3,284

3,370

2012

878

2,794

3,458

3,789

3,995

2013

771

1,775

2,128

2,328

2014

951

2,076

2,547

2015

1,094

2,255

2016

1,084

Total

\$

26,468

Reserving Process and Methodology

U.S. and Europe Property products include commercial, industrial and energy-related property insurance products and services that cover exposures to manmade and natural disasters, including business interruption. U.S. and Europe Special Risk products include aerospace, environmental, political risk, trade credit, surety and marine insurance, and various small and medium sized enterprises insurance lines.

We primarily segment our analysis by line of business (and by country for Europe business). Additionally, we separately review various subsets, including hull, cargo, and liability for marine business, aviation and satellite for aerospace business, and various other specific programs and product lines.

Frequency/severity methods, loss development methods, and IBNR factor methods are used alone or in combination to set reserves for short-tail classes such as U.S. and Europe Property.

IBNR factor methods are used when the nature of losses are low frequency/high severity. The IBNR factors, when applied to earned premium, generate the ultimate expected losses (or other exposure measure) yet to be reported. The factors are determined based on prior accident quarters' loss costs adjusted to reflect current cost levels and the historical emergence of those loss costs. The

ITEM 8 | **Notes to Consolidated Financial Statements | 13. Insurance Liabilities**

factors are continually reevaluated to reflect emerging claim experience, rate changes or other factors that could affect the adequacy of the IBNR factor being employed.

We generally use a combination of loss development methods and expected loss ratio methods for aviation exposures. Aviation claims are not very long-tail in nature; however, they are driven by claim severity. Thus a combination of both development and expected loss ratio methods is used for all but the latest accident year to determine the loss reserves. Frequency/severity methods are not employed due to the high severity nature of the claims and different mix of claims from year to year.

We generally use loss development methods for fidelity exposures for all but the latest accident year. We also use claim department projections of the ultimate value of each reported claim to supplement and inform the standard actuarial approaches and some weight is given to this method in the more recent accident years. The claims staff also provides specific estimates to assist in the setting of reserves for natural catastrophe losses.

Expected loss ratio methods are used to determine the loss reserves for the latest accident year. We also use ground-up claim projections provided by our claims staff to assist in developing the appropriate reserve.

Prior Year Development

During 2016, the adverse development of \$402 million was driven by our U.S. program business where we recognized \$350 million of adverse prior year development due to higher than expected claim emergence in certain automobile, habitational and professional liability programs that resulted in us increasing expected loss ratios and loss development factors for several program subsets. This was partially offset by favorable prior year development in Europe Special Risk. Property had favorable emergence of \$62 million mainly driven by the Europe property segment.

During 2015, we recognized \$128 million of favorable development from a number of large individual property claims.

U.S., Europe and Japan Personal Insurance

We recognized \$114 million of favorable prior year development in U.S., Europe and Japan Personal Insurance mainly due to international accident and health business.

Incurred Losses and Allocated Loss Adjustment Expenses, Undiscounted and Net of P

Accident Year	Years Ended December 31, <i>(dollars in millions)</i>											
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2016	
												Develop

	Unaudited										
2007	\$ 4,662	\$ 4,805	\$ 4,725	\$ 4,710	\$ 4,729	\$ 4,739	\$ 4,742	\$ 4,742	\$ 4,745	\$	4,744
2008		4,535	4,592	4,592	4,611	4,618	4,621	4,625	4,631		4,630
2009			4,698	4,634	4,590	4,624	4,616	4,614	4,612		4,611
2010				4,819	4,826	4,846	4,836	4,838	4,832		4,832
2011					5,226	5,315	5,275	5,272	5,258		5,250
2012						5,135	5,028	4,998	4,956		4,943
2013							4,714	4,640	4,602		4,576
2014								4,376	4,392		4,376
2015									4,433		4,385
2016											4,426
Total										\$	46,773
Cumulative Paid Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance from the table below											(43,345)
Liabilities for losses and loss adjustment expenses and prior year development before 2007, net of reinsurance											26
Unallocated loss adjustment expense prior year development											-
Liabilities for losses and loss adjustment expenses and prior year loss development, net of reinsurance										\$	3,454

ITEM 8 | **Notes to Consolidated Financial Statements** | **13. Insurance Liabilities****Cumulative Paid Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance**

Accident Year	Years Ended December 31, (dollars in millions)										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
					Unaudited						
2007	\$ 2,867	\$ 4,162	\$ 4,395	\$ 4,547	\$ 4,628	\$ 4,670	\$ 4,699	\$ 4,717	\$ 4,727	\$ 4,731	
2008		2,781	3,958	4,275	4,432	4,511	4,557	4,584	4,596	4,608	
2009			2,780	4,016	4,268	4,428	4,504	4,545	4,570	4,587	
2010				2,920	4,184	4,496	4,643	4,721	4,764	4,788	
2011					3,270	4,631	4,927	5,064	5,146	5,182	
2012						2,868	4,333	4,624	4,774	4,858	
2013							2,671	3,963	4,261	4,408	
2014								2,495	3,708	4,024	
2015									2,497	3,712	
2016										2,447	
Total										\$ 43,345	

Reserving Process and Methodology

U.S., Europe and Japan Personal Insurance lines consist of accident and health and other personal lines. Accident and health products include voluntary and sponsor-paid personal accident and supplemental health products for individuals, employees, associations and other organizations as well as a broad range of travel insurance products and services for leisure and business travelers. Other personal lines include automobile and homeowners' insurance, extended warranty, and consumer specialty products, such as identity theft and credit card protection. Other personal insurance also provides insurance for high net worth individuals offered through AIG Private Client Group, including auto, homeowners, umbrella, yacht, fine art and collections insurance. Other personal lines are generally short-tail in nature.

We primarily segment our analysis by line of business (and by country for Europe and Japan business) and may separately review various sub-segments, such as specific accident and health products and property damage versus liability for other personal lines products.

Frequency/severity methods, loss development methods, and IBNR factor methods are used alone or in combination to set reserves for short-tail product lines such as personal property.

Frequency/severity and loss development methods are utilized for domestic personal auto product lines.

For these classes of business, reliance is placed on frequency/severity methods as claim counts emerge quickly for personal auto. Frequency/severity methods allow for more immediate analysis of resulting loss trends and comparisons to industry and other diagnostic metrics.

In general, development for U.S., Europe and Japan Personal Insurance classes has been very stable, with only modest changes in the initial selected loss ratios for this business.

Prior Year Development

During 2016, 2015 and 2014, we recognized \$114 million, \$47 million, and \$89 million of favorable development, respectively, mainly driven by the international accident and health business.

During 2016, 2015 and 2014, we experienced favorable loss reserve development of \$3 million, \$10 million and \$16 million, respectively, from natural catastrophes.

U.S. Run-Off Long Tail Insurance lines

During 2016, the U.S. Run-Off Long Tail Insurance Lines experienced adverse prior year development of \$390 million driven by Legacy pre-1986 pollution losses and the Run-Off public entity casualty business.

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Years Ended December 31, (dollars in millions)

Accident Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2016 Prior Year Development	December 31, 2016 Total of Liabilities	Expense Development on Reported Liabilities
	Unaudited												
2007	\$ 959	\$ 743	\$ 807	\$ 801	\$ 833	\$ 843	\$ 851	\$ 859	\$ 860	\$ 876		\$ 16	
2008		936	1,025	872	855	895	911	964	961	967		6	
2009			543	523	532	566	621	588	584	564		(20)	
2010				633	521	527	548	576	572	601		29	
2011					528	538	571	635	669	678		9	
2012						623	674	736	781	745		(36)	
2013							477	530	585	566		(19)	
2014								374	472	451		(21)	
2015									434	520		86	
2016										292			
Total										\$ 6,260		50	
Cumulative Paid Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance from the table below										(4,171)		-	
Liabilities for losses and loss adjustment expenses and prior year development before 2007, net of reinsurance										3,878		345	
Unallocated loss adjustment expense prior year development										-		(5)	
Liabilities for losses and loss adjustment expenses and prior year loss development, net of reinsurance										\$ 5,967		390	

Cumulative Paid Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance

Years Ended December 31, (dollars in millions)

Accident Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	Unaudited									
2007	\$ 145	\$ 230	\$ 321	\$ 431	\$ 578	\$ 641	\$ 710	\$ 751	\$ 770	\$ 784
2008		130	360	485	559	643	711	773	817	830
2009			38	125	220	273	354	394	414	431
2010				55	142	235	313	395	425	445
2011					19	135	253	379	442	525
2012						85	191	282	409	476

2013	86	152	258	316
2014		20	93	183
2015			34	129
2016				52
Total				\$ 4,171

Reserving Process and Methodology

U.S. Run-Off Long Tail Insurance lines includes run-off lines for asbestos and environmental (1986 and prior), excess workers' compensation, and other casualty coverages consisting of environmental liability, medical malpractice, and general liability. Asbestos coverage has been excluded from AIG policies commencing in 1985. Most of AIG's asbestos claims exposures are ceded to National Indemnity Company (NICO) under a retroactive reinsurance arrangement entered into in 2011. Many of other asbestos-related exposures are very long-tailed in nature and with exposures dating back 30 years or more. In some cases, the exposures in the more recent years have declined since the portfolio is in run-off.

U.S. Long Tail Insurance lines - Asbestos and Environmental (1986 and prior)

We consider a number of factors and recent experience in addition to the results of both external and internal analyses, to estimate asbestos and environmental loss reserves. We primarily base our determination of these loss reserves on a combination of ground-up and top-down analyses of historical claims and available insurance coverages. Nonetheless, we believe that significant uncertainty remains as to our ultimate liability for asbestos and environmental claims, which is due to several factors, including:

ITEM 8 | **Notes to Consolidated Financial Statements** | **13. Insurance Liabilities**

- the long latency period between asbestos exposure and disease manifestation, leading to the potential for involvement of multiple policy periods for individual claims;
- claims filed under the non-aggregate premises or operations section of general liability policies;
- the number of insureds seeking bankruptcy protection and the effect of prepackaged bankruptcies;
- diverging legal interpretations; and
- the difficulty in estimating the allocation of remediation cost among various parties with respect to environmental claims.

Loss reserves for asbestos and environmental claims cannot be estimated using conventional reserving techniques such as those that rely on historical accident year loss development factors. The methods used to determine asbestos and environmental loss estimates and to establish the resulting reserves are continually reviewed and updated by management.

At December 31, 2016 and 2015, our net loss reserves included \$670 million and \$722 million, respectively, for asbestos and environmental-related claims (net of reinsurance, including retroactive reinsurance). We cede the bulk of AIG Property Casualty's net domestic asbestos liabilities under a 2011 retroactive reinsurance agreement with NICO with an aggregate limit of \$3.5 billion. Reinsurance recoverables related to this agreement was \$1.7 billion and \$1.8 billion, respectively, at December 31, 2016 and 2015, respectively. Under retroactive reinsurance accounting, contractual gains are deferred and amortized into income over the settlement period of the underlying reinsured claims. During 2016, 2015 and 2014, we recognized approximately \$(53.4) million, \$213 million and \$(10.7) million, respectively, of additional recoveries under the NICO agreement for which the income statement benefit was deferred. The deferred gain associated with this retroactive reinsurance is \$377 million and \$430 million at December 31, 2016 and 2015, respectively, and is reported in Other Liabilities. The expense related to this increase in the deferred gain liability is reported in other income/expense rather than losses incurred.

Prior Year Development

During 2016, the Legacy U.S. Runoff Property and Casualty segment recognized \$390 million of adverse prior year development.

Asbestos and Environmental (1986 and prior). In 2016, we increased gross undiscounted asbestos incurred losses by \$106 million and decreased net undiscounted asbestos incurred losses by \$20 million. The gross undiscounted change reflects an increase in estimates related to our accounts retroceded to NICO. The favorable development of the net incurred losses was largely a result of higher estimated external reinsurance recoveries on our retained asbestos exposures. For environmental, we increased incurred losses by \$211 million primarily due to adverse development on several large clean-up sites and related accounts as well as a result of top down actuarial analyses performed during the year.

During 2015, the reported claim activity on the assumed claims increased. We responded to this by modifying certain of our loss-reserve-related assumptions to better reflect our loss development. Additionally, we considered recent industry-wide trends regarding expanding coverage theories for liability. In 2015, both the retained accounts and retroceded accounts ground-up reviews for asbestos were updated. As a result, we increased gross undiscounted asbestos incurred losses by \$13 million and increased net undiscounted asbestos incurred losses by \$164 million. The net undiscounted change reflects an increase primarily due to third party assumed reinsurance exposures. With the gross incurred loss increase less than the net incurred loss increase, the resulting ceded incurred losses were reduced. For environmental, we increased gross environmental incurred losses by \$214 million and net environmental incurred losses by \$117 million as a result of top down actuarial analyses performed during the year, as well as development on a large sediment site.

U.S. Excess Workers' Compensation. The U.S. Long Tail Insurance Lines excess workers' compensation has an extremely long tail and is one of the most challenging lines of business from a reserving perspective, particularly when the excess coverage is provided above a self-insured retention layer. The class is highly sensitive to small changes in assumptions (for example — in the rate of medical inflation or the longevity of injured workers) which can have a significant effect on the ultimate reserve cost estimate.

During 2016 and 2015, we did not experience significant development in the loss development trends. The proactive management of settlement negotiations and other claims mitigation strategies minimized the volatility observed during 2015. The nominal reduction in reserves as a result of commutations and individual claims settlement strategies amounted to \$222 million in 2015 compared to \$242 million in 2014.

During 2014, we updated our analyses of run-off excess workers' compensation lines using a range of scenarios and methodologies and determined that our carried reserves were adequate after recognizing \$20 million of favorable prior year development resulting from claim settlements and commutations on our assumed reinsurance business, as well as reflecting changes in estimates in our loss mitigation strategies. We commuted several large assumed reinsurance agreements in 2014 and reduced the reserves faster than was previously expected as a result of proactive management by the run-off unit.

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Other Casualty Run-Off. We increased the reserves for these coverages by \$190 million and \$636 million during 2016 and 2015, respectively, to reflect updated assumptions about future loss development. The 2016 increase was driven by runoff public entity business where we reacted to the adverse emergence over the last year by increasing our loss development factors to reflect its own experience especially in the loss tail instead of relying on the overall excess casualty loss development factors.

Prior Year Development before 2007

The previous development tables include only accident years 2007 to 2016. The following table summarizes development, (favorable) or unfavorable, of incurred losses and loss adjustment expenses for accident year 2006 and prior by operating segment and major class of business:

Years Ended December 31, (in millions)	2016	2015	2014
2006 and prior accident year development by major class of business and driver of development:			
U.S. Workers Compensation	\$ 850	\$ 122	\$ 158
U.S. Excess Casualty	26	476	437
U.S. Other Casualty	287	366	242
U.S. Financial Lines	32	135	(24)
Property and Special Risks	6	16	(4)
Legacy Portfolio	345	621	258
All Other	(2)	62	3
Total	\$ 1,544	\$ 1,798	\$ 1,070

Claims Payout Patterns

The following table presents the historical average annual percentage claims payout on an accident year basis at the same level of disaggregation as presented in the claims development table.

Average Annual Percentage Payout of Incurred Losses by Age, Net of Reinsurance (Unaudited)										
Year	1	2	3	4	5	6	7	8	9	10
U.S. Workers' compensation	15.5%	17.8%	12.6%	9.2%	7.5%	5.2%	4.4%	2.6%	2.3%	1.8%
U.S. Excess casualty	0.7	6.8	12.4	13.5	12.8	10.7	8.5	8.4	3.5	2.8
U.S. Other casualty	10.3	15.2	14.4	14.8	12.2	8.6	5.5	4.7	3.5	1.8
U.S. Financial lines	4.0	17.6	21.2	17.3	12.9	10.1	6.5	5.6	3.8	0.5
Europe Casualty and Financial lines	8.2	17.6	14.0	14.7	10.0	7.4	7.0	4.1	3.4	3.5
U.S. and Europe Property and Special Risks	28.7	37.0	14.5	7.1	4.3	2.3	1.2	0.8	0.8	-
	58.9	27.2	6.1	3.1	1.7	0.9	0.6	0.3	0.2	0.1

U.S. Europe and Japan Personal insurance										
U.S. Run-off Long Tail Insurance lines	10.4	15.7	15.5	12.7	11.9	7.7	5.2	4.1	1.8	1.6
Discounting of Loss Reserves										

At December 31, 2016, the loss reserves reflect a net loss reserve discount of \$3.6 billion, including tabular and non-tabular calculations based upon the following assumptions:

Certain asbestos claims are discounted when allowed by the regulator and when payments are fixed and determinable, based on the investment yields of the companies and the payout pattern for the claims. At December 31, 2016, the discount for asbestos reserves was fully amortized.

The tabular workers' compensation discount is calculated based on a 3.5 percent interest rate and the mortality rate used in the 2007 U.S. Life Table.

The non-tabular workers' compensation discount is calculated separately for companies domiciled in New York and Pennsylvania, and follows the statutory regulations (prescribed or permitted) for each state. For New York companies, the discount is based on a 5 percent interest rate and the companies' own payout patterns. In 2012, for Pennsylvania companies, the statute has specified discount factors for accident years 2001 and prior, which are based on a 6 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.

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In 2013, our Pennsylvania regulator approved use of a consistent discount rate (U.S. Treasury rate plus a liquidity premium) to all of our workers' compensation reserves in our Pennsylvania-domiciled companies, as well as our use of updated payout patterns specific to our primary and excess workers compensation portfolios.

In the fourth quarter of 2016, our Pennsylvania and Delaware regulators approved an updated discount rate that we applied to our workers' compensation loss reserves for the legal entities domiciled in those states.

The discount consists of \$932 million of tabular discount for workers' compensation and \$2.6 billion of non-tabular discount for workers' compensation. During the years ended December 31, 2016, 2015 and 2014 the benefit/(charge) from changes in discount of \$422 million, \$71 million and \$(478) million, respectively, were recorded as part of the policyholder benefits and losses incurred in the Consolidated Statement of Income.

The following table presents the components of the loss reserve discount discussed above:

December 31,	2016			2015		
	U.S. Liability and Financial Lines	Legacy Portfolio - Property and Casualty run-off Insurance Lines	Total	U.S. Liability and Financial Lines	Legacy Portfolio - Property and Casualty run-off Insurance Lines	Total
<i>(in millions)</i>						
U.S. workers' compensation	\$ 2,583	\$ 987	\$ 3,570	\$ 2,177	\$ 964	\$ 3,141
Asbestos	-	-	-	-	7	7
Total reserve discount	\$ 2,583	\$ 987	\$ 3,570	\$ 2,177	\$ 971	\$ 3,148

The following table presents the net loss reserve discount benefit (charge):

Years Ended December 31,	2016			2015			2014		
	U.S. Liability and Financial Lines	Legacy Portfolio - Property and Casualty run-off Insurance Lines	Total	U.S. Liability and Financial Lines	Legacy Portfolio - Property and Casualty run-off Insurance Lines	Total	U.S. Liability and Financial Lines	Legacy Portfolio - Property and Casualty run-off Insurance Lines	Total
<i>(in millions)</i>									
Current accident year	\$ 177	-\$ 177	\$ 182	-\$ 182	\$ 189				
Accretion and other adjustments to prior year discount	287	64	351	(262)	(74)	(336)	(35)		(2)

Effect of interest rate changes	(58)	(48)	(106)	148	77	225	(225)	(1)
Net reserve discount benefit (charge)	406	16	422	68	3	71	(71)	(4)
Amount transferred to run-off insurance lines	-	-	-	(39)	39	-	-	
Net change in total reserve discount	\$ 406\$	16\$	422	\$ 29\$	42\$	71	\$ (71)\$	(4)
Comprised of:								
U.S. Workers' compensation	\$ 406\$	23\$	429	\$ 29\$	46\$	75	\$ (71)\$	(3)
Asbestos	\$ -\$	(7)\$	(7)	\$ -\$	(4)\$	(4)	\$ -\$	(

During 2016, effective interest rates declined due to a decrease in the forward yield curve component of the discount rates reflecting a decline in U.S. Treasury rates along the changes in payout pattern assumptions. This resulted in a decrease in the loss reserve discount by \$106 million.

During 2015, the effective interest rate increased due to the increase in Treasury rates and credit spreads that resulted in an increase in the loss reserve discount by \$225 million.

ITEM 8 | **Notes to Consolidated Financial Statements** | **13. Insurance Liabilities**

During 2014, the effective interest rate decreased due to the decrease in Treasury rates along with changes in payout pattern assumptions that resulted in a decrease in the loss reserve discount by \$397 million.

On January 1, 2014, we merged two internal pooling arrangements of our U.S. Property Casualty companies into one pool, and changed the participation percentages of the pool members resulting in a reallocation of loss reserves from New York-domiciled companies to those domiciled in Pennsylvania and Delaware. As a result of these changes in the participation percentages and domiciliary states of the participants of the combined pool, we recognized a discount benefit of \$110 million in the first quarter of 2014.

Future Policy Benefits

Future policy benefits primarily include reserves for traditional life and annuity payout contracts, which represent an estimate of the present value of future benefits less the present value of future net premiums. Included in Future policy benefits are liabilities for annuities issued in structured settlement arrangements whereby a claimant has agreed to settle a general insurance claim in exchange for fixed payments over a fixed determinable period of time with a life contingency feature.

Future policy benefits also include certain guaranteed benefits of variable annuity products that are not considered embedded derivatives, primarily guaranteed minimum death benefits. See Note 14 for additional information on guaranteed minimum death benefits.

The liability for long-duration future policy benefits has been established including assumptions for interest rates which vary by year of issuance and product, and range from approximately 0.1 percent to 14 percent. Mortality and surrender rate assumptions are generally based on actual experience when the liability is established.

Policyholder Contract Deposits

The liability for Policyholder contract deposits is primarily recorded at accumulated value (deposits received and net transfers from separate accounts, plus accrued interest credited at rates ranging from 0.2 percent to 9.0 percent at December 31, 2016, less withdrawals and assessed fees). Deposits collected on investment-oriented products are not reflected as revenues, because they are recorded directly to Policyholder contract deposits upon receipt. Amounts assessed against the contract holders for mortality, administrative, and other services are included in revenues.

In addition to liabilities for universal life, fixed annuities, fixed options within variable annuities, annuities without life contingencies, funding agreements and GICs, policyholder contract deposits also include our liability for (a) certain guaranteed benefits and indexed features accounted for as embedded derivatives at fair value, (b) annuities issued in a structured settlement arrangement with no life contingency and (c) certain contracts we have elected to account for at fair value. See Note 14 herein for additional information on guaranteed benefits accounted for as embedded derivatives.

For universal life policies with secondary guarantees, we recognize certain liabilities in addition to policyholder account balances. For universal life policies with secondary guarantees, as well as other universal life policies for which profits followed by losses are expected at contract inception, a liability is recognized based on a benefit ratio of (a) the present value of total expected payments, in excess of the account value, over the life of the contract, divided by (b) the present value of total expected assessments over the life of the contract. For universal life policies without secondary guarantees, for which profits followed by losses are first expected after contract inception, we establish a liability, in addition to policyholder account balances, so that expected future losses are recognized in proportion to the emergence of profits in the earlier (profitable) years. Universal life account balances as well as these additional liabilities related to universal life products are reported within Policyholder contract deposits in the Consolidated Balance Sheet.

Under a funding agreement-backed notes issuance program, an unaffiliated, non-consolidated statutory trust issues medium-term notes to investors, which are secured by GICs issued to the trust by one of our Life Insurance Companies through our Institutional Markets business.

The following table presents Policyholder contract deposits by product line:

At December 31,

(in millions)

Policyholder contract deposits:

	2016	2015
Fixed Annuities	\$ 51,278	\$ 52,103
Group Retirement	39,578	37,854
Life Insurance	11,855	11,691
Variable and Index Annuities	16,934	13,927
Institutional Markets	7,286	6,533
Legacy Portfolio	5,285	5,480
Total Policyholder contract deposits	\$ 132,216	\$ 127,588

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ITEM 8 | **Notes to Consolidated Financial Statements** | **13. Insurance Liabilities****Other Policyholder Funds**

Other policyholder funds include unearned revenue reserves (URR). URR consist of front-end loads on investment-oriented contracts, representing those policy loads that are non-level and typically higher in initial policy years than in later policy years. URR for investment-oriented contracts are generally deferred and amortized, with interest, in relation to the incidence of estimated gross profits (EGPs) to be realized over the estimated lives of the contracts and are subject to the same adjustments due to changes in the assumptions underlying EGPs as DAC. Amortization of URR is recorded in Policy fees.

Other policyholder funds also include provisions for future dividends to participating policyholders, accrued in accordance with all applicable regulatory or contractual provisions. Participating life business represented approximately 1.9 percent of gross insurance in force at December 31, 2016 and 3.1 percent of gross domestic premiums and other considerations in 2016. The amount of annual dividends to be paid is approved locally by the boards of directors of the Life Insurance Companies. Provisions for future dividend payments are computed by jurisdiction, reflecting local regulations. The portions of current and prior net income and of current unrealized appreciation of investments that can inure to our benefit are restricted in some cases by the insurance contracts and by the local insurance regulations of the jurisdictions in which the policies are in force.

Certain products are subject to experience adjustments. These include group life and group medical products, credit life contracts, accident and health insurance contracts/riders attached to life policies and, to a limited extent, reinsurance agreements with other direct insurers. Ultimate premiums from these contracts are estimated and recognized as revenue with the unearned portions of the premiums recorded as liabilities in Other policyholder funds. Experience adjustments vary according to the type of contract and the territory in which the policy is in force and are subject to local regulatory guidance.

14. Variable Life and Annuity Contracts

We report variable contracts within the separate accounts when investment income and investment gains and losses accrue directly to, and investment risk is borne by, the contract holder and the separate account meets additional accounting criteria to qualify for separate account treatment. The assets supporting the variable portion of variable annuity and variable universal life contracts that qualify for separate account treatment are carried at fair value and reported as Separate account assets, with an equivalent summary total reported as Separate account liabilities.

Policy values for variable products and investment contracts are expressed in terms of investment units. Each unit is linked to an asset portfolio. The value of a unit increases or decreases based on the value of the linked asset portfolio. The current liability at any time is the sum of the current unit value of all investment units in the separate accounts, plus any liabilities for guaranteed minimum death benefits or guaranteed minimum withdrawal benefits included in Future policy benefits or Policyholder contract deposits, respectively.

Amounts assessed against the contract holders for mortality, administrative and other services are included in revenue. Net investment income, net investment gains and losses, changes in fair value of assets, and policyholder account deposits and withdrawals related to separate accounts are excluded from the Consolidated Statements of Income, Comprehensive Income (Loss) and Cash Flows.

Variable annuity contracts may include certain contractually guaranteed benefits to the contract holder. These guaranteed features include guaranteed minimum death benefits (GMDB) that are payable in the event of death, and living benefits that are payable in the event of annuitization, or, in other instances, at specified dates during the accumulation period. Living benefits include guaranteed minimum income benefits (GMIB) and guaranteed minimum withdrawal benefits (GMWB). A variable annuity contract may include more than one type of guaranteed benefit feature; for example, it may have both a GMDB and a GMWB. However, a policyholder can only receive payout from one guaranteed feature on a contract containing a death benefit and a living benefit, i.e. the features are mutually exclusive, so the exposure to the guaranteed amount for each feature is independent of the exposure from other features (except a surviving spouse who has a rider to potentially collect both a GMDB upon their spouse's death and a GMWB during their lifetime). A policyholder cannot purchase more than one living benefit on one contract. The net amount at risk for each feature is calculated irrespective of the existence of other features; as a result, the net amount at risk for each feature is not additive to that of other features.

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Account balances of variable annuity contracts with guarantees were invested in separate account investment options as follows:

At December 31,

(in millions)

	2016	2015
Equity funds	\$ 42,266	\$ 39,284
Bond funds	7,798	7,261
Balanced funds	25,365	24,849
Money market funds	840	826
Total	\$ 76,269	\$ 72,220

GMDB and GMIB

Depending on the contract, the GMDB feature may provide a death benefit of either (a) total deposits made to the contract less any partial withdrawals plus a minimum return (and in rare instances, no minimum return) or (b) the highest contract value attained, typically on any anniversary date minus any subsequent withdrawals following the contract anniversary. GMIB guarantees a minimum level of periodic income payments upon annuitization. GMDB is our most widely offered benefit. Our account values subject to guarantees also include GMIB to a lesser extent, which is no longer offered.

The liabilities for GMDB and GMIB, which are recorded in Future policy benefits, represent the expected value of benefits in excess of the projected account value, with the excess recognized ratably over the accumulation period based on total expected assessments, through Policyholder benefits and losses incurred. The net amount at risk for GMDB represents the amount of benefits in excess of account value if death claims were filed on all contracts on the balance sheet date.

The following table presents details concerning our GMDB exposures, by benefit type:

At December 31,

	2016		2015	
	Net Deposits Plus a Minimum Return	Highest Contract Value Attained	Net Deposits Plus a Minimum Return	Highest Contract Value Attained
<i>(dollars in billions)</i>				
Account value	\$ 91	\$ 16	\$ 87	\$ 16
Net amount at risk	1	1	2	2
Average attained age of contract holders by product	63	68	63	68
Range of guaranteed minimum return rates	0%-4.5%		0%-4.5%	

The following summarizes GMDB and GMIB liabilities related to variable annuity contracts, excluding assumed reinsurance:

Years Ended December 31,

(in millions)

	2016	2015	2014
Balance, beginning of year	\$ 491	\$ 420	\$ 394
Reserve increase (decrease)	(32)	127	93
Benefits paid	(57)	(56)	(67)

Balance, end of year \$ 402 \$ 491 \$ 420

Assumptions used to determine the GMDB and GMIB liability include interest rates, which vary by year of issuance and products; mortality rates, which are based upon actual experience modified to allow for variations in policy form; lapse rates, which are based upon actual experience modified to allow for variations in policy form; investment returns, using assumptions from a randomly generated model; and asset growth assumptions, which include a reversion to the mean methodology, similar to that applied for DAC.

We regularly evaluate estimates used to determine the GMDB liability and adjust the additional liability balance, with a related charge or credit to Policyholder benefits and losses incurred, if actual experience or other evidence suggests that earlier assumptions should be revised.

GMWB

Certain of our variable annuity contracts contain optional GMWB benefits and, to a lesser extent, GMAB benefits, which are not currently offered. With a GMWB, the contract holder can monetize the excess of the guaranteed amount over the account value of the contract only through a series of withdrawals that do not exceed a specific percentage per year of the guaranteed amount. If, after the series of withdrawals, the account value is exhausted, the contract holder will receive a series of annuity payments equal to the

ITEM 8 | **Notes to Consolidated Financial Statements** | **14. Variable Life and Annuity Contracts**

remaining guaranteed amount, and, for lifetime GMWB products, the annuity payments continue as long as the covered person(s) is living.

The liabilities for GMWB, which are recorded in Policyholder contract deposits, are accounted for as embedded derivatives measured at fair value, with changes in the fair value of the liabilities recorded in Other net realized capital gains (losses). The fair value of these embedded derivatives was a net liability of \$1.8 billion and \$1.2 billion at December 31, 2016 and 2015, respectively. See Note 5 for discussion of the fair value measurement of guaranteed benefits that are accounted for as embedded derivatives. We had account values subject to GMWB that totaled \$41 billion and \$38 billion at December 31, 2016 and 2015, respectively. The net amount at risk for GMWB represents the present value of minimum guaranteed withdrawal payments, in accordance with contract terms, in excess of account value, assuming no lapses. The net amount at risk related to the GMWB guarantees was \$834 million and \$640 million at December 31, 2016 and 2015, respectively. We use derivative instruments and other financial instruments to mitigate a portion of our exposure that arises from GMWB benefits.

15. Debt

Our long-term debt is denominated in various currencies, with both fixed and variable interest rates. Long-term debt is carried at the principal amount borrowed, including unamortized discounts, hedge accounting valuation adjustments and fair value adjustments, when applicable. The interest rates presented in the following table reflect the range of contractual rates in effect at December 31, 2016, including fixed and variable rate issuances.

The following table lists our total debt outstanding at December 31, 2016 and 2015. The interest rates presented in the following table are the range of contractual rates in effect at December 31, 2016, including fixed and variable-rates:

At December 31, 2016 <i>(in millions)</i>	Range of Interest Rate(s)	Maturity Date(s)	Balance at December 31, 2016	Balance at December 31, 2015
Debt issued or guaranteed by AIG:				
AIG general borrowings:				
Notes and bonds payable	0.99% - 8.13%	2017 - 2097	\$ 19,432	\$ 17,047
Junior subordinated debt	4.88% - 8.63%	2037 - 2058	843	1,327
AIG Japan Holdings Kabushiki Kaisha	0.28% - 0.44%	2020 - 2021	330	106
AIGLH notes and bonds payable	6.63% - 7.5%	2025 - 2029	281	284
AIGLH junior subordinated debt	7.57% - 8.5%	2030 - 2046	361	420
Total AIG general borrowings			21,247	19,184
AIG borrowings supported by assets:^(a)				

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MIP notes payable	2.28% - 8.59%	2017 - 2018	1,099	1,372
Series AIGFP matched notes and bonds payable	0.94% - 7.50%	2017 - 2047	32	34
GIAs, at fair value	0.50% - 7.62%	2017 - 2047	2,934	3,276
Notes and bonds payable, at fair value	0.51% - 10.37%	2017 - 2047	494	394
Total AIG borrowings supported by assets			4,559	5,076
Total debt issued or guaranteed by AIG			25,806	24,260
Debt not guaranteed by AIG:				
Other subsidiaries notes, bonds, loans and mortgages payable	0.73% - 1.15%	2017	735	2
Debt of consolidated investments ^(b)	0% - 9.31%	2017 - 2062	4,371	4,987
Total debt not guaranteed by AIG			5,106	4,989
Total long term debt ^(c)			\$ 30,912	\$ 29,249

(a) AIG Parent guarantees all such debt, except for MIP notes payable and Series AIGFP matched notes and bonds payable, which are direct obligations of AIG Parent. Collateral posted to third parties was \$2.2 billion and \$2.4 billion at December 31, 2016 and December 31, 2015, respectively. This collateral primarily consists of securities of the U.S. government and government sponsored entities and generally cannot be repledged or resold by the counterparties.

(b) At December 31, 2016, includes debt of consolidated investment vehicles related to real estate investments of \$1.9 billion, affordable housing partnership investments of \$1.7 billion and other securitization vehicles of \$771 million. At December 31, 2015, includes debt of consolidated investment vehicles related to real estate investments of \$2.4 billion, affordable housing partnership investments of \$1.5 billion and other securitization vehicles of \$1.0 billion.

(c) Includes debt issuance costs of \$88 million and \$101 million at December 31, 2016 and 2015, respectively.

ITEM 8 | Notes to Consolidated Financial Statements | 15. Debt

The following table presents maturities of long-term debt (including unamortized original issue discount, hedge accounting valuation adjustments and fair value adjustments, when applicable), excluding \$4.4 billion in borrowings of debt of consolidated investments:

December 31, 2016 (in millions)	Total	2017	2018	Year Ending			Thereafter
				2019	2020	2021	
Debt issued or guaranteed by AIG:							
AIG general borrowings:							
Notes and bonds payable	\$ 19,432	\$ 167	\$ 1,106	\$ 997	\$ 1,342	\$ 1,494	\$ 14,326
Junior subordinated debt	843	-	-	-	-	-	843
AIG Japan Holdings Kabushiki Kaisha	330	-	-	-	114	216	-
AIGLH notes and bonds payable	281	-	-	-	-	-	281
AIGLH junior subordinated debt	361	-	-	-	-	-	361
Total AIG general borrowings	21,247	167	1,106	997	1,456	1,710	15,811
AIG borrowings supported by assets:							
MIP notes payable	1,099	751	348	-	-	-	-
Series AIGFP matched notes and bonds payable	32	10	-	-	-	-	22
GIAs, at fair value	2,934	187	486	98	32	242	1,889
Notes and bonds payable, at fair value	494	311	116	-	-	-	67
Total AIG borrowings supported by assets	4,559	1,259	950	98	32	242	1,978
Total debt issued or guaranteed by AIG	25,806	1,426	2,056	1,095	1,488	1,952	17,789
Other subsidiaries notes, bonds, loans and mortgages payable	735	735	-	-	-	-	-
Total	\$ 26,541	\$ 2,161	\$ 2,056	\$ 1,095	\$ 1,488	\$ 1,952	\$ 17,789

Uncollateralized and collateralized notes, bonds, loans and mortgages payable consisted of the following:

At December 31, 2016 (in millions)	Uncollateralized Notes/Bonds/Loans Payable	Collateralized Loans and Mortgages Payable	Total
AIG general borrowings	\$ 330	\$ -	\$ 330
Other subsidiaries notes, bonds, loans and mortgages payable*	-	735	735
Total	\$ 330	\$ 735	\$ 1,065

* AIG does not guarantee any of these borrowings.

AIGLH Junior Subordinated Debentures (Formerly, Liabilities Connected To Trust Preferred Stock)

In connection with our acquisition of AIG Life Holdings, Inc. (AIGLH) in 2001, we entered into arrangements with AIGLH with respect to outstanding AIGLH capital securities. In 1996, AIGLH issued capital securities through a trust to institutional investors and funded the trust with AIGLH junior subordinated debentures issued to the trust with the same terms as the capital securities.

On July 11, 2013, the AIGLH junior subordinated debentures were distributed to holders of the capital securities, the capital securities were cancelled and the trusts were dissolved. At December 31, 2016, the junior subordinated debentures outstanding consisted of \$113 million of 8.5 percent junior subordinated debentures due July 2030, \$211 million of 8.125 percent junior subordinated debentures due March 2046 and \$37 million of 7.57 percent junior subordinated debentures due December 2045, each guaranteed by AIG Parent.

Credit Facilities

We maintain a committed, revolving syndicated credit facility (the Facility) as a potential source of liquidity for general corporate purposes. The Facility provides for aggregate commitments by the bank syndicate to provide unsecured revolving loans and/or standby letters of credit of up to \$4.5 billion without any limits on the type of borrowings and is scheduled to expire in November 2020.

At December 31, 2016

(in millions)

	Size	Available Amount	Expiration	Effective Date
Syndicated Credit Facility	\$ 4,500	\$ 4,500	November 2020	11/5/2015

ITEM 8 | **Notes to Consolidated Financial Statements | 16. Contingencies, Commitments and Guarantees****16. Contingencies, Commitments and Guarantees**

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

Although AIG cannot currently quantify its ultimate liability for unresolved litigation and investigation matters, including those referred to below, it is possible that such liability could have a material adverse effect on AIG's consolidated financial condition or its consolidated results of operations or consolidated cash flows for an individual reporting period.

Legal Contingencies

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

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

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

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

Consolidated 2008 Securities Litigation. On May 19, 2009, a consolidated class action complaint, resulting from the consolidation of eight purported securities class actions filed between May 2008 and January 2009, was filed against AIG and certain directors and officers of AIG and AIGFP, AIG's outside auditors, and the underwriters of various securities offerings in the United States District Court for the Southern District of New York (the Southern District of New York) in *In re American International Group, Inc. 2008 Securities Litigation* (the Consolidated 2008 Securities Litigation), asserting claims under

the Securities Exchange Act of 1934, as amended (the Exchange Act), and claims under the Securities Act of 1933, as amended (the Securities Act), for allegedly materially false and misleading statements in AIG's public disclosures from March 16, 2006 to September 16, 2008 relating to, among other things, the Subprime Exposure Issues.

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

Individual Securities Litigations. Between November 18, 2011 and February 9, 2015, eleven separate, though similar, securities actions (Individual Securities Litigations) were filed in or transferred to the Southern District of New York (SDNY), asserting claims substantially similar to those in the Consolidated 2008 Securities Litigation against AIG and certain directors and officers of AIG and AIGFP. Two of the actions were voluntarily dismissed. On September 10, 2015, the SDNY granted AIG's motion to dismiss some of the claims in the Individual Securities Litigations in whole or in part. AIG has settled eight of the nine remaining actions. The remaining Individual Securities Litigation pending in the SDNY was brought by a series of institutional investor funds. After the court's decision granting AIG's motion to dismiss plaintiff's claims in part, the claims in the remaining action are limited to a claim under Section 10(b) of the Exchange Act for allegedly materially false and misleading statements in AIG's public disclosures from February 8, 2008 to September 16, 2008 relating to, among other things, the Subprime Exposure Issues. On January 17, 2017, AIG filed a motion for summary judgment to dismiss the vast majority of the institutional investor funds' remaining claims and a motion to stay the action pending the resolution of this motion.

On March 27, 2015, an additional securities action was filed in state court in Orange County, California asserting a claim against AIG pursuant to Section 11 of the Securities Act (the California Action) that is substantially similar to those in the Consolidated 2008

ITEM 8 | **Notes to Consolidated Financial Statements | 16. Contingencies, Commitments and Guarantees**

Securities Litigation and the Individual Securities Litigations. After denying AIG's motion to remove the California Action to federal court and stay the action, the trial court overruled AIG's demurrer to dismiss all of the claims asserted in the California Action, which is currently on appeal to the California Court of Appeals for the Fourth Appellate District.

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

Starr International Litigation

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

In the SICO Treasury Action, the only claims naming AIG as a party (as a nominal defendant) are derivative claims on behalf of AIG. On September 21, 2012, SICO made a pre litigation demand on our Board demanding that we pursue the derivative claims or allow SICO to pursue the claims on our behalf. On January 9, 2013, our Board unanimously refused SICO's demand in its entirety and on January 23, 2013, counsel for the Board sent a letter to counsel for SICO describing the process by which our Board considered and refused SICO's demand and stating the reasons for our Board's determination.

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

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

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

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

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

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

AIG believes that any indemnification obligation would arise only if: (a) SICO prevails on its appeal and ultimately receives an award of damages; (b) the United States then commences an action against AIG seeking indemnification; and (c) the United States is successful in such an action through any appellate process. If SICO prevails on its claims and the United States seeks indemnification

ITEM 8 | **Notes to Consolidated Financial Statements | 16. Contingencies, Commitments and Guarantees**

from AIG, AIG intends to assert defenses thereto. A reversal of the Court of Federal Claim's June 17, 2015 decision and judgment and a final determination that the United States is liable for damages, together with a final determination that AIG is obligated to indemnify the United States for any such damages, could have a material adverse effect on our business, consolidated financial condition and results of operations.

Regulatory and Related Matters

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

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

In connection with a multi state examination of certain accident and health products, including travel products, issued by National Union Fire Insurance Company of Pittsburgh, Pa. (National Union), AIG Property Casualty Inc. (formerly Chartis Inc.), on behalf of itself, National Union, and certain of AIG Property Casualty Inc.'s insurance and non insurance companies (collectively, the AIG PC parties) entered into a Regulatory Settlement Agreement with regulators from 50 U.S. jurisdictions effective November 29,

2012. Under the agreement, and without admitting any liability for the issues raised in the examination, the AIG PC parties (i) paid a civil penalty of \$50 million, (ii) entered into a corrective action plan describing agreed upon specific steps and standards for evaluating the AIG PC parties' ongoing compliance with laws and regulations governing the issues identified in the examination, and (iii) agreed to pay a contingent fine in the event that the AIG PC parties fail to satisfy certain terms of the corrective action plan. On April 29, 2016, National Union and other AIG companies achieved a settlement in principle of civil litigation relating to the conduct of their accident and health business, subject to formal documentation and court approval. Preliminary approval of the settlement was granted on October 14, 2016, and the settlement funds have been placed into escrow, pending final court approval of the settlement. We had previously accrued our estimate of loss with respect to this settlement. On May 23, 2016, the managing lead state in the multi-state examination ordered that the companies subject to the Regulatory Settlement Agreement have "complied with the terms" of the Regulatory Settlement Agreement and that no contingent fine or civil penalty would be due.

Legal Reserves

We recorded increases in our legal reserve liability of \$14 million and \$25 million in the years ended December 31, 2016 and 2015, respectively.

Commitments

We occupy leased space in many locations under various long-term leases and have entered into various leases covering the long-term use of data processing equipment.

ITEM 8 | **Notes to Consolidated Financial Statements | 16. Contingencies, Commitments and Guarantees**

The following table presents the future minimum lease payments under operating leases at December 31, 2016:

(in millions)

2017	\$	295
2018		222
2019		167
2020		135
2021		94
Remaining years after 2021		185
Total	\$	1,098

Rent expense was \$331 million, \$327 million and \$471 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Other Commitments

In the normal course of business, we enter into commitments to invest in limited partnerships, private equity funds and hedge funds and to purchase and develop real estate in the U.S. and abroad. These commitments totaled \$3.2 billion at December 31, 2016.

Guarantees

Subsidiaries

We have issued unconditional guarantees with respect to the prompt payment, when due, of all present and future payment obligations and liabilities of AIGFP and of AIG Markets arising from transactions entered into by AIG Markets.

In connection with AIGFP's business activities, AIGFP has issued, in a limited number of transactions, standby letters of credit or similar facilities to equity investors of structured leasing transactions in an amount equal to the termination value owing to the equity investor by the lessee in the event of a lessee default (the equity termination value). The total amount outstanding at December 31, 2016 was \$140 million. In those transactions, AIGFP has agreed to pay such amount if the lessee fails to pay. The amount payable by AIGFP is, in certain cases, partially offset by amounts payable under other instruments typically equal to the present value of scheduled payments to be made by AIGFP. In the event that AIGFP is required to make a payment to the equity investor, the lessee is unconditionally obligated to reimburse AIGFP. To the extent that the equity investor is paid the equity termination value from the standby letter of credit and/or other sources, including payments by the lessee, AIGFP takes an assignment of the equity investor's rights under the lease of the underlying property. Because the obligations of the lessee under the lease transactions are generally economically defeased, lessee bankruptcy is the most likely circumstance in which AIGFP would be required to pay without reimbursement.

Asset Dispositions

We are subject to financial guarantees and indemnity arrangements in connection with the completed sales of businesses pursuant to our asset disposition plan. The various arrangements may be triggered by, among other things, declines in asset values, the occurrence of specified business contingencies, the realization of contingent liabilities, developments in litigation or breaches of representations, warranties or covenants provided by us. These arrangements are typically subject to various time limitations, defined by the contract or by operation of law, such as statutes of limitation. In some cases, the maximum potential obligation is subject to contractual limitations, while in other cases such limitations are not specified or are not applicable.

We are unable to develop a reasonable estimate of the maximum potential payout under certain of these arrangements. Overall, we believe that it is unlikely we will have to make any material payments related to completed sales under these arrangements, and no material liabilities related to these arrangements have been recorded in the Consolidated Balance Sheets.

Other

- See Note 10 to the Consolidated Financial Statements for additional discussion on commitments and guarantees associated with VIEs.
- See Note 11 to the Consolidated Financial Statements for additional disclosures about derivatives.
- See Note 25 to the Consolidated Financial Statements for additional disclosures about guarantees of outstanding debt.

ITEM 8 | Notes to Consolidated Financial Statements | 17. Equity

17. Equity

Shares Outstanding

The following table presents a rollforward of outstanding shares:

	Common Stock Issued	Treasury Stock	Common Stock Outstanding
Year Ended December 31, 2014			
Shares, beginning of year	1,906,645,689	(442,582,366)	1,464,063,323
Shares issued	25,803	15,748	41,551
Shares repurchased	-	(88,177,903)	(88,177,903)
Shares, end of year	1,906,671,492	(530,744,521)	1,375,926,971
Year Ended December 31, 2015			
Shares, beginning of year	1,906,671,492	(530,744,521)	1,375,926,971
Shares issued	-	371,806	371,806
Shares repurchased	-	(182,382,160)	(182,382,160)
Shares, end of year	1,906,671,492	(712,754,875)	1,193,916,617
Year Ended December 31, 2016			
Shares, beginning of year	1,906,671,492	(712,754,875)	1,193,916,617
Shares issued	-	2,069,110	2,069,110
Shares repurchased	-	(200,649,886)	(200,649,886)
Shares, end of year	1,906,671,492	(911,335,651)	995,335,841
Dividends			

Payment of future dividends to our shareholders and repurchases of AIG Common Stock depends in part on the regulatory framework that we are currently subject to and that will ultimately be applicable to us, including as a nonbank systemically important financial institution under the Dodd Frank Wall Street Reform and Consumer Protection Act (Dodd Frank) and a global systemically important insurer. In addition, dividends are payable on AIG Common Stock only when, as and if declared by our Board of Directors in its discretion, from funds legally available for this purpose. In considering whether to pay a dividend or purchase shares of AIG Common Stock, our Board of Directors considers a number of factors, including, but not limited to: the capital resources available to support our insurance operations and business strategies, AIG's funding capacity and capital resources in comparison to internal benchmarks, expectations for capital generation, rating agency expectations for capital, regulatory standards for capital and capital distributions, and such other factors as our Board of Directors may deem relevant.

The following table presents record date, payment date and dividends paid per share on AIG Common Stock:

Record Date	Payment Date	Dividends Paid Per Share
December 8, 2016	December 22, 2016	\$ 0.32

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September 15, 2016	September 29, 2016		0.32
June 13, 2016	June 27, 2016		0.32
March 14, 2016	March 28, 2016		0.32
December 7, 2015	December 21, 2015		0.28
September 14, 2015	September 28, 2015		0.28
June 11, 2015	June 25, 2015		0.125
March 12, 2015	March 26, 2015		0.125
December 4, 2014	December 18, 2014		0.125
September 11, 2014	September 25, 2014		0.125
June 10, 2014	June 24, 2014		0.125
March 11, 2014	March 25, 2014	\$	0.125

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ITEM 8 | **Notes to Consolidated Financial Statements** | **17. Equity****Repurchase of AIG Common Stock**

The following table presents repurchases of AIG Common Stock and warrants to purchase shares of AIG Common Stock:

Years Ended December 31,*(in millions)*

	2016	2015*	2014
Aggregate repurchases of common stock	\$ 11,460	\$ 10,691	\$ 4,902
Total number of common shares repurchased	201	182	88
Aggregate repurchases of warrants	\$ 309	-	-
Total number of warrants repurchased	17	-	-

* The total number of shares of AIG Common Stock repurchased in 2015 includes (but the aggregate purchase price does not include) approximately 3.5 million shares of AIG Common Stock received in January 2015 upon the settlement of an accelerated stock repurchase (ASR) agreement executed in the fourth quarter of 2014.

Our Board of Directors has authorized the repurchase of shares of AIG Common Stock through a series of actions. On November 2, 2016, our Board of Directors authorized an additional increase of \$3.0 billion to its previous share repurchase authorization, resulting in an aggregate remaining authorization on such date of approximately \$4.4 billion. As of December 31, 2016, approximately \$2.5 billion remained under our share repurchase authorization. Shares may be repurchased from time to time in the open market, private purchases, through forward, derivative, accelerated repurchase or automatic repurchase transactions or otherwise (including through the purchase of warrants). Certain of our share repurchases have been and may from time to time be effected through Exchange Act Rule 10b5-1 repurchase plans.

In the second, third and fourth quarters of 2014, we executed five ASR agreements with third-party financial institutions. The total number of shares of AIG Common Stock repurchased in the twelve-month period ended December 31, 2014, and the aggregate purchase price of those shares, each as set forth above, reflect our payment of approximately \$3.1 billion in the aggregate under the ASR agreements and the receipt of approximately 53 million shares of AIG Common Stock in the aggregate, including the initial receipt of 70 percent of the total notional share equivalent, or approximately 9.2 million shares of AIG Common Stock, under an ASR agreement executed in December 2014. That ASR agreement settled in January 2015, at which time we received approximately 3.5 million additional shares of AIG Common Stock based on a formula specified by the terms of the ASR agreement.

The timing of any future repurchases will depend on market conditions, our financial condition, results of operations, liquidity and other factors.

Accumulated Other Comprehensive Income

The following table presents a rollforward of Accumulated other comprehensive income:

	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	Retirement Plan Liabilities Adjustment	Total
<i>(in millions)</i>					
Balance, January 1, 2014, net of tax	\$ 936\$	6,789\$	(952)\$	(413)\$	6,360
Change in unrealized appreciation of investments	156	7,564	-	-	7,720
Change in deferred policy acquisition costs adjustment and other	68	(495)	-	-	(427)
Change in future policy benefits	(133)	(1,113)	-	-	(1,246)
Change in foreign currency translation adjustments	-	-	(833)	-	(833)
Change in net actuarial loss	-	-	-	(815)	(815)
Change in prior service credit	-	-	-	(49)	(49)
Change in deferred tax asset (liability)	16	(418)	1	308	(93)
Total other comprehensive income (loss)	107	5,538	(832)	(556)	4,257
Noncontrolling interests	-	-	-	-	-
Balance, December 31, 2014, net of tax	\$ 1,043\$	12,327\$	(1,784)\$	(969)\$	10,617

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Change in unrealized depreciation of investments	(488)	(10,519)	-	-	(11,007)
Change in deferred policy acquisition costs adjustment and other	(146)	1,265	-	-	1,119
Change in future policy benefits	92	1,112	-	-	1,204
Change in foreign currency translation adjustments	-	-	(1,129)	-	(1,129)
Change in net actuarial gain	-	-	-	413	413
Change in prior service credit	-	-	-	(239)	(239)
Change in deferred tax asset (liability)	195	1,380	29	(51)	1,553
Total other comprehensive income (loss)	(347)	(6,762)	(1,100)	123	(8,086)
Noncontrolling interests	-	(1)	(5)	-	(6)
Balance, December 31, 2015, net of tax	\$ 696	\$ 5,566	\$ (2,879)	\$ (846)	\$ 2,537
Change in unrealized appreciation (depreciation) of investments	(326)	931	-	-	605
Change in deferred policy acquisition costs adjustment and other	(19)	286	-	-	267
Change in future policy benefits	-	(676)	-	-	(676)
Change in foreign currency translation adjustments	-	-	93	-	93
Change in net actuarial loss	-	-	-	(151)	(151)
Change in prior service credit	-	-	-	(22)	(22)
Change in deferred tax asset	75	298	157	47	577
Total other comprehensive income (loss)	(270)	839	250	(126)	693
Noncontrolling interests	-	-	-	-	-
Balance, December 31, 2016, net of tax	\$ 426	\$ 6,405	\$ (2,629)	\$ (972)	\$ 3,230

The following table presents the other comprehensive income (loss) reclassification adjustments for the years ended December 31, 2016, 2015 and 2014:

		Unrealized Appreciation (Depreciation) of Fixed Maturity Securities on Which Other-Than- Temporary Credit Impairments Were Recognized	Unrealized Appreciation (Depreciation) of All Other Investments	Foreign Currency Translation Adjustments	Retirement Plan Liabilities Adjustment
<i>(in millions)</i>					
December 31, 2014					
Unrealized change arising during period	\$	119\$	6,488\$	(833)\$	(866)
Less: Reclassification adjustments included in net income		28	532	-	(2)
Total other comprehensive income (loss), before income tax expense (benefit)		91	5,956	(833)	(864)
Less: Income tax expense (benefit)		(16)	418	(1)	(308)

Total other comprehensive income (loss), net of income tax expense (benefit)	\$	107\$	5,538\$	(832)\$	(556)
December 31, 2015					
Unrealized change arising during period	\$	(471)\$	(7,068)\$	(1,129)\$	285
Less: Reclassification adjustments included in net income		71	1,074	-	111
Total other comprehensive income (loss), before income tax expense (benefit)		(542)	(8,142)	(1,129)	174
Less: Income tax expense (benefit)		(195)	(1,380)	(29)	51
Total other comprehensive income (loss), net of income tax expense (benefit)	\$	(347)\$	(6,762)\$	(1,100)\$	123

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ITEM 8 | Notes to Consolidated Financial Statements | 17. Equity

December 31, 2016

Unrealized change arising during period	\$	(222)	\$	1,769	\$	93	\$	(344)	\$	1,296
Less: Reclassification adjustments included in net income		123		1,228		-		(171)		1,180
Total other comprehensive income (loss), before income tax expense (benefit)		(345)		541		93		(173)		116
Less: Income tax benefit		(75)		(298)		(157)		(47)		(577)
Total other comprehensive income (loss), net of income tax benefit	\$	(270)	\$	839	\$	250	\$	(126)	\$	693

The following table presents the effect of the reclassification of significant items out of Accumulated other comprehensive income on the respective line items in the Consolidated Statements of Income:

Years Ended December 31, (in millions)	Amount Reclassified from Accumulated Other Comprehensive Income			Affected Line Item Consolidated Statements of Income
	2016	2015	2014	
Unrealized appreciation (depreciation) of fixed maturity investments on which other-than-temporary credit impairments were taken				
Investments	\$ 123	\$ 71	\$ 28	Other realized capital gains
Total	123	71	28	
Unrealized appreciation (depreciation) of all other investments				
Investments	935	1,054	669	Other realized capital gains
Deferred acquisition costs adjustment	293	3	(20)	Amortization of deferred policy acquisition costs
Future policy benefits	-	17	(117)	Policyholder benefits and losses incurred
Total	1,228	1,074	532	
Change in retirement plan liabilities adjustment				
Prior-service credit	15	214	47	*
Actuarial losses	(186)	(103)	(49)	*
Total	(171)	111	(2)	
Total reclassifications for the period	\$1,180	\$1,256	\$ 558	

* These Accumulated other comprehensive income components are included in the computation of net periodic pension cost. See Note 21 to the Consolidated Financial Statements.

ITEM 8 | Notes to Consolidated Financial Statements | 18. Earnings Per Share

18. Earnings Per Share (EPS)

The basic EPS computation is based on the weighted average number of common shares outstanding, adjusted to reflect all stock dividends and stock splits. The diluted EPS computation is based on those shares used in the basic EPS computation plus shares that would have been outstanding assuming issuance of common shares for all dilutive potential common shares outstanding and adjusted to reflect all stock dividends and stock splits.

The following table presents the computation of basic and diluted EPS:

Years Ended December 31, <i>(dollars in millions, except per share data)</i>	2016	2015	2014
Numerator for EPS:			
Income (loss) from continuing operations	\$ (259)	\$ 2,222	\$ 7,574
Less: Net income (loss) from continuing operations attributable to noncontrolling interests	500	26	(5)
income (loss) attributable to AIG common shareholders from continuing operations	(759)	2,196	7,579
Income (loss) from discontinued operations, net of income tax expense	(90)	-	(50)
Net income (loss) attributable to AIG common shareholders	\$ (849)	\$ 2,196	\$ 7,529
Denominator for EPS:			
Weighted average shares outstanding — basic	1,091,085,131	1,299,825,350	1,427,959,799
Dilutive shares	-	34,639,533	19,593,853
Weighted average shares outstanding — diluted ^{(a)(b)}	1,091,085,131	1,334,464,883	1,447,553,652
Income (loss) per common share attributable to AIG:			
Basic:			
Income (loss) from continuing operations	\$ (0.70)	\$ 1.69	\$ 5.31
Income from discontinued operations	\$ (0.08)	\$ -	\$ (0.04)
Income (loss) attributable to AIG	\$ (0.78)	\$ 1.69	\$ 5.27
Diluted:			
Income (loss) from continuing operations	\$ (0.70)	\$ 1.65	\$ 5.24
Income from discontinued operations	\$ (0.08)	\$ -	\$ (0.04)
Income (loss) attributable to AIG	\$ (0.78)	\$ 1.65	\$ 5.20

(a) Shares in the diluted EPS calculation represent basic shares for 2016 due to the net loss in that period. The shares excluded from the calculation were 30,326,772 shares.

(b) Dilutive shares included our share-based employee compensation plans and a weighted average portion of the warrants issued to AIG shareholders as part of AIG's recapitalization in January 2011. The number of shares excluded from diluted shares outstanding were 0.2 million, 0.2 million and 0.3 million for the years ended December 31, 2016, 2015 and 2014, respectively, because the effect of including those

shares in the calculation would have been anti-dilutive.

ITEM 8 | **Notes to Consolidated Financial Statements** | **19. Statutory Financial Data and Restrictions****19. Statutory Financial Data and Restrictions**

The following table presents statutory net income (loss) and capital and surplus for our Property Casualty Insurance Companies and our Life Insurance Companies in accordance with statutory accounting practices:

<i>(in millions)</i>	2016	2015	2014
Years Ended December 31,			
Statutory net income (loss)^{(a)(b)(c)}:			
Property Casualty Insurance Companies:			
Domestic ^(c)	\$ (229) \$	1,444 \$	3,265
Foreign	(1,316)	594	1,252
Total Property Casualty Insurance Companies	\$ (1,545) \$	2,038 \$	4,517
Life Insurance Companies:			
Domestic	\$ 2,252 \$	2,200 \$	2,865
Foreign	47	(5)	(9)
Total Life Insurance Companies	\$ 2,299 \$	2,195 \$	2,856
At December 31,			
Statutory capital and surplus^{(a)(b)(c)}:			
Property Casualty Insurance Companies:			
Domestic ^(c)	\$ 21,819 \$	25,956	
Foreign	12,689	12,995	
Total Property Casualty Insurance Companies	\$ 34,508 \$	38,951	
Life Insurance Companies:			
Domestic	\$ 12,363 \$	8,379	
Foreign	490	422	
Total Life Insurance Companies	\$ 12,853 \$	8,801	
Aggregate minimum required statutory capital and surplus:			
Property Casualty Insurance Companies:			
Domestic	\$ 5,390 \$	7,119	
Foreign	7,355	7,208	
Total Property Casualty Insurance Companies	\$ 12,745 \$	14,327	
Life Insurance Companies:			
Domestic	\$ 3,107 \$	3,659	
Foreign	234	179	
Total Life Insurance Companies	\$ 3,341 \$	3,838	

(a) Excludes discontinued operations and other divested businesses. Statutory capital and surplus and net income (loss) with respect to foreign operations are as of November 30.

(b) In aggregate, the 2015 Property Casualty Insurance Companies and Life Insurance Companies statutory net income decreased by \$146 million and the 2015 Property Casualty Insurance Companies and Life Insurance Companies statutory capital and surplus increased by \$3.2 billion, compared to the amounts

previously reported in our Annual Report on Form 10-K for the year ended December 31, 2015, due to finalization of statutory filings, as well as inclusion of the finalized statutory net loss and statutory capital and surplus of Eaglestone of \$3.4 million and \$1.9 billion, respectively. The results of Eaglestone were excluded from the 2015 Property Casualty Insurance Companies statutory net income and statutory capital and surplus in our previously reported Form 10-K for the year ended December 31, 2015.

(c) Property Casualty Insurance Companies recognized \$200 million and \$2.9 billion of capital contributions from AIG Parent in their statutory financial statements as of December 31, 2016 and 2015, respectively, related to the reserve strengthening in the fourth quarter of each year. These capital contributions were received in February 2017 and January 2016, respectively.

Our insurance subsidiaries file financial statements prepared in accordance with statutory accounting practices prescribed or permitted by domestic and foreign insurance regulatory authorities. The principal differences between statutory financial statements and financial statements prepared in accordance with U.S. GAAP for domestic companies are that statutory financial statements do not reflect DAC, some bond portfolios may be carried at amortized cost, investment impairments are determined in accordance with statutory accounting practices, assets and liabilities are presented net of reinsurance, policyholder liabilities are generally valued using more conservative assumptions and certain assets are non-admitted.

For domestic insurance subsidiaries, aggregate minimum required statutory capital and surplus is based on the greater of the RBC level that would trigger regulatory action or minimum requirements per state insurance regulation. Capital and surplus requirements of our foreign subsidiaries differ from those prescribed in the U.S., and can vary significantly by jurisdiction. At both December 31, 2016

ITEM 8 | [Notes to Consolidated Financial Statements](#) | [19. Statutory Financial Data and Restrictions](#)

and 2015, all domestic and foreign insurance subsidiaries individually exceeded the minimum required statutory capital and surplus requirements and all domestic insurance subsidiaries individually exceeded RBC minimum required levels.

At December 31, 2016 and 2015, our domestic insurance subsidiaries used the following permitted practices that resulted in reported statutory surplus or risk-based capital that is significantly different from the statutory surplus or risk based capital that would have been reported had NAIC statutory accounting practices or the prescribed regulatory accounting practices of their respective state regulator been followed in all respects:

- In 2016 and 2015, a domestic life insurance subsidiary domiciled in Texas applied a permitted statutory accounting practice, initially adopted in 2015, to report derivatives used to hedge interest rate risk on product-related embedded derivatives at amortized cost instead of fair value. This permitted practice resulted in an increase in the statutory surplus of our subsidiary of \$645 million at December 31, 2016 and a reduction of \$366 million at December 31, 2015.
- In 2016, certain domestic property and casualty subsidiaries domiciled in New York, Pennsylvania and Delaware applied a permitted practice to present the inception date effects of the 2017 adverse loss development cover in their 2016 statutory-basis financial statements. This permitted practice resulted in an increase in the subsidiaries' aggregate surplus as of December 31, 2016 of \$724 million. This increase otherwise would have been recognized in 2017.

As described in Note 13, our domestic property and casualty insurance subsidiaries domiciled in New York, Pennsylvania and Delaware discount non-tabular workers' compensation reserves based on applicable prescribed or approved regulations, or in the case of our Delaware subsidiary, based on a permitted practice. This practice did not have a material impact on our statutory surplus, statutory net income (loss) or risk-based capital.

The NAIC Model Regulation "Valuation of Life Insurance Policies" (Regulation XXX) requires U.S. life insurers to establish additional statutory reserves for term life insurance policies with long-term premium guarantees and universal life policies with secondary guarantees (ULSGs). In addition, NAIC Actuarial Guideline 38 (Guideline AXXX) clarifies the application of Regulation XXX as to these guarantees, including certain ULSGs.

Domestic life insurance subsidiaries manage the capital impact of statutory reserve requirements under Regulation XXX and Guideline AXXX through unaffiliated and affiliated reinsurance transactions. The affiliated life insurers providing reinsurance capacity for such transactions are fully licensed insurance companies and are not formed under captive insurance laws. One of these affiliated reinsurance arrangements, under which certain Regulation XXX and Guideline AXXX reserves related to new and in-force business were ceded to an affiliated U.S. life insurer, was recaptured effective December 31, 2016 and these reserves were ceded to an unaffiliated reinsurer.

Under the other intercompany reinsurance arrangement, certain Regulation XXX and Guideline AXXX reserves related to a closed block of in-force business are ceded to an affiliated off-shore life insurer, which is licensed as a class E insurer under Bermuda law. Bermuda law permits the off-shore life insurer to record an asset that effectively reduces the statutory reserves for the assumed reinsurance to the level that would be required under U.S. GAAP. Letters of credit are used to support the credit for reinsurance provided by the affiliated off-shore life insurer. See Note 8 for additional information regarding these letters of credit.

Subsidiary Dividend Restrictions

Payments of dividends to us by our insurance subsidiaries are subject to certain restrictions imposed by regulatory authorities. With respect to our domestic insurance subsidiaries, the payment of any dividend requires formal notice to the insurance department in which the particular insurance subsidiary is domiciled. For example, unless permitted by the Superintendent of Financial Services, property casualty companies domiciled in New York generally may not pay dividends to shareholders that, in any 12 month period, exceed the lesser of 10 percent of such company's statutory policyholders' surplus or 100 percent of its "adjusted net investment income," for the previous year, as defined. Generally, less severe restrictions applicable to both property casualty and life insurance companies exist in most of the other states in which our insurance subsidiaries are domiciled. Under the laws of many states, an insurer may pay a dividend without prior approval of the insurance regulator when the amount of the dividend is below certain regulatory thresholds. Other foreign jurisdictions may restrict the ability of our foreign insurance subsidiaries to pay dividends. Various other regulatory restrictions also limit cash loans and advances to us by our subsidiaries.

Largely as a result of these restrictions, approximately \$45.1 billion of the statutory capital and surplus of our consolidated insurance subsidiaries were restricted from transfer to AIG Parent without prior approval of state insurance regulators at December 31, 2016.

To our knowledge, no AIG insurance company is currently on any regulatory or similar "watch list" with regard to solvency.

Parent Company Dividend Restrictions

At December 31, 2016, our ability to pay dividends is not subject to any significant contractual restrictions, but remains subject to regulatory restrictions. See Note 17 herein for additional information about our ability to pay dividends to our shareholders.

ITEM 8 | **Notes to Consolidated Financial Statements | 20. Share-Based And Other Compensation Plans****20. Share-Based Compensation Plans**

The following table presents our share based compensation expense:

Years Ended December 31,*(in millions)*

	2016	2015	2014
Share-based compensation expense - pre-tax*	\$ 237	\$ 365	\$ 349
Share-based compensation expense - after tax	154	237	227

* We recognized \$105 million, \$147 million and \$120 million for immediately vested stock-settled awards issued to retirement eligible employees in 2016, 2015 and 2014, respectively.

Employee Plans

The Company grants annual Long Term Incentive (LTI) awards under the 2013 Long Term Incentive Plan (2013 LTIP), which is governed by the AIG 2013 Omnibus Incentive Plan (2013 Plan). The 2013 Plan replaced the AIG 2010 Stock Incentive Plan (2010 Plan) as of May 15, 2013 but does not affect the terms and conditions of any award issued under the 2010 Plan. The 2013 Plan is currently the only plan under which share-settled awards can be made. Our share-settled awards are settled with previously acquired shares held in AIG's treasury.

AIG 2013 Omnibus Incentive Plan

The 2013 Plan was adopted at the 2013 Annual Meeting of Shareholders and provides for the grants of share-based awards to our employees and non-employee directors. The total number of shares that may be granted under the 2013 Plan (the reserve) is the sum of 1) 45 million shares of AIG Common Stock, plus 2) the number of authorized shares that remained available for issuance under the 2010 Plan when the 2013 Plan became effective, plus 3) the number of shares of AIG Common Stock relating to outstanding awards under the 2010 Plan at the time the 2013 Plan became effective that subsequently are forfeited, expired, terminated or otherwise lapse or are settled in cash. Each share-based unit granted under the 2013 Plan reduces the number of shares available for future grants by one share. However, shares with respect to awards that are forfeited, expired or settled for cash, and shares withheld for taxes on awards (other than options and stock appreciation rights (SARs) awards) are returned to the reserve.

During 2016, performance share units (PSUs) and deferred stock units (DSUs) were granted under the 2013 Plan and 43,510,168 shares are available for future grants as of December 31, 2016. PSUs were issued to employees as part of our long-term incentive program in March 2016 and are also issued for off-cycle grants, which are made from time to time during the year as sign-on awards to new hires or as a result of a change in employee status.

AIG 2010 Stock Incentive Plan

The 2010 Plan was adopted at the 2010 Annual Meeting of Shareholders. The total number of shares of AIG Common Stock that could be granted under the 2010 Plan was 60 million. During 2013, we granted PSUs, DSUs and restricted stock units (RSUs) under the 2010 Plan. Each PSU, DSU and RSU awarded reduced the number of shares available for future grants by one share. Subsequent to the adoption of the 2013 Plan in May 2013, no additional grants were made under the 2010 Plan.

Share-Settled Awards

AIG 2013 Long Term Incentive Plan

The 2013 LTIP provides for the annual grant of PSUs to certain employees, including our senior executive officers and other highly compensated employees. Each recipient of an award is granted a number of PSUs (the target) that provides the opportunity to receive shares of AIG Common Stock based on AIG achieving specified performance goals at the end of a three-year performance period. These performance goals are pre-established by AIG's Compensation and Management Resources Committee (CMRC) for each annual grant and may differ from year to year. For each award, the actual number of PSUs earned can vary from zero to 150 percent of the target depending on AIG's performance relative to a specified peer group. Vesting occurs in three equal installments beginning on January 1 of the year immediately following the end of a performance period and January 1 of each of the next two years. Recipients must be employed at each vesting date to be entitled to share delivery, except upon the occurrence of an accelerated vesting event, such as an involuntary termination without cause, disability, retirement eligibility or death during the vesting period.

ITEM 8 | **Notes to Consolidated Financial Statements | 20. Share-Based And Other Compensation Plans**

Beginning in 2015, LTI awards granted accrue dividend equivalent units (DEUs) in the form of additional PSUs whenever a cash dividend is declared on shares of AIG Common Stock; the DEUs are subject to the same vesting terms and conditions as the underlying PSUs.

Performance Share Unit Valuation

The value of each award is based on the nature of the performance goals and the price per unit is fixed as of the grant date. PSUs granted in 2016 are measured based on AIG's total shareholder return (TSR). PSUs granted in 2015 and 2014 are measured based on AIG's TSR and credit default swap (CDS) spread, weighted 75 percent and 25 percent, respectively. PSUs granted in 2013 are measured based on AIG's TSR and growth in tangible book value per common share (TBVPS) (excluding accumulated other comprehensive income) weighted 50 percent each.

The fair value of PSUs to be earned based on AIG's CDS spreads and TBVPS was based on the closing price of AIG Common Stock on the grant date. However, PSUs granted in 2014 and 2013 that vest based on these goals were discounted by the present value of estimated dividends to be paid during the respective vesting periods as these awards do not accrue dividends or DEUs. The fair value of PSUs to be earned based on AIG's TSR was determined on the grant date using a Monte Carlo simulation.

The following table presents the assumptions used to estimate the fair value of PSUs that vest based on AIG's TSR:

	2016	2015	2014
Expected dividend yield ^(a)	2.17%	1.78%	1.13%
Expected volatility ^(b)	24.55%	22.71%	23.66%
Risk-free interest rate ^(c)	1.30%	1.01%	0.76%

(a) The dividend yield is the projected annualized AIG dividend yield estimated by Bloomberg Professional service as of the valuation date.

(b) The expected volatility is based on the implied volatilities of actively traded stock options from the valuation date through the end of the PSU performance period as estimated by Bloomberg Professional service.

(c) The risk-free interest rate is the continuously compounded interest rate for the term between the valuation date and the end of the performance period that is assumed to be constant and equal to the interpolated value between the closest data points on the U.S. dollar LIBOR-swap curve as of the valuation date.

The following table summarizes outstanding share-settled LTI awards^(a):

As of or for the Year	Number of PSUs^(b)	Weighted Average Grant-Date Fair Value
------------------------------	-------------------------------------	---

Ended December 31, 2016	2016 LTI	2015 LTI	2014 LTI	2013 LTI ^(c)	2016 LTI	2015 LTI	2014 LTI	2013 LTI
Unvested, beginning of year		-3,046,958	2,559,359	2,250,109	\$ -	\$ 55.08	\$ 48.82	\$ 48.82
Granted	5,092,452	4,704	-	3,471,850	50.77	64.23	-	-
Vested	(2,315,667)	(681,396)	(652,198)	(3,974,941)	50.42	54.03	48.65	48.65
Forfeited	(188,187)	(193,711)	(174,545)	(165,114)	50.26	54.14	48.81	48.81
Unvested, end of year^(d)	2,588,598	2,176,555	1,732,616	1,581,904	\$ 51.12	\$ 55.52	\$ 48.88	\$ 48.88

(a) Excludes DSUs, which are discussed under Non-Employee Plan.

(b) Except for the 2013 LTI award, represents target number of PSUs granted, and does not reflect potential increases or decreases that could result from the final outcome of the performance goals for the respective awards, which is determined in the quarter after the applicable performance period ends.

(c) The performance period for the 2013 LTI awards ended December 31, 2015. The number of earned PSUs was based on the results of the 2013 performance goals adjudicated in the first quarter of 2016 by the CMRC. This resulted in additional units being granted, but no additional expense was recognized for these units.

(d) At December 31, 2016, the total unrecognized compensation cost (net of expected forfeitures) for the unvested PSUs was \$163 million and the weighted-average and expected period of years over which that cost is expected to be recognized are 1.26 years and 4 years.

Non-Employee Plan

Our non-employee directors, who serve on our Board of Directors, receive share-based compensation in the form of fully vested DSUs with delivery deferred until retirement from the Board. DSUs granted in 2016, 2015 and 2014 accrue DEUs equal to the amount of any regular quarterly dividend that would have been paid by AIG if the shares of AIG Common Stock underlying the DSUs had been outstanding. In 2016, 2015 and 2014, we granted to non-employee directors 41,974, 32,342 and 28,477 DSUs, respectively, under the 2013 Plan, and recognized expense of \$2.4 million, \$1.9 million and \$1.5 million, respectively.

Cash-settled Awards

Share-based cash-settled awards are recorded as liabilities until the final payout is made or the award is replaced with a stock-settled award. Compensation expense is recognized over the vesting periods, unless the award is fully vested on the grant date in which case the entire award value is immediately recognized as expense.

ITEM 8 | **Notes to Consolidated Financial Statements | 20. Share-Based And Other Compensation Plans**

Unlike stock-settled awards, which generally have a fixed grant-date fair value (unless the award is subsequently modified), the fair value of unsettled or unvested cash-settled awards is remeasured at the end of each reporting period based on the change in fair value of one share of AIG Common Stock. The liability and corresponding expense are adjusted accordingly until the award is settled.

During the period we were subject to Troubled Asset Relief Program (TARP) restrictions, we issued various cash-settled share-based grants, including Stock Salary, TARP RSU awards, and other cash-settled RSU awards, to certain of our most highly compensated employees and executive officers in the form of restricted stock units that were either fully vested with payment deferred, or subject to specified service and performance conditions. After the repayment of our TARP obligations in December 2012, all performance conditions were satisfied; as a result, we no longer issue awards that are subject to TARP restrictions.

During 2016, 2015 and 2014, we paid \$29 million, \$101 million and \$155 million, respectively, to settle outstanding TARP-related awards. As of December 31, 2016, all TARP-related awards have been settled.

21. Employee Benefits

Pension Plans

We offer various defined benefit plans to eligible employees.

The U.S. AIG Retirement Plan (the qualified plan) is a noncontributory defined benefit plan that is subject to the provisions of ERISA. U.S. salaried employees who are employed by a participating company on or before December 1, 2014 and who have completed 12 months of continuous service are eligible to participate in the plan. Effective April 1, 2012, the qualified plan was converted to a cash balance formula comprised of pay credits based on six percent of a plan participant's annual compensation (subject to IRS limitations) and annual interest credits. Employees can take their vested benefits when they leave AIG as a lump sum or an annuity option after completing at least three years of service. Employees satisfying certain age and service requirements (i.e. grandfathered employees) remain covered under the average pay formula that was in effect prior to the conversion to the cash balance formula. The final average pay formula is based upon a percentage of final average compensation multiplied by years of credited service, up to 44 years. Grandfathered employees will receive the higher of the benefit under the cash balance formula or the final average pay formula at retirement. Non-U.S. defined benefit plans generally are either based on the employee's years of credited service and compensation in the years preceding retirement or on points accumulated based on the employee's job grade and other factors during each year of service.

In the U.S. we also sponsor non-qualified unfunded defined benefit plans, such as the AIG Non-Qualified Retirement Income Plan (AIG NQRIP) for certain employees, including key executives, designed to supplement pension benefits provided by the qualified plan. The AIG NQRIP provides a benefit equal to the reduction in benefits under the qualified plan as a result of federal tax limitations on compensation and

benefits payable.

Plan Freeze

Effective January 1, 2016, the U.S. defined benefit pension plans were frozen. Consequently, these plans are closed to new participants and current participants no longer earn benefits. However, interest credits continue to accrue on the existing cash balance accounts and participants are continuing to accrue years of service for purposes of vesting and early retirement eligibility and subsidies as they continue to be employed by AIG.

Postretirement Plans

We also provide postretirement medical care and life insurance benefits in the U.S. and in certain non-U.S. countries. Eligibility in the various plans generally is based upon completion of a specified period of eligible service and attaining a specified age. Overseas, benefits vary by geographic location.

U.S. postretirement medical and life insurance benefits are based upon the employee attaining the age of 55 and having a minimum of ten years of service. Eligible employees who have medical coverage can enroll in retiree medical upon termination of employment. Medical benefits are contributory, while the life insurance benefits generally are non-contributory. Retiree medical contributions vary from none for pre-1989 retirees to actual premium payments reduced by certain subsidies for post-1992 retirees. These contributions are subject to adjustment annually. Other cost sharing features of the medical plan include deductibles, coinsurance and Medicare coordination. Effective April 1, 2012, the retiree medical employer subsidy for the AIG postretirement plan was eliminated for employees who were not grandfathered. Additionally, new employees hired after December 31, 2012 are not eligible for retiree life insurance.

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The following table presents the funded status of the plans reconciled to the amount reported in the Consolidated Balance Sheets. The measurement date for most of the non-U.S. defined benefit pension and postretirement plans is November 30, consistent with the fiscal year end of the sponsoring companies. For all other plans, measurement occurs as of December 31.

As of or for the Years Ended December 31, (in millions)	Pension				Postretirement			
	U.S. Plans*		Non-U.S. Plans*		U.S. Plans		Non-U.S. Plans	
	2016	2015	2016	2015	2016	2015	2016	2015
Change in projected benefit obligation:								
Benefit obligation, beginning of year	\$ 5,324	\$ 5,769	\$ 1,146	\$ 1,099	\$ 208	\$ 229	\$ 75	\$ 64
Service cost	19	192	31	43	2	5	3	3
Interest cost	181	220	21	25	7	8	3	3
Actuarial (gain) loss	118	(423)	98	(16)	(2)	(23)	-	9
Benefits paid:								
AIG assets	(24)	(17)	(12)	(9)	(14)	(11)	(1)	(1)
Plan assets	(332)	(285)	(35)	(24)	-	-	-	-
Plan amendment	-	(132)	1	24	-	-	-	-
Curtailments	-	-	(2)	-	(1)	-	-	-
Settlements	(338)	-	(16)	(15)	-	-	-	-
Foreign exchange effect	-	-	19	(67)	-	-	-	(3)
Acquisitions	-	-	-	72	-	-	-	-
Other	-	-	(5)	14	(4)	-	-	-
Projected benefit obligation, end of year	\$ 4,948	\$ 5,324	\$ 1,246	\$ 1,146	\$ 196	\$ 208	\$ 80	\$ 75
Change in plan assets:								
Fair value of plan assets, beginning of year	\$ 4,359	\$ 4,111	\$ 773	\$ 708	-\$	-\$	-\$	-
Actual return on plan assets, net of expenses	154	(8)	19	47	-	-	-	-
AIG contributions	24	558	71	62	14	11	1	1
Benefits paid:								
AIG assets	(24)	(17)	(12)	(9)	(14)	(11)	(1)	(1)
Plan assets	(332)	(285)	(35)	(24)	-	-	-	-
Settlements	(338)	-	(16)	(15)	-	-	-	-
Foreign exchange effect	-	-	6	(44)	-	-	-	-
Dispositions	-	-	(4)	-	-	-	-	-
Acquisitions	-	-	-	35	-	-	-	-
Other	-	-	1	13	-	-	-	-
Fair value of plan assets, end of year	\$ 3,843	\$ 4,359	\$ 803	\$ 773	-\$	-\$	-\$	-
Funded status, end of year	\$(1,105)	\$(965)	\$(443)	\$(373)	\$(196)	\$(208)	\$(80)	\$(75)
Amounts recognized in the balance sheet:								
Assets	\$ -	\$ -	\$ 53	\$ 46	\$ -	\$ -	\$ -	\$ -
Liabilities	(1,105)	(965)	(496)	(419)	(196)	(208)	(80)	(75)
Total amounts recognized	\$(1,105)	\$(965)	\$(443)	\$(373)	\$(196)	\$(208)	\$(80)	\$(75)

Pre-tax amounts recognized in Accumulated other comprehensive income:

Net gain (loss)	\$ (1,405)	\$ (1,324)	\$ (251)	\$ (161)	\$ 17	13	\$ (15)	\$ (16)
Prior service (cost) credit	-	-	(28)	(16)	2	13	-	-
Total amounts recognized	\$ (1,405)	\$ (1,324)	\$ (279)	\$ (177)	\$ 19	26	\$ (15)	\$ (16)

* Includes non-qualified unfunded plans of which the aggregate projected benefit obligation was \$278 million and \$299 million for the U.S. at December 31, 2016 and 2015, respectively, and \$199 million for the non-U.S. for both 2016 and 2015.

The following table presents the accumulated benefit obligations for U.S. and non-U.S. pension benefit plans:

At December 31,

(in millions)

		2016		2015
U.S. pension benefit plans	\$	4,948	\$	5,324
Non-U.S. pension benefit plans	\$	1,215	\$	1,109

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ITEM 8 | Notes to Consolidated Financial Statements | 21. Employee Benefits

Defined benefit plan obligations in which the projected benefit obligation was in excess of the related plan assets and the accumulated benefit obligation was in excess of the related plan assets were as follows:

At December 31, (in millions)	PBO Exceeds Fair Value of Plan Assets				ABO Exceeds Fair Value of Plan Assets			
	U.S. Plans		Non-U.S. Plans		U.S. Plans		Non-U.S. Plans	
	2016	2015	2016	2015	2016	2015	2016	2015
Projected benefit obligation	\$ 4,948	\$ 5,324	\$ 1,121	\$ 999	\$ 4,948	\$ 5,324	\$ 1,029	\$ 912
Accumulated benefit obligation	4,948	5,324	1,016	896	4,948	5,324	1,009	889
Fair value of plan assets	3,843	4,359	545	506	3,843	4,359	536	497

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

Years Ended December 31, (in millions)	Pension						Postretirement			
	U.S. Plans			Non-U.S. Plans			U.S. Plans		Non-U.S. Plans	
	2016	2015	2014	2016	2015	2014	2016	2015	2014	2016
Components of net periodic benefit cost:										
Service cost	\$ 19	\$ 192	\$ 173	\$ 31	\$ 43	\$ 42	\$ 2	\$ 5	\$ 4	\$ 3
Interest cost	181	220	228	21	25	29	7	8	9	3
Expected return on assets	(292)	(295)	(288)	(26)	(25)	(22)	-	-	-	-
Amortization of prior service credit	-	(22)	(33)	-	(2)	(3)	(12)	(11)	(11)	-
Amortization of net (gain) loss	25	92	42	7	9	7	(1)	-	-	1
Curtailment (gain) loss	-	(179)	-	(6)	(1)	1	(1)	-	-	-
Settlement loss	149	-	-	2	1	-	-	-	-	-
Net periodic benefit cost (credit)	\$ 82	\$ 8	\$ 122	\$ 29	\$ 50	\$ 54	\$ (5)	\$ 2	\$ 2	\$ 7
Total recognized in Accumulated other comprehensive income (loss)	\$ (82)	\$ 143	\$ (793)	\$ (101)	\$ 38	\$ (40)	\$ (7)	\$ 12	\$ (21)	\$ 1
Total recognized in net periodic benefit cost and other comprehensive income (loss)	\$ (164)	\$ 135	\$ (915)	\$ (130)	\$ (12)	\$ (94)	\$ (2)	\$ 10	\$ (23)	\$ (6)

The estimated net loss and prior service credit that will be amortized from Accumulated other comprehensive income into net periodic benefit cost over the next fiscal year are \$41 million and \$0.3 million, respectively, for our combined defined benefit pension plans. For the defined benefit postretirement plans, the estimated amortization from Accumulated other comprehensive income for net loss and prior service credit that will be amortized into net periodic benefit cost over the next fiscal year is a \$0.8 million credit in the aggregate.

As of 2016, interest cost for pension and postretirement benefits for our U.S. plans and largest non-U.S. plans is measured by applying the specific spot rates along the yield curve to the plans' corresponding

discounted cash flows that comprise the obligation (the Spot Rate Approach). This method provides a more precise measurement of interest cost by aligning the timing of the plans' discounted cash flows to the corresponding spot rates on the yield curve. Previously, interest cost was measured utilizing a single weighted-average discount rate derived from the yield curve used to measure the benefit obligations.

A 100 basis point increase in the discount rate or expected long-term rate of return would decrease the 2017 pension expense by approximately \$20 million and \$45 million, respectively, with all other items remaining the same. Conversely, a 100 basis point decrease in the discount rate or expected long-term rate of return would increase the 2017 pension expense by approximately \$24 million and \$45 million, respectively, with all other items remaining the same.

ITEM 8 | **Notes to Consolidated Financial Statements** | **21. Employee Benefits****Assumptions**

The following table summarizes the weighted average assumptions used to determine the benefit obligations:

	Pension		Postretirement	
	U.S. Plans	Non-U.S. Plans ^(a)	U.S. Plans	Non-U.S. Plans ^(a)
December 31, 2016				
Discount rate	4.14%	1.50%	4.02%	3.95%
Rate of compensation increase	N/A (b)	2.50%	N/A	3.38%
December 31, 2015				
Discount rate	4.32%	2.17%	4.21%	4.09%
Rate of compensation increase	N/A (b)	2.64%	N/A	3.43%

(a) The non-U.S. plans reflect those assumptions that were most appropriate for the local economic environments of each of the subsidiaries providing such benefits.

(b) Compensation increases are no longer applicable due to the plan freeze that became effective January 1, 2016.

The following table summarizes assumed health care cost trend rates for the U.S. plans:

At December 31,	2016	2015
Following year:		
Medical (before age 65)	6.31%	6.79%
Medical (age 65 and older)	5.00%	6.64%
Ultimate rate to which cost increase is assumed to decline	4.50%	4.50%
Year in which the ultimate trend rate is reached:		
Medical (before age 65)	2038	2027
Medical (age 65 and older)	2038	2027

A one percent point change in the assumed healthcare cost trend rate would have the following effect on our postretirement benefit obligations:

At December 31, <i>(in millions)</i>	One Percent Increase		One Percent Decrease	
	2016	2015	2016	2015
U.S. plans	\$ 4	\$ 6	\$ (3)	\$ (4)
Non-U.S. plans	\$ 19	\$ 17	\$ (14)	\$ (12)

Our postretirement plans provide benefits primarily in the form of defined employer contributions rather than defined employer benefits. Changes in the assumed healthcare cost trend rate have a minimal impact for U.S. plans because for post-1992 retirees, benefits are fixed dollar amounts based on service at retirement. Our non-U.S. postretirement plans are not subject to caps.

The following table presents the weighted average assumptions used to determine the net periodic benefit costs:

	Pension		Postretirement	
	U.S. Plans	Non-U.S. Plans*	U.S. Plans	Non-U.S. Plans*
For the Year Ended December 31, 2016				
Discount rate	4.33%	2.17%	4.21%	4.09%
Rate of compensation increase	N/A	2.64%	N/A	3.43%
Expected return on assets	7.00%	3.28%	N/A	N/A
For the Year Ended December 31, 2015				
Discount rate	3.94%	2.33%	3.77%	4.04%
Rate of compensation increase	3.40%	2.89%	N/A	3.29%
Expected return on assets	7.25%	3.33%	N/A	N/A
For the Year Ended December 31, 2014				
Discount rate	4.83%	2.77%	4.59%	4.77%
Rate of compensation increase	3.50%	2.89%	N/A	3.34%
Expected return on assets	7.25%	2.93%	N/A	N/A

* The non-U.S. plans reflect those assumptions that were most appropriate for the local economic environments of the subsidiaries providing such benefits.

ITEM 8 | **Notes to Consolidated Financial Statements** | **21. Employee Benefits****Discount Rate Methodology**

The projected benefit cash flows under the U.S. AIG Retirement Plan were discounted using the spot rates derived from the Mercer US Pension Discount Yield Curve at December 31, 2016 and 2015, which resulted in a single discount rate that would produce the same liability at the respective measurement dates. The discount rates were 4.15 percent at December 31, 2016 and 4.32 percent at December 31, 2015. The methodology was consistently applied for the respective years in determining the discount rates for the other U.S. pension plans.

In general, the discount rates for non-U.S. pension plans were developed based on the duration of liabilities on a plan by plan basis and were selected by reference to high quality corporate bonds in developed markets or local government bonds where developed markets are not as robust or are nonexistent.

The projected benefit obligation for AIG's Japan pension plans represents approximately 54 percent and 50 percent of the total projected benefit obligations for our non-U.S. pension plans at December 31, 2016 and 2015, respectively. The weighted average discount rate of 0.47 percent and 0.99 percent at December 31, 2016 and 2015, respectively, was selected by reference to the Mercer Yield Curve (Japan) based on the duration of the plans' liabilities.

Plan Assets

The investment strategy with respect to assets relating to our U.S. and non-U.S. pension plans is designed to achieve investment returns that will provide for the benefit obligations of the plans over the long term, limit the risk of short-term funding shortfalls and maintain liquidity sufficient to address cash needs. Accordingly, the asset allocation strategy is designed to maximize the investment rate of return while managing various risk factors, including, but not limited to, volatility relative to the benefit obligations, liquidity, diversification and concentration, and incorporates the risk/return profile applicable to each asset class.

There were no shares of AIG Common Stock included in the U.S. and non-U.S. pension plans assets at December 31, 2016 or 2015.

U.S. Pension Plan

The assets of the qualified plan are monitored by the AIG U.S. Investment Committee and actively managed by the investment managers, which involves allocating the plan's assets among approved asset classes within ranges as permitted by the strategic allocation. The long-term strategic asset allocation historically has been reviewed and revised approximately every three years. Beginning in 2016, the investment strategy focus is on de-risking the Plan via regular monitoring. This was implemented through liability driven investing and the adoption of the glide path approach, where the glide path defines the target allocation for the "Return-Seeking" portion of the portfolio (i.e., growth assets) based on the funded ratio. Under this approach, the allocation to growth assets is reduced and the allocation to liability-hedging assets is increased as the Plan's funded ratio increases in accordance with the defined glide path.

The following table presents the asset allocation percentage by major asset class for the U.S. qualified plan and the target allocation for 2017 based on the plan's funded status at December 31, 2016:

At December 31, Asset class:	Target 2017	Actual 2016	Actual 2015
Equity securities	45%	43%	35%
Fixed maturity securities	40%	36%	41%
Other investments	15%	21%	24%
Total	100%	100%	100%

The expected long-term rate of return for the plan was 7.0 percent and 7.25 percent for 2016 and 2015, respectively. The expected rate of return is an aggregation of expected returns within each asset class category, weighted for the investment mix of the assets. The combination of the expected asset return and any contributions made by us are expected to maintain the plan's ability to meet all required benefit obligations. The expected asset return for each asset class was developed based on an approach that considers key fundamental drivers of the asset class returns in addition to historical returns, current market conditions, asset volatility and the expectations for future market returns.

Non-U.S. Pension Plans

The assets of the non-U.S. pension plans are held in various trusts in multiple countries and are invested primarily in equities and fixed maturity securities to maximize the long-term return on assets for a given level of risk.

ITEM 8 | Notes to Consolidated Financial Statements | 21. Employee Benefits

The following table presents the asset allocation percentage by major asset class for non-U.S. pension plans and the target allocation:

At December 31, Asset class:	Target 2017	Actual 2016	Actual 2015
Equity securities	30%	44%	45%
Fixed maturity securities	50%	36%	35%
Other investments	18%	14%	13%
Cash and cash equivalents	2%	6%	7%
Total	100%	100%	100%

The assets of AIG's Japan pension plans represent approximately 56 percent and 54 percent of total non-U.S. assets at December 31, 2016 and 2015 respectively. The expected long term rate of return was 2.61 percent and 1.71 percent, for 2016 and 2015, respectively, and is evaluated by the Japanese Pension Investment Committee on a quarterly and annual basis along with various investment managers, and is revised to achieve the optimal allocation to meet targeted funding levels if necessary. In addition, the funding policy is revised in accordance with local regulation every five years.

The expected weighted average long-term rate of return for all our non-U.S. pension plans was 3.28 percent and 3.33 percent for the years ended December 31, 2016 and 2015, respectively. It is an aggregation of expected returns within each asset class that was generally developed based on the building block approach that considers historical returns, current market conditions, asset volatility and the expectations for future market returns.

Assets Measured at Fair Value

The following table presents information about our plan assets and indicates the level of the fair value measurement based on the observability of the inputs used. The inputs and methodology used in determining the fair value of these assets are consistent with those used to measure our assets as discussed in Note 5 herein.

(in millions)	U.S. Plans			Non-U.S. Plans				
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
At December 31, 2016								
Assets:								
Cash and cash equivalents	\$ 228	\$ -	\$ -	\$ 228	\$ 50	\$ -	\$ -	\$ 50
Equity securities:								
U.S. ^(a)	838	1	-	839	-	-	-	-
International ^(b)	377	-	-	377	298	58	-	356
Fixed maturity securities:								
U.S. investment grade ^(c)	-	1,174	2	1,176	-	-	-	-
International investment grade ^(c)	-	-	-	-	-	90	-	90

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U.S. and international high yield ^(d)	-	218	-	218	-	186	-	186
Mortgage and other asset-backed securities ^(e)	-	-	-	-	-	-	-	-
Other fixed maturity securities	-	-	-	-	-	13	-	13
Other investment types^(g):								
Futures	-	-	-	-	-	-	-	-
Direct private equity ^(f)	-	-	24	24	-	-	-	-
Insurance contracts	-	21	-	21	-	-	108	108
Total	\$ 1,443	\$ 1,414	\$ 26	\$ 2,883	\$ 348	\$ 347	\$ 108	\$ 803

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ITEM 8 | Notes to Consolidated Financial Statements | 21. Employee Benefits

At December 31, 2015**Assets:**

Cash and cash equivalents	\$ 239	\$ -	\$ -	\$ 239	\$ 49	\$ -	\$ -	\$ 49
Equity securities:								
U.S. ^(a)	924	-	-	924	35	-	-	35
International ^(b)	262	1	-	263	248	67	-	315
Fixed maturity securities:								
U.S. investment grade ^(c)	-	1,452	9	1,461	-	-	-	-
International investment grade ^(c)	-	-	-	-	-	190	-	190
U.S. and international high yield ^(d)	-	322	-	322	-	66	-	66
Mortgage and other asset-backed securities ^(e)	-	7	-	7	-	-	-	-
Other fixed maturity securities	-	-	-	-	-	12	-	12
Other investment types^(g):								
Futures	2	-	-	2	-	-	-	-
Real Estate	-	-	-	-	11	-	-	11
Direct private equity ^(f)	-	5	28	33	-	-	-	-
Insurance contracts	-	23	-	23	-	-	95	95
Total	\$ 1,427	\$ 1,810	\$ 37	\$ 3,274	\$ 343	\$ 335	\$ 95	\$ 773

(a) Includes passive and active U.S. Large Cap and Small Cap strategies, as well as mutual funds, and exchange traded funds.

(b) Includes investments in companies in emerging and developed markets.

(c) Represents investments in U.S. and non-U.S. government issued bonds, U.S. government agency or sponsored agency bonds, and investment grade corporate bonds.

(d) Consists primarily of investments in securities or debt obligations that have a rating below investment grade.

(e) Comprised primarily of investments in U.S. government agency or U.S. government sponsored agency bonds.

(f) Comprised of private capital financing including private debt and private equity securities.

(g) Excludes investments that are measured at fair value using the NAV per share (or its equivalent), which totaled \$960 million and \$1.1 billion at December 31, 2016 and 2015, respectively.

The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in these securities. Based on our investment strategy, we had no significant concentrations of risks at December 31, 2016.

The U.S. pension plan holds a group annuity contract with U.S. Life, one of our subsidiaries, which totaled \$21 million and \$23 million at December 31, 2016 and 2015, respectively.

Changes in Level 3 Fair Value Measurements

The following table presents changes in our U.S. and non-U.S. Level 3 plan assets measured at fair value:

At December 31, 2016 <i>(in millions)</i>	Balance Beginning of year	Net Realized and Unrealized Gains (Losses)	Purchases	Sales	Issuances	Settlements	Transf
U.S. Plan Assets:							
Fixed maturity securities							
U.S. investment grade	\$ 9\$	1\$	2\$	(10)\$	-\$	-\$	-\$
Direct private equity	28	(4)	4	(4)	-	-	-
Total	\$ 37\$	(3)\$	6\$	(14)\$	-\$	-\$	-\$
Non-U.S. Plan Assets:							
Other fixed maturity securities	\$ -\$	-\$	-\$	-\$	-\$	-\$	-\$
Insurance contracts	95	12	1	-	-	-	-
Total	\$ 95\$	12\$	1\$	-\$	-\$	-\$	-\$
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ITEM 8 | **Notes to Consolidated Financial Statements** | **21. Employee Benefits**

At December 31, 2015 <i>(in millions)</i>	Balance Beginning of year	Net Realized and Unrealized Gains (Losses)	Purchases	Sales	Issuances	Settlements	Transfers
U.S. Plan Assets:							
Fixed maturity securities							
U.S. investment grade	\$ 8\$	(1)\$	17\$	(15)\$	-\$	-\$	-\$
Direct private equity	17	2	10	(1)	-	-	-
Total	\$ 25\$	1\$	27\$	(16)\$	-\$	-\$	-\$
Non-U.S. Plan Assets:							
Other fixed maturity securities	\$ 17\$	(1)\$	-\$	-\$	-\$	-\$	-\$
Insurance contracts	56	(7)	1	-	-	-	-
Total	\$ 73\$	(8)\$	1\$	-\$	-\$	-\$	-\$
Transfers of Level 1 and Level 2 Assets							

Our policy is to record transfers of assets between Level 1 and Level 2 at their fair values as of the end of each reporting period, consistent with the date of the determination of fair value. Assets are transferred out of Level 1 when they are no longer transacted with sufficient frequency and volume in an active market. Conversely, assets are transferred from Level 2 to Level 1 when transaction volume and frequency are indicative of an active market. We had no material transfers between Level 1 and Level 2 during the years ended December 31, 2016 and 2015.

Transfers of Level 3 Assets

We record transfers of assets 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. During the year ended December 31, 2016, we had no material transfers in or out of Level 3.

Expected Cash Flows

Funding for the qualified plan ranges from the minimum amount required by ERISA to the maximum amount that would be deductible for U.S. tax purposes. Contributed amounts in excess of the minimum amounts are deemed voluntary. Amounts in excess of the maximum amount would be subject to an excise tax and may not be deductible under the Internal Revenue Code. There are no minimum required cash contributions in 2017 for the AIG Retirement Plan. The non-qualified and postretirement plans' benefit payments are deductible when paid to participants.

Our annual pension contribution in 2017 is expected to be approximately \$70 million for our U.S. and non-U.S. pension plans. This estimate is subject to change, since contribution decisions are affected by various factors including our liquidity, market performance and management's discretion.

The expected future benefit payments, net of participants' contributions, with respect to the defined benefit pension plans and other postretirement benefit plans, are as follows:

<i>(in millions)</i>	Pension		Postretirement	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
2017	\$ 313	\$ 38	\$ 15	\$ 1
2018	305	39	15	2
2019	318	44	15	2
2020	312	45	16	2
2021	308	47	16	2
2022-2026	1,477	275	82	13

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ITEM 8 | **Notes to Consolidated Financial Statements** | **21. Employee Benefits****Defined Contribution Plans**

We sponsor several defined contribution plans for U.S. employees that provide for pre-tax salary reduction contributions by employees. The most significant plan is the AIG Incentive Savings Plan, for which the matching contribution is 100 percent of the first six percent of a participant's contributions, subject to the IRS-imposed limitations. Effective January 1, 2016, participants in the AIG Incentive Savings Plan receive an additional fully vested, non-elective, non-discretionary contribution equal to three percent of the participant's annual base compensation for the plan year, paid each pay period regardless of whether the participant currently contributes to the plan, and subject to the IRS-imposed limitations. Our pre-tax expenses associated with these plans were \$236 million, \$166 million and \$156 million in 2016, 2015 and 2014, respectively.

22. Ownership

A Schedule 13G/A filed on January 19, 2017 reports aggregate ownership of 64,426,821 shares, or approximately 6.5 percent (based on the AIG Common Stock outstanding) of AIG Common Stock as of December 31, 2016, by Blackrock, Inc. and various subsidiaries thereof.

A Schedule 13G filed on February 13, 2017 reports aggregate ownership of 77,926,159 shares, or approximately 7.8 percent (based on the AIG Common Stock outstanding) of AIG Common Stock as of December 31, 2016, by Capital Research Global Investors, a division of Capital Research and Management Company.

A Schedule 13G/A filed on February 9, 2017 reports aggregate ownership of 62,619,185 shares, or approximately 6.3 percent (based on the AIG Common Stock outstanding) of AIG Common Stock as of December 31, 2016, by The Vanguard Group, Inc. and various subsidiaries thereof.

The calculation of ownership interest for purposes of the AIG Tax Asset Protection Plan and Article 13 of our Restated Certificate of Incorporation is different than beneficial ownership for Schedule 13G.

23. INCOME TAXES

The following table presents income (loss) from continuing operations before income tax expense (benefit) by U.S. and foreign location in which such pre-tax income (loss) was earned or incurred:

Years Ended December 31, <i>(in millions)</i>	2016	2015	2014
U.S.	\$ 1,041	\$ 1,950	\$ 8,250
Foreign	(1,115)	1,331	2,251

Total **\$ (74)** **\$ 3,281** **\$ 10,501**
The following table presents the income tax expense (benefit) attributable to pre-tax income (loss) from continuing operations:

Years Ended December 31, <i>(in millions)</i>	2016	2015	2014
Foreign and U.S. components of actual income tax expense:			
Foreign:			
Current	\$ 436	\$ 391	\$ 473
Deferred	(121)	(95)	154
U.S.:			
Current	140	429	115
Deferred	(270)	334	2,185
Total	\$ 185	\$ 1,059	\$ 2,927

ITEM 8 | Notes to Consolidated Financial Statements | 23. Income Taxes

Our 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:

Years Ended December 31,	2016			2015		
	Pre-Tax Income	Tax Expense/ (Benefit)	Percent of Pre-Tax Income (Loss)	Pre-Tax Income	Tax Expense/ (Benefit)	Percent of Pre-Tax Income (Loss)
<i>(dollars in millions)</i>	(Loss)	(Benefit)	Income (Loss)	(Loss)	(Benefit)	(Loss)
U.S. federal income tax at statutory rate	\$ (159)	\$ (56)	35.0%	\$ 3,281	\$ 1,148	35.0%
Adjustments:						
Tax exempt interest		(178)	111.9		(195)	(5.9)
Uncertain tax positions		268	(168.6)		195	5.9
Reclassifications from accumulated other comprehensive income		(132)	83.0		(127)	(3.9)
Dispositions of Subsidiaries		118	(74.2)		-	-
Tax Attribute Restoration		(164)	103.1		-	-
Non-controlling Interest		(81)	50.9		-	-
Non-deductible transfer pricing charges		102	(64.2)		97	3.0
Dividends received deduction		(75)	47.2		(72)	(2.2)
Effect of foreign operations		234	(147.2)		(58)	(1.8)
State income taxes		23	(14.5)		34	1.0
Other		13	(8.2)		(73)	(2.2)
Effect of discontinued operations		35	(22.0)		-	-
Valuation allowance:						
Continuing operations		83	(52.2)		110	3.4
Consolidated total amounts	(159)	190	(119.5)	3,281	1,059	32.3
Amounts attributable to discontinued operations	(85)	5	(5.9)	-	-	-
Amounts attributable to continuing operations	\$ (74)	\$ 185	(250.0)%	\$ 3,281	\$ 1,059	32.3

For the year ended December 31, 2016, the effective tax rate on loss from continuing operations was not meaningful. The effective tax rate on loss from continuing operations differs from the statutory tax rate of 35 percent primarily due to tax charges of \$234 million associated with effect of foreign operations, \$216 million of tax charges and related interest associated with increases in uncertain tax positions related to cross border financing transactions, \$118 million related to disposition of subsidiaries, \$102 million related to non-deductible transfer pricing charges, and \$83 million related to increases in the deferred tax asset valuation allowances associated with U.S. federal and certain foreign jurisdictions, partially offset by tax benefits of \$253 million of tax exempt income, \$164 million associated with a portion of the U.S. Life Insurance Companies capital loss carryforwards previously treated as expired that was restored and utilized, \$116 million related to the impact of an agreement reached with the Internal Revenue Service

(IRS) related to certain tax issues under audit, and \$132 million of reclassifications from accumulated other comprehensive income to income from continuing operations related to the disposal of available for sale securities. Effect of foreign operations is primarily related to foreign exchange losses incurred by our foreign subsidiaries related to the weakening of the British pound following the Brexit vote taxed at a statutory tax rate lower than 35 percent.

For the year ended December 31, 2016, our repatriation assumptions with respect to certain European operations remain unchanged and related foreign earnings continue to be indefinitely reinvested. Our repatriation assumptions related to certain operations in Canada, South Africa and Asia Pacific region have changed and related foreign earnings are now considered to be indefinitely reinvested. These earnings relate to ongoing operations and have been reinvested in active non-U.S. business operations. Further, we do not intend to repatriate these earnings to fund U.S. operations. As a result, U.S. deferred taxes have not been provided on \$2 billion of accumulated earnings, including accumulated other comprehensive income, of these non-U.S. affiliates. Potential U.S. income tax liabilities related to such earnings would be offset, in whole or in part, by allowable foreign tax credits resulting from foreign taxes paid to foreign jurisdictions in which such operations are located. As a result, we currently believe that any incremental U.S. income tax liabilities relating to indefinitely reinvested foreign earnings would not be significant. Deferred taxes have been provided on earnings of non-U.S. affiliates whose earnings are not indefinitely reinvested.

For the year ended December 31, 2015, the effective tax rate on income from continuing operations was 32.3 percent. The effective tax rate on income from continuing operations differs from the statutory tax rate of 35 percent primarily due to tax benefits of \$195 million associated with tax exempt interest income, \$127 million related to reclassifications from accumulated other comprehensive

ITEM 8 | **Notes to Consolidated Financial Statements** | **23. Income Taxes**

income to income from continuing operations related to the disposal of available for sale securities, \$58 million associated with the effect of foreign operations, and \$109 million related to the partial completion of the IRS examination covering tax year 2006, partially offset by \$324 million of tax charges and related interest associated with increases in uncertain tax positions related to cross border financing transactions, and \$110 million related to increases in the deferred tax asset valuation allowances associated with certain foreign jurisdictions.

For the year ended December 31, 2014, the effective tax rate on income from continuing operations was 27.9 percent. The effective tax rate on income from continuing operations differs from the statutory tax rate of 35 percent primarily due to tax benefits of \$236 million associated with tax exempt interest income, \$209 million related to a decrease in the U.S. Life Insurance Companies' capital loss carryforward valuation allowance, \$182 million of income excludible from gross income related to the global resolution of certain residential mortgage-related disputes and \$68 million associated with the effect of foreign operations.

The following table presents the components of the net deferred tax assets (liabilities):

December 31,

(in millions)

Deferred tax assets:

	2016	2015
Losses and tax credit carryforwards	\$ 16,448	\$ 18,680
Basis differences on investments	4,985	4,886
Life policy reserves	3,040	353
Accruals not currently deductible, and other	1,128	1,003
Investments in foreign subsidiaries	103	-
Loss reserve discount	1,151	1,021
Loan loss and other reserves	39	8
Unearned premium reserve reduction	924	1,603
Flight equipment, fixed assets and intangible assets	478	129
Other	710	577
Employee benefits	1,171	1,286
Total deferred tax assets	30,177	29,546
Deferred tax liabilities:		
Investments in foreign subsidiaries	-	(33)
Deferred policy acquisition costs	(3,790)	(3,467)
Unrealized gains related to available for sale debt securities	(2,844)	(3,077)
Total deferred tax liabilities	(6,634)	(6,577)
Net deferred tax assets before valuation allowance	23,543	22,969
Valuation allowance	(2,831)	(3,012)
Net deferred tax assets (liabilities)	\$ 20,712	\$ 19,957

The following table presents our U.S. consolidated income tax group tax losses and credits carryforwards as of December 31, 2016.

December 31, 2016*(in millions)*

	Gross	Tax Effected	Expiration Periods
Net operating loss carryforwards	\$34,618	\$ 12,116	2028 - 2035
Foreign tax credit carryforwards		4,917	2018 - 2023
Other carryforwards		737	Various
Total AIG U.S. consolidated income tax group tax losses and credits carryforwards on a tax return basis		17,770	
Unrecognized tax benefit		(2,903)	
Total AIG U.S. consolidated income tax group tax losses and credits carryforwards on a U.S. GAAP basis*		\$ 14,867	

* Includes other carryforwards, e.g. general business credits, of \$96 million on a U.S. GAAP basis.

We have U.S. federal consolidated net operating loss and tax credit carryforwards of approximately \$14.9 billion. The carryforward periods for our foreign tax credits begin to expire in 2019. As detailed in the Assessment of Deferred Tax Asset Valuation Allowance section of this footnote, we determined that it is more likely than not that our U.S. federal consolidated tax attribute carryforwards will be realized prior to their expiration.

Assessment of Deferred Tax Asset Valuation Allowance

The evaluation of the recoverability of our deferred tax asset and the need for a valuation allowance requires us to weigh all positive and negative evidence to reach a conclusion that it is more likely than not that all or some portion of the deferred tax asset will not be realized. The weight given to the evidence is commensurate with the extent to which it can be objectively verified. The more negative evidence that exists, the more positive evidence is necessary and the more difficult it is to support a conclusion that a valuation allowance is not needed.

Our framework for assessing the recoverability of the deferred tax asset requires us to consider all available evidence, including:

- the nature, frequency, and amount of cumulative financial reporting income and losses in recent years;
- the sustainability of recent operating profitability of our subsidiaries;
- the predictability of future operating profitability of the character necessary to realize the net deferred tax asset;
- the carryforward period for the net operating loss, capital loss and foreign tax credit carryforwards, including the effect of reversing taxable temporary differences; and
- prudent and feasible actions and tax planning strategies that would be implemented, if necessary, to protect against the loss of the deferred tax asset.

In performing our assessment of the recoverability of the deferred tax asset under this framework, we consider tax laws governing the utilization of the net operating loss, capital loss and foreign tax credit carryforwards in each applicable jurisdiction. Under U.S. tax law, a company generally must use its net operating loss carryforwards before it can use its foreign tax credit carryforwards, even though the carryforward period for the foreign tax credit is shorter than for the net operating loss. Our U.S. federal consolidated income tax group includes both life companies and non-life companies. While the U.S. taxable income of our non-life companies can be offset by the net operating loss carryforwards, only a portion (no more than 35 percent) of the U.S. taxable income of our life companies can be offset by those net operating loss carryforwards. The remaining tax liability of our life companies can be offset by the foreign tax credit carryforwards. Accordingly, we utilize both the net operating loss and foreign tax credit carryforwards concurrently which enables us to realize our tax attributes prior to expiration. As of December 31, 2016, based on all available evidence, it is more likely than not that the U.S. net operating loss and foreign tax credit carryforwards will be utilized prior to expiration and, thus, no valuation allowance has been established.

Estimates of future taxable income, including income generated from prudent and feasible actions and tax planning strategies could change in the near term, perhaps materially, which may require us to consider any potential impact to our assessment of the recoverability of the deferred tax asset. Such potential impact could be material to our consolidated financial condition or results of operations for an individual reporting period.

For the year ended December 31, 2016, recent changes in market conditions, including interest rate fluctuations, impacted the unrealized tax gains and losses in the U.S. Life Insurance Companies' available for sale securities portfolio, resulting in a decrease to the net deferred tax asset related to net unrealized tax capital losses. As a result, for the year ended December 31, 2016, we released \$682 million of valuation allowance associated with the unrealized tax losses in the U.S. Life Insurance Companies, all of which was allocated to other comprehensive income.

For both the three-month period and the year ended December 31, 2016, recent changes in market conditions and sales of securities that resulted in the reclassification of gains into continuing operations, impacted the unrealized tax gains and losses in the non-life companies' available for sale securities portfolio, resulting in an increase to the net deferred tax asset related to net unrealized tax capital losses. As a result, we established \$260 million of valuation allowance associated with the unrealized tax losses in the non-life companies' available for sale securities portfolio, all of which was recognized in other comprehensive income.

As of December 31, 2016, based on all available evidence, we concluded that a valuation allowance of \$728 million should remain on a portion of the deferred tax asset related to unrealized losses that are not more-likely-than-not to be realized.

During the year ended December 31, 2016, we recognized a net increase of \$69 million in our deferred tax asset valuation allowance associated with certain foreign jurisdictions, primarily attributable to current year losses, changes in projections of taxable income and changes in tax law.

During the year ended December 31, 2016, we recognized a net increase of \$170 million in our deferred tax asset valuation allowance associated with certain state jurisdictions, primarily attributable to current year losses, legislative state tax law changes and changes to state effective tax rates.

ITEM 8 | **Notes to Consolidated Financial Statements** | **23. Income Taxes**

The following table presents the net deferred tax assets (liabilities) at December 31, 2016 and 2015 on a U.S. GAAP basis:

December 31, (in millions)	2016	2015
Net U.S. consolidated return group deferred tax assets	\$ 24,134	\$ 24,134
Net deferred tax assets (liabilities) in accumulated other comprehensive income	(2,384)	(2,806)
Valuation allowance	(874)	(1,281)
Subtotal	20,876	20,047
Net foreign, state and local deferred tax assets	2,413	2,078
Valuation allowance	(1,957)	(1,731)
Subtotal	456	347
Subtotal - Net U.S., foreign, state and local deferred tax assets	21,332	20,394
Net foreign, state and local deferred tax liabilities	(620)	(437)
Total AIG net deferred tax assets (liabilities)	\$ 20,712	\$ 19,957
Deferred Tax Asset Valuation Allowance of U.S. Consolidated FEDERAL Income Tax Group		

At December 31, 2016 and 2015, our U.S. consolidated income tax group had net deferred tax assets after valuation allowance of \$20.9 billion and \$20.0 billion, respectively. At December 31, 2016 and 2015, our U.S. consolidated income tax group had valuation allowances of \$874 million and \$1.3 billion, respectively.

Deferred Tax Liability — Foreign, State and Local

At December 31, 2016 and 2015, we had net deferred tax liabilities of \$164 million and \$90 million, respectively, related to foreign subsidiaries, state and local tax jurisdictions, and certain domestic subsidiaries that file separate tax returns.

At December 31, 2016 and 2015, we had deferred tax asset valuation allowances of \$2 billion and \$1.7 billion, respectively, related to foreign subsidiaries, state and local tax jurisdictions, and certain domestic subsidiaries that file separate tax returns. We maintained these valuation allowances following our conclusion that we could not demonstrate that it was more likely than not that the related deferred tax assets will be realized. This was primarily due to factors such as cumulative losses in recent years and the inability to demonstrate profits within the specific jurisdictions over the relevant carryforward periods.

Tax Examinations and Litigation

We file a consolidated U.S. federal income tax return with our eligible U.S. subsidiaries. Income earned by subsidiaries operating outside the U.S. is taxed, and income tax expense is recorded, based on applicable U.S. and foreign law.

The statute of limitations for all tax years prior to 2000 has expired for our consolidated federal income tax return. We are currently under examination for the tax years 2000 through 2010.

On March 20, 2008, we received a Statutory Notice of Deficiency (Notice) from the IRS for years 1997 to 1999. The Notice asserted that we owe additional taxes and penalties for these years primarily due to the disallowance of foreign tax credits associated with cross-border financing transactions. The transactions that are the subject of the Notice extend beyond the period covered by the Notice, and the IRS has administratively challenged the later periods. The IRS has also administratively challenged other cross-border transactions in later years. We have paid the assessed tax plus interest and penalties for 1997 to 1999. On February 26, 2009, we filed a complaint in the United States District Court for the Southern District of New York (Southern District) seeking a refund of approximately \$306 million in taxes, interest and penalties paid with respect to the 1997 taxable year. We allege that the IRS improperly disallowed foreign tax credits and that our taxable income should be reduced as a result of the 2005 restatement of our consolidated financial statements.

We also filed an administrative refund claim on September 9, 2010 for our 1998 and 1999 tax years.

On August 1, 2012, we filed a motion for partial summary judgment related to the disallowance of foreign tax credits associated with cross border financing transactions in the Southern District of New York. The Southern District of New York denied our summary judgment motion and upon AIG's appeal, the U.S. Court of Appeals for the Second Circuit (the Second Circuit) affirmed the denial. AIG's petition for certiorari to the U.S. Supreme Court from the decision of the Second Circuit was denied on March 7, 2016. As a result, the case has been remanded back to the Southern District of New York for a jury trial.

ITEM 8 | **Notes to Consolidated Financial Statements** | **23. Income Taxes**

We will vigorously defend our position and continue to believe that we have adequate reserves for any liability that could result from these government actions. We continue to monitor legal and other developments in this area, including recent decisions affecting other taxpayers, and evaluate their effect, if any, on our position.

Accounting For Uncertainty in Income Taxes

The following table presents a reconciliation of the beginning and ending balances of the total amounts of gross unrecognized tax benefits:

Years Ended December 31, <i>(in millions)</i>	2016	2015	2014
Gross unrecognized tax benefits, beginning of year	\$ 4,331	\$ 4,395	\$ 4,340
Increases in tax positions for prior years	235	162	91
Decreases in tax positions for prior years	(39)	(209)	(60)
Increases in tax positions for current year	3	-	10
Lapse in statute of limitations	-	(4)	(6)
Settlements	-	(13)	-
Activity of discontinued operations	-	-	20
Gross unrecognized tax benefits, end of year	\$ 4,530	\$ 4,331	\$ 4,395

At December 31, 2016, 2015 and 2014, our unrecognized tax benefits, excluding interest and penalties, were \$4.5 billion, \$4.3 billion and \$4.4 billion, respectively. The activity includes increases for amounts associated with cross border financing transactions partially offset by certain benefits realized due to an agreement reached with the Internal Revenue Service (IRS) related to certain tax issues under audit. At December 31, 2016, 2015 and 2014, our unrecognized tax benefits related to tax positions that, if recognized, would not affect the effective tax rate because they relate to such factors as the timing, rather than the permissibility, of the deduction were \$0.1 billion, \$0.1 billion and \$0.3 billion, respectively. Accordingly, at December 31, 2016, 2015 and 2014, the amounts of unrecognized tax benefits that, if recognized, would favorably affect the effective tax rate were \$4.4 billion, \$4.2 billion and \$4.1 billion, respectively.

Interest and penalties related to unrecognized tax benefits are recognized in income tax expense. At December 31, 2016, 2015, and 2014, we had accrued liabilities of \$1.2 billion, \$1.2 billion, and \$1.1 billion, respectively, for the payment of interest (net of the federal benefit) and penalties. For the years ended December 31, 2016, 2015, and 2014, we accrued expense of \$26 million, \$156 million and \$21 million, respectively, for the payment of interest (net of the federal benefit) and penalties. The reduction in interest accrued during 2016 as compared to 2015 is primarily related to benefits associated with an agreement reached with the IRS related to certain tax issues under audit, partially offset by an increase associated with cross border financing transactions.

We regularly evaluate adjustments proposed by taxing authorities. At December 31, 2016, such proposed adjustments would not have resulted in a material change to our consolidated financial condition, although it is possible that the effect could be material to our 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 12 months, based on the information currently available, we do not expect any change to be material to our consolidated financial condition.

Listed below are the tax years that remain subject to examination by major tax jurisdictions:

At December 31, 2016 Major Tax Jurisdiction	Open Tax Years
United States	2000-2015
Australia	2012-2015
France	2014-2015
Japan	2010-2015
Korea	2011-2015
Singapore	2012-2015
United Kingdom	2013-2015

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24. Quarterly Financial Information (Unaudited)

Consolidated Statements of Income (Loss)

<i>(dollars in millions, except per share data)</i>	Three Months Ended							
	March 31,		June 30,		September 30,		December 31,	
	2016	2015	2016	2015	2016	2015	2016	2015
Total revenues	\$11,779	\$15,975	\$14,724	\$15,699	\$12,854	\$12,822	\$13,010	\$13,831
Income (loss) from continuing operations before income taxes*	(214)	3,776	2,858	2,552	737	(115)	(3,455)	(2,932)
Income (loss) from discontinued operations, net of income taxes	(47)	1	(10)	16	3	(17)	(36)	-
Net income (loss)	(203)	2,477	1,924	1,791	436	(197)	(2,506)	(1,849)
Net income (loss) from continuing operations attributable to noncontrolling interests	(20)	9	11	(9)	(26)	34	535	(8)
Net income (loss) attributable to AIG*	\$ (183)	\$ 2,468	\$ 1,913	\$ 1,800	\$ 462	\$ (231)	\$ (3,041)	\$ (1,841)
Income (loss) per common share attributable to AIG:								
Basic:								
Income (loss) from continuing operations	\$ (0.12)	\$ 1.81	\$ 1.73	\$ 1.34	\$ 0.43	\$ (0.17)	\$ (2.93)	\$ (1.50)
Income (loss) from discontinued operations	\$ (0.04)	\$ -	\$ (0.01)	\$ 0.01	\$ -	\$ (0.01)	\$ (0.03)	\$ -
Diluted:								
Income (loss) from continuing operations	\$ (0.12)	\$ 1.78	\$ 1.69	\$ 1.31	\$ 0.42	\$ (0.17)	\$ (2.93)	\$ (1.50)
Income (loss) from discontinued operations	\$ (0.04)	\$ -	\$ (0.01)	\$ 0.01	\$ -	\$ (0.01)	\$ (0.03)	\$ -
Weighted average shares outstanding:								
Basic	1,156,548,365	951,690,587,329	1,157,056,295,279	1,072,028,886,226	1,156,548,365	951,690,587,329	1,157,056,295,279	1,072,028,886,226
Diluted	1,156,548,386	951,690,587,329	1,157,056,295,279	1,072,028,886,226	1,156,548,386	951,690,587,329	1,157,056,295,279	1,072,028,886,226
Noteworthy quarterly items - income (expense):								
Other-than-temporary impairments	(204)	(128)	(108)	(164)	(102)	(273)	(145)	(106)
Net (gain) loss on sale of divested businesses	2	6	(225)	1	(128)	3	(194)	1
Federal and foreign valuation allowance for deferred tax assets	(37)	93	35	(40)	(2)	8	87	49
Net gain (loss) on extinguishment of								

debt	(83)	(68)	(7)	(342)	14	(346)	2	-
Reserve strengthening charges	(66)	24	7	317	273	191	5,574	3,587
Restructuring and other costs	188	-	90	-	210	274	206	222

* For the three months ended December 31, 2016, we recorded out of period adjustments related to prior periods that increased Net loss attributable to AIG by \$154 million, increased AIG's Loss from continuing operations before income taxes by \$12 million and decreased pre-tax operating income by \$1 million. The out of period adjustments are primarily related to income tax liabilities and ceded loss adjustment expenses. Had these adjustments, which were determined not to be material, been recorded in their appropriate periods, Net income attributable to AIG for the three-month periods ended September 30, 2016, June 30, 2016 and March 31, 2016 would have decreased by \$65 million, increased by \$66 million and increased by \$19 million, respectively. Net income attributable to AIG for the three-month periods ended December 31, 2015, September 30, 2015, June 30, 2015 and March 31, 2015 would have decreased by \$88 million, increased by \$22 million, increased by \$5 million, and decreased by \$5 million, respectively.

For the three months ended December 31, 2015, we recorded out of period adjustments related to prior periods that decreased Net income attributable to AIG by \$193 million, decreased AIG's Income from continuing operations before income taxes by \$308 million and decreased pre-tax operating income by \$122 million. The out of period adjustments primarily related to impairments of Other invested assets and changes in loss reserves and income tax liabilities. Had these adjustments, which were determined not to be material, been recorded in their appropriate periods, Net income attributable to AIG for the three-month periods ended September 30, 2015, June 30, 2015 and March 31, 2015 would have decreased by \$36 million, increased by \$15 million and decreased by \$16 million, respectively.

ITEM 8 | **Notes to Consolidated Financial Statements** | **25. Information Provided in Connection with Outstanding Debt****25. Information Provided in Connection with Outstanding Debt**

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

Condensed Consolidating Balance Sheets

<i>(in millions)</i>	American International Group, Inc. (As Guarantor)	AIGLH	Reclassifications Other Subsidiaries	Consolidated Eliminations	AIG
December 31, 2016					
Assets:					
Short-term investments	\$ 4,424	\$ -	\$ 13,218	\$ (5,340)	\$ 12,302
Other investments ^(a)	7,154	-	308,719	-	315,873
Total investments	11,578	-	321,937	(5,340)	328,175
Cash	2	34	1,832	-	1,868
Loans to subsidiaries ^(b)	34,692	-	576	(35,268)	-
Investment in consolidated subsidiaries ^(b)	42,582	27,309	-	(69,891)	-
Other assets, including deferred income taxes	24,099	239	140,743	(4,059)	161,022
Assets held for sale	-	-	7,199	-	7,199
Total assets	\$ 112,953	\$ 27,582	\$ 472,287	\$ (114,558)	\$ 498,264
Liabilities:					
Insurance liabilities	\$ -	\$ -	\$ 275,120	\$ -	\$ -275,120
Long-term debt	21,405	642	8,865	-	30,912
Other liabilities, including intercompany balances ^(a)	14,671	194	103,975	(9,572)	109,268
Loans from subsidiaries ^(b)	577	-	34,691	(35,268)	-
Liabilities held for sale	-	-	6,106	-	6,106
Total liabilities	36,653	836	428,757	(44,840)	421,406
Total AIG shareholders' equity	76,300	26,746	42,972	(69,718)	76,300
Non-redeemable noncontrolling interests	-	-	558	-	558
Total equity	76,300	26,746	43,530	(69,718)	76,858
Total liabilities and equity	\$ 112,953	\$ 27,582	\$ 472,287	\$ (114,558)	\$ 498,264
December 31, 2015					
Assets:					
Short-term investments	\$ 4,042	\$ -	\$ 9,637	\$ (3,547)	\$ 10,132
Other investments ^(a)	7,425	-	320,797	-	328,222
Total investments	11,467	-	330,434	(3,547)	338,354
Cash	34	116	1,479	-	1,629

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Loans to subsidiaries ^(b)	35,927	-	578	(36,505)	-
Investment in consolidated subsidiaries ^(b)	51,151	30,239	-	(81,390)	-
Other assets, including deferred income taxes	23,299	258	135,690	(2,388)	156,859
Total assets	\$ 121,878	\$30,613	\$ 468,181	\$(123,830)	\$496,842
Liabilities:					
Insurance liabilities	\$ -	-\$ -	271,645	\$ -	-\$271,645
Long-term debt	19,777	704	8,768	-	29,249
Other liabilities, including intercompany balances ^(a)	11,869	201	99,777	(6,109)	105,738
Loans from subsidiaries ^(b)	574	3	35,928	(36,505)	-
Total liabilities	32,220	908	416,118	(42,614)	406,632
Total AIG shareholders' equity	89,658	29,705	51,511	(81,216)	89,658
Non-redeemable noncontrolling interests	-	-	552	-	552
Total equity	89,658	29,705	52,063	(81,216)	90,210
Total liabilities and equity	\$ 121,878	\$30,613	\$ 468,181	\$(123,830)	\$496,842

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

(b) Eliminated in consolidation.

TABLE OF CONTENTSITEM 8 | **Notes to Consolidated Financial Statements** | **25. Information Provided in Connection with Outstanding Debt****Condensed Consolidating Statements of Income (Loss)**

<i>(in millions)</i>	American International Group, Inc. (As Guarantor)	AIGLH	Other Subsidiaries	Re
Year Ended December 31, 2016				
Revenues:				
Equity in earnings of consolidated subsidiaries*	\$ (1,269)	\$ (197)	\$ -	
Other income	516	5	52,875	
Total revenues	(753)	(192)	52,875	
Expenses:				
Interest expense	988	51	227	
Loss on extinguishment of debt	77	-	(3)	
Other expenses	295	16	51,819	
Total expenses	1,360	67	52,043	
Income (loss) from continuing operations before income tax expense (benefit)	(2,113)	(259)	832	
Income tax expense (benefit)	(1,301)	(21)	1,507	
Income (loss) from continuing operations	(812)	(238)	(675)	
Loss from discontinued operations, net of income taxes	(37)	-	(53)	
Net income (loss)	(849)	(238)	(728)	
Less:				
Net income from continuing operations attributable to noncontrolling interests	-	-	500	
Net income (loss) attributable to AIG	\$ (849)	\$ (238)	\$ (1,228)	
Year Ended December 31, 2015				
Revenues:				
Equity in earnings of consolidated subsidiaries*	\$ 3,954	\$ 1,936	\$ -	
Other income	88	-	58,953	
Total revenues	4,042	1,936	58,953	
Expenses:				
Interest expense	1,049	58	302	
Loss on extinguishment of debt	703	-	46	
Other expenses	1,178	44	52,374	
Total expenses	2,930	102	52,722	
Income (loss) from continuing operations before income tax expense (benefit)	1,112	1,834	6,231	
Income tax expense (benefit)	(1,086)	(73)	2,218	
Income (loss) from continuing operations	2,198	1,907	4,013	
Income (loss) from discontinued operations, net of income taxes	(2)	-	2	

Net income (loss)		2,196	1,907	4,015
Less:				
Net income (loss) from continuing operations attributable to noncontrolling interests		-	-	26
Net income (loss) attributable to AIG	\$	2,196\$	1,907\$	3,989\$
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TABLE OF CONTENTSITEM 8 | **Notes to Consolidated Financial Statements | 25. Information Provided in Connection with Outstanding Debt****Year Ended December 31, 2014****Revenues:**

Equity in earnings of consolidated subsidiaries*	\$ 9,450	\$ 3,519	\$ -	\$(12,969)	\$ -
Other income	1,658	-	63,157	(409)	64,406
Total revenues	11,108	3,519	63,157	(13,378)	64,406

Expenses:

Other interest expense	1,507	100	243	(132)	1,718
Loss on extinguishment of debt	2,248	-	85	(51)	2,282
Other expenses	1,546	203	48,315	(159)	49,905
Total expenses	5,301	303	48,643	(342)	53,905

Income (loss) from continuing operations before income tax expense (benefit)	5,807	3,216	14,514	(13,036)	10,501
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Income tax expense (benefit)	(1,735)	(103)	4,817	(52)	2,927
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Income (loss) from continuing operations	7,542	3,319	9,697	(12,984)	7,574
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Loss from discontinued operations, net of income taxes	(13)	-	(37)	-	(50)
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Net income (loss)	7,529	3,319	9,660	(12,984)	7,524
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Less:

Net loss from continuing operations attributable to noncontrolling interests	-	-	(5)	-	(5)
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Net income (loss) attributable to AIG	\$ 7,529	\$ 3,319	\$ 9,665	\$ (12,984)	\$ 7,529
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* Eliminated in consolidation.

TABLE OF CONTENTSITEM 8 | [Notes to Consolidated Financial Statements](#) | [25. Information Provided in Connection with Outstanding Debt](#)**Condensed Consolidating Statements of Comprehensive Income (Loss)**

<i>(in millions)</i>	American International Group, Inc. (As Guarantor)	AIGLH	Other Subsidiaries	Recla E
Year Ended December 31, 2016				
Net income (loss)	\$ (849)	\$ (238)	\$ (728)	
Other comprehensive income (loss)	693	4,080	52,153	
Comprehensive income (loss)	(156)	3,842	51,425	
Total comprehensive income attributable to noncontrolling interests	-	-	500	
Comprehensive income (loss) attributable to AIG	\$ (156)	\$ 3,842	\$ 50,925	
Year Ended December 31, 2015				
Net income (loss)	\$ 2,196	\$ 1,907	\$ 4,015	
Other comprehensive income (loss)	(8,080)	2,320	54,757	
Comprehensive income (loss)	(5,884)	4,227	58,772	
Total comprehensive income attributable to noncontrolling interests	-	-	20	
Comprehensive income (loss) attributable to AIG	\$ (5,884)	\$ 4,227	\$ 58,752	
Year Ended December 31, 2014				
Net income (loss)	\$ 7,529	\$ 3,319	\$ 9,660	
Other comprehensive income (loss)	4,257	2,794	3,235	
Comprehensive income (loss)	11,786	6,113	12,895	
Total comprehensive loss attributable to noncontrolling interests	-	-	(5)	
Comprehensive income (loss) attributable to AIG	\$ 11,786	\$ 6,113	\$ 12,900	

TABLE OF CONTENTSITEM 8 | **Notes to Consolidated Financial Statements** | **25. Information Provided in Connection with Outstanding Debt****Condensed Consolidating Statements of Cash Flows**

<i>(in millions)</i>	American International Group, Inc. (As Guarantor)	AIGLH	Other Subsidiaries	Reclassifications and Eliminations
Year Ended December 31, 2016				
Net cash (used in) provided by operating activities	\$ 2,112	\$ 1,707	\$ 2,515	\$ (3,951)
Cash flows from investing activities:				
Sales of investments	5,769	-	81,560	(11,685)
Sales of divested businesses, net	2,160	-	649	-
Purchase of investments	(1,002)	-	(80,668)	11,685
Loans to subsidiaries – net	1,525	-	(3)	(1,522)
Contributions from (to) subsidiaries - net	1,637	-	-	(1,637)
Net change in restricted cash	-	-	385	-
Net change in short-term investments	(789)	-	(2,300)	-
Other, net	(141)	-	(879)	-
Net cash (used in) provided by investing activities	9,159	-	(1,256)	(3,159)
Cash flows from financing activities:				
Issuance of long-term debt	3,831	-	2,123	-
Repayments of long-term debt	(1,996)	(63)	(2,023)	-
Purchase of Common Stock	(11,460)	-	-	-
Intercompany loans - net	3	(3)	(1,522)	1,522
Cash dividends paid	(1,372)	(1,723)	(2,228)	3,951
Other, net	(309)	-	2,799	1,637
Net cash (used in) financing activities	(11,303)	(1,789)	(851)	7,110
Effect of exchange rate changes on cash	-	-	52	-
Change in cash	(32)	(82)	460	-
Cash at beginning of year	34	116	1,479	-
Change in cash of businesses held for sale	-	-	(107)	-
Cash at end of year	\$ 2	\$ 34	\$ 1,832	-\$
Year Ended December 31, 2015				
Net cash (used in) provided by operating activities	\$ 4,443	\$ 2,314	\$ 1,112	\$ (4,992)
Cash flows from investing activities:				
Sales of investments	7,767	-	69,726	(4,877)
Purchase of investments	(1,881)	-	(68,261)	4,877
Loans to subsidiaries – net	(83)	-	367	(284)
Contributions from (to) subsidiaries - net	565	-	-	(565)
Net change in restricted cash	-	-	1,457	-
Net change in short-term investments	2,300	-	(1,137)	-
Other, net	(175)	-	(1,334)	-

Net cash (used in) provided by investing activities	8,493	-	818	(849)
Cash flows from financing activities:				
Issuance of long-term debt	5,540	-	1,327	-
Repayments of long-term debt	(6,504)	(114)	(3,187)	-
Intercompany loans - net	(201)	3	(86)	284
Purchase of common stock	(10,691)	-	-	-
Cash dividends paid	(1,028)	(2,178)	(2,814)	4,992
Other, net	(44)	-	2,707	565
Net cash (used in) provided by financing activities	(12,928)	(2,289)	(2,053)	5,841
Effect of exchange rate changes on cash	-	-	(39)	-
Change in cash	8	25	(162)	-
Cash at beginning of year	26	91	1,641	-
Change in cash of businesses held for sale	-	-	-	-
Cash at end of year	\$ 34\$	116\$	1,479\$	-\$
Year Ended December 31, 2014				
Net cash (used in) provided by operating activities	\$ 9,316\$	6,155\$	8,979\$	(19,443)\$
Cash flows from investing activities:				
Sales of investments	3,036	-	65,108	(2,040)
Purchase of investments	(1,051)	-	(59,099)	2,040
Loans to subsidiaries – net	446	-	169	(615)
Contributions to subsidiaries	(148)	-	296	(148)
Net change in restricted cash	(501)	-	(946)	-
Net change in short-term investments	5,792	-	2,968	-
Other, net	(141)	-	(882)	-
Net cash (used in) provided by investing activities	7,433	-	7,614	(763)
Cash flows from financing activities:				
Issuance of long-term debt	3,247	-	3,440	-
Repayments of long-term debt	(14,468)	(477)	(1,215)	-
Intercompany loans - net	110	(280)	(445)	615
Purchase of common stock	(4,902)	-	-	-
Cash dividends paid to shareholders	(712)	(5,358)	(14,085)	19,443
Other, net	(28)	-	(4,821)	148
Net cash (used in) provided by financing activities	(16,753)	(6,115)	(17,126)	20,206
Effect of exchange rate changes on cash	-	-	(74)	-
Change in cash	(4)	40	(607)	-
Cash at beginning of year	30	51	2,160	-
Change in cash of businesses held for sale	-	-	88	-
Cash at end of year	\$ 26\$	91\$	1,641\$	-\$

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ITEM 8 | **Notes to Consolidated Financial Statements** | **25. Information Provided in Connection with Outstanding Debt**

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TABLE OF CONTENTSITEM 8 | **Notes to Consolidated Financial Statements** | **25. Information Provided in Connection with Outstanding Debt****Supplementary Disclosure of Condensed Consolidating Cash Flow Information**

<i>(in millions)</i>	American International Group, Inc. (As Guarantor)	AIGLH	Other Subsidiaries
Cash (paid) received during the year ended December 31, 2016 for:			
Interest:			
Third party	\$ (975)\$	(52)\$	(304)\$
Intercompany	2	-	(2)
Taxes:			
Income tax authorities	\$ (15)\$	-\$	(478)\$
Intercompany	479	-	(479)
Cash (paid) received during the year ended December 31, 2015 for:			
Interest:			
Third party	\$ (1,030)\$	(59)\$	(279)\$
Intercompany	-	-	-
Taxes:			
Income tax authorities	\$ (11)\$	-\$	(500)\$
Intercompany	829	-	(829)
Cash (paid) received during the year ended December 31, 2014 for:			
Interest:			
Third party*	\$ (1,624)\$	(87)\$	(1,656)\$
Intercompany	5	(7)	2
Taxes:			
Income tax authorities	\$ (18)\$	-\$	(719)\$
Intercompany	1,172	-	(1,172)

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

Years Ended December 31, <i>(in millions)</i>	2016	2015	2014
Intercompany non-cash financing and investing activities:			
Capital contributions	\$ 3,245 \$	494 \$	2,457
Dividends received in the form of securities	5,234	2,326	3,088
Return of capital*	-	-	4,836
Fixed maturity securities received in exchange for equity securities	440	-	-
Non-cash financing/investing activities:			
Non-cash consideration received from sale of shares of AerCap	-	500	-
Non-cash consideration received from sale of UGC	1,101	-	-

* Includes \$4.8 billion return of capital from AIG Capital Corporation related to the sale of ILFC.

26. Subsequent Events

Dividends Declared and Share Repurchase Authorization

On February 14, 2017, our Board of Directors declared a cash dividend on AIG Common Stock of \$0.32 per share, payable on March 29, 2017 to shareholders of record on March 15, 2017.

On February 14, 2017, our Board of Directors authorized an additional increase to its previous repurchase authorization of AIG Common Stock of \$3.5 billion, resulting in an aggregate remaining authorization on such date of approximately \$4.7 billion.

reinsurance agreement

On January 20, 2017, we announced that we have entered into an adverse development reinsurance agreement with NICO, a subsidiary of Berkshire Hathaway Inc., under which we ceded to NICO 80 percent of reserve risk above an attachment point on substantially all of our U.S. Commercial long-tail exposures for accident years 2015 and prior. Under this agreement, we ceded to NICO 80 percent of net paid losses on subject business on or after January 1, 2016 in excess of \$25 billion of net paid losses, up to an aggregate limit of \$25 billion. At NICO's 80 percent share, NICO's limit of liability under the contract is \$20 billion. We will account for this transaction as retroactive reinsurance. The consideration for this agreement is \$9.8 billion plus interest at 4 percent per annum from January 1, 2016 to date of payment, which was paid in full as of February 17, 2017. The consideration paid to NICO will be placed into a collateral trust account as security for NICO's claim payment obligations, and Berkshire Hathaway Inc. has provided a parental guarantee to secure NICO's obligations under the agreement.

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Part II

ITEM 9 | [Changes in and Disagreements with Accountants on Accounting and Financial Disclosure](#)

None.

ITEM 9A | [Controls and Procedures](#)

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to ensure that information required to be disclosed in reports filed or submitted under the Securities Exchange Act of 1934, as amended (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. In connection with the preparation of this Annual Report on Form 10-K, an evaluation was carried out by AIG management, with the participation of AIG's Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of December 31, 2016. Based on this evaluation, AIG's Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2016.

Management's Report on Internal Control Over Financial Reporting

Management of AIG is responsible for establishing and maintaining adequate internal control over financial reporting. AIG's internal control over financial reporting is a process, under the supervision of AIG's Chief Executive Officer and Chief Financial Officer, designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of AIG's financial statements for external purposes in accordance with U.S. GAAP.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

AIG management conducted an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2016 based on the criteria established in the 2013 Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

AIG management has concluded that, as of December 31, 2016, our internal control over financial reporting was effective based on the criteria articulated in the 2013 *Internal Control – Integrated Framework* issued by the COSO. The effectiveness of our internal control over financial reporting as of December 31, 2016 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated

in their report, which is included in this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting that have occurred during the quarter ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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Part III

ITEM 10 | [Directors, Executive Officers and Corporate Governance](#)

All information required by Items 10, 11, 12, 13 and 14 of this Form 10-K will be included in a Form 10-K/A that will be filed with the SEC not later than 120 days after the end of AIG's fiscal year.

ITEM 11 | [Executive Compensation](#)

See Item 10 herein.

ITEM 12 | [Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters](#)

See Item 10 herein.

ITEM 13 | [Certain Relationships and Related Transactions, and Director Independence](#)

See Item 10 herein.

ITEM 14 | [Principal Accounting Fees and Services](#)

See Item 10 herein.

Part IV

ITEM 15 | [Exhibits, Financial Statement Schedules](#)

(a) Financial Statements and Schedules. See accompanying Index to Financial Statements.

(b) Exhibits. See accompanying Exhibit Index.

ITEM 16 | [Form 10-K Summary](#)

None.

TABLE OF CONTENTS**Signatures**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, on the 23rd of February, 2017.

GROUP, INC.**AMERICAN INTERNATIONAL**HANCOCK

By _____ /s/ PETER D.

and Chief Executive Officer)

(Peter D. Hancock, President

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Peter D. Hancock and Siddhartha Sankaran, and each of them severally, his or her true and lawful attorney-in-fact, with full power of substitution and resubstitution, to sign in his or her name, place and stead, in any and all capacities, to do any and all things and execute any and all instruments that such attorney may deem necessary or advisable under the Securities Exchange Act of 1934, as amended, and any rules, regulations and requirements of the U.S. Securities and Exchange Commission in connection with this Annual Report on Form 10-K and any and all amendments hereto, as fully for all intents and purposes as he or she might or could do in person, and hereby ratifies and confirms all said attorneys-in-fact and agents, each acting alone, and his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on the 23rd of February, 2017.

SIGNATURE	TITLE
/s/ PETER D. HANCOCK (Peter D. Hancock)	President, Chief Executive Officer and Director (Principal Executive Officer)
/s/ SIDDHARTHA SANKARAN (Siddhartha Sankaran)	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ ELIAS F. HABAYEB (Elias F. Habayeb)	Senior Vice President – Deputy Chief Financial Officer and Group Controller (Principal Accounting Officer)

/s/ W. DON CORNWELL (W. Don Cornwell)	Director
/s/ PETER R. FISHER (Peter R. Fisher)	Director
/s/ JOHN H. FITZPATRICK (John H. Fitzpatrick)	Director
/s/ WILLIAM G. JURGENSEN (William G. Jurgensen)	Director
/s/ CHRISTOPHER S. LYNCH (Christopher S. Lynch)	Director

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/s/ SAMUEL J. MERKSAMER (Samuel J. Merksamer)	Director
/s/ GEORGE L. MILES, JR. (George L. Miles, Jr.)	Director
/s/ HENRY S. MILLER (Henry S. Miller)	Director
/s/ ROBERT S. MILLER (Robert S. Miller)	Director
/s/ LINDA A. MILLS (Linda A. Mills)	Director
/s/ SUZANNE NORA JOHNSON (Suzanne Nora Johnson)	Director
/s/ JOHN A. PAULSON (John A. Paulson)	Director
/s/ RONALD A. RITTENMEYER (Ronald A. Rittenmeyer)	Director
/s/ DOUGLAS M. STEENLAND (Douglas M. Steenland)	Director
/s/ THERESA M. STONE (Theresa M. Stone)	Director

TABLE OF CONTENTS**Exhibit Index**

Exhibit Number	Description	Location
2	Plan of acquisition, reorganization, arrangement, liquidation or succession (1) Master Transaction Agreement, dated as of December 8, 2010, among AIG, ALICO Holdings LLC, AIA Aurora LLC, the Federal Reserve Bank of New York, the United States Department of the Treasury and the AIG Credit Facility Trust	Incorporated by reference to Exhibit 2.1 to AIG's Current Report on Form 8-K filed with the SEC on December 8, 2010 (File No. 1-8787).
3	Articles of incorporation and by laws	
3(i)	Amended and Restated Certificate of Incorporation of AIG	Incorporated by reference to Exhibit 3.1 to AIG's Current Report on Form 8-K filed with the SEC on May 12, 2014 (File No. 1-8787).
3(ii)	AIG By-laws, amended November 16, 2015	Incorporated by reference to Exhibit 3.1 to AIG's Current Report on Form 8-K filed with the SEC on November 16, 2015 (File No. 1-8787).
4	Instruments defining the rights of security holders, including indentures (1) Credit Agreement, dated as of September 22, 2008, between AIG and Federal Reserve Bank of New York (2) Warrant Agreement (including Form of Warrant), dated as of January 6, 2011, between AIG and Wells Fargo Bank, N.A., as Warrant Agent (3) Tax Asset Protection Plan, dated as of March 9, 2011, between AIG and Wells Fargo Bank, N.A., as Rights Agent, including as Exhibit A the forms of Rights Certificate and of Election to Exercise (4) Amendment No. 1, dated as of January 8, 2014, to Tax Asset Protection Plan, between AIG and	Certain instruments defining the rights of holders of long-term debt securities of AIG and its subsidiaries are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. AIG hereby undertakes to furnish to the Commission, upon request, copies of any such instruments. Incorporated by reference to Exhibit 99.1 to AIG's Current Report on Form 8-K filed with the SEC on September 26, 2008 (File No. 1-8787). Incorporated by reference to Exhibit 10.1 to AIG's Current Report on Form 8 K filed with the SEC on January 7, 2011 (File No. 1 8787). Incorporated by reference to Exhibit 4.1 to AIG's Current Report on Form 8-K filed with the SEC on March 9, 2011 (File No. 1-8787). Incorporated by reference to Exhibit 4.1 to AIG's Current Report on Form 8-K filed with the SEC on January 8, 2014 (File No. 1-8787).

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<p>Wells Fargo Bank, National Association, as Rights Agent (5) Amendment No. 2, dated as of December 14, 2016, to Tax Asset Protection Plan, between AIG and Wells Fargo Bank, National Association, as Rights Agent Voting Trust Agreement Material contracts (1) AIG Amended and Restated 1999 Stock Option Plan* (2) Form of Stock Option Grant Agreement under the AIG Amended and Restated 1999 Stock Option Plan* (3) AIG Executive Deferred Compensation Plan* (4) AIG Supplemental Incentive Savings Plan* (5) AIG Director Stock Plan* (6) Amended and Restated American General Supplemental Thrift Plan (December 31, 1998)* (7) AIG Amended and Restated Executive Severance Plan* (8) Assurance Agreement, by AIG in favor of eligible employees, dated as of June 27, 2005, relating to certain obligations of Starr International Company, Inc.* (9) Final Judgment and Consent with the Securities and Exchange Commission, including the related complaint, dated February 9, 2006 (10) Agreement between the Attorney General of the State of New York and AIG and its Subsidiaries, dated January 18, 2006 (11) AIG Amended and Restated 2007 Stock Incentive Plan* (12) AIG Form of Stock Option Award Agreement*</p>	<p>Incorporated by reference to Exhibit 4.1 to AIG's Current Report on Form 8-K filed with the SEC on December 14, 2016 (File No. 1-8787). None. Filed as exhibit to AIG's Definitive Proxy Statement dated April 4, 2003 (File No. 1-8787) and incorporated herein by reference. Incorporated by reference to Exhibit 10(a) to AIG's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 (File No. 1-8787). Incorporated by reference to Exhibit 4(a) to AIG's Registration Statement on Form S-8 (File No. 333-101640). Incorporated by reference to Exhibit 4(b) to AIG's Registration Statement on Form S-8 (File No. 333-101640). Filed as an exhibit to AIG's Definitive Proxy Statement dated April 5, 2004 (File No. 1-8787) and incorporated herein by reference. Incorporated by reference to Exhibit 10.15 to American General Corporation's Annual Report on Form 10-K for the year ended December 31, 2000 (File No. 1-7981). Incorporated by reference to Exhibit 10.1 to AIG's Current Report on Form 8-K filed with the SEC on September 26, 2008 (File No. 1-8787). Incorporated by reference to Exhibit 10(6) to AIG's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005 (File No. 1-8787). Incorporated by reference to Exhibit 10.2 to AIG's Current Report on Form 8-K filed with the SEC on February 9, 2006 (File No. 1-8787). Incorporated by reference to Exhibit 10.3 to AIG's Current Report on Form 8-K filed with the SEC on February 9, 2006 (File No. 1-8787). Incorporated by reference to Exhibit 10.62 to AIG's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 1-8787). Incorporated by reference to Exhibit 10.A to AIG's Registration Statement on Form S-8 (File No. 333-148148).</p>
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- (13) AIG Amended and Restated Form of Non-Employee Director Deferred Stock Units Award Agreement* Incorporated by reference to Exhibit 10.69 to AIG's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 1-8787).
- (14) Memorandum of Understanding, dated November 25, 2009, between AIG, Maurice R. Greenberg, Howard I. Smith, C.V. Starr and Star International Company, Inc. Incorporated by reference to Exhibit 10.1 to AIG's Current Report on Form 8-K filed with the SEC on November 25, 2009 (File No. 1-8787).
- (15) Master Investment and Credit Agreement, dated as of November 25, 2008, among Maiden Lane III LLC, the Federal Reserve Bank of New York, AIG and the Bank of New York Mellon Incorporated by reference to Exhibit 10.1 to AIG's Current Report on Form 8-K filed with the SEC on December 2, 2008 (File No. 1-8787).
- (16) 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 Incorporated by reference to Exhibit 10.1 to AIG's Current Report on Form 8-K filed with the SEC on December 15, 2008 (File No. 1-8787).
- (17) AIG Credit Facility Trust Agreement, dated as of January 16, 2009, among the Federal Reserve Bank of New York and Jill M. Considine, Chester B. Feldberg and Douglas L. Foshee, as Trustees Incorporated by reference to Exhibit 10.1 to AIG's Current Report on Form 8-K filed with the SEC on January 23, 2009 (File No. 1-8787).
- (18) Third Amended and Restated Credit Agreement, dated as of November 5, 2015, among AIG, the subsidiary borrowers party thereto, the lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and each Several L/C Agent party thereto Incorporated by reference to Exhibit 10.1 to AIG's Current Report on Form 8-K filed with the SEC on November 5, 2015 (File No. 1-8787).
- (19) Amendment Letter to the Third Amended and Restated Credit Agreement, effective as of July 15, 2016, among AIG, the subsidiary borrowers party thereto, the lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and Incorporated by reference to Exhibit 10.1 to AIG's Current Report on Form 8-K filed with the SEC on July 15, 2016 (File No. 1-8787).

each Several L/C Agent party thereto	
(20) American International Group, Inc. 2010 Stock Incentive Plan*	Incorporated by reference to AIG's Definitive Proxy Statement, dated April 12, 2010 (Filed No. 1-8787).
(21) AIG Amended Form of 2010 Stock Incentive Plan DSU Award Agreement*	Incorporated by reference to Exhibit 10.14 to AIG's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 (File No. 1-8787).
(22) Release and Restrictive Covenant Agreement between AIG and Peter Hancock*	Incorporated by reference to Exhibit 99.3 to AIG's Current Report on Form 8-K filed with the SEC on February 8, 2010 (File No. 1-8787).
(23) Non-Competition and Non-Solicitation Agreement between AIG and Peter Hancock, dated February 8, 2010*	Incorporated by reference to Exhibit 99.4 to AIG's Current Report on Form 8-K filed with the SEC on February 8, 2010 (File No. 1-8787).
(24) Letter Agreement, dated August 14, 2013, between AIG and Kevin Hogan*	Incorporated by reference to Exhibit 10.2 to AIG's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015 (File No. 1-8787).
(25) Non-Solicitation and Non-Disclosure Agreement, dated August 14, 2013, between AIG and Kevin Hogan*	Incorporated by reference to Exhibit 10.3 to AIG's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015 (File No. 1-8787).
(26) Introductory Bonus Agreement, dated August 14, 2013, between AIG and Kevin Hogan*	Incorporated by reference to Exhibit 10.4 to AIG's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015 (File No. 1-8787).
(27) Letter Agreement, dated August 27, 2014, between AIG and Philip Fasano*	Incorporated by reference to Exhibit 10.3 to AIG's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 (File No. 1-8787).
(28) Non-Solicitation and Non-Disclosure Agreement, dated August 29, 2014, between AIG and Philip Fasano*	Incorporated by reference to Exhibit 10.4 to AIG's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 (File No. 1-8787).
(29) Executive Officer Form of Release and Restrictive Covenant Agreement*	Incorporated by reference to Exhibit 10.5 to AIG's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 (File No. 1-8787).
(30) AIG Non-Qualified Retirement Income Plan (as amended)*	Incorporated by reference to Exhibit 10.1 to AIG's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015 (File No. 1-8787).
(31) AIG Supplemental Executive Retirement Plan (as amended)*	Incorporated by reference to Exhibit 10.2 to AIG's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015 (File No. 1-8787).
(32) American General Corporation Supplemental Executive Retirement Plan*	Incorporated by reference to Exhibit 10.1 to American General Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998 (File No. 1-7981).
(33) Amendment Number One to the American General Corporation	Incorporated by reference to Exhibit 10.73 to AIG's Annual Report on

Supplemental Executive Retirement Plan*

Form 10-K for the year ended December 31, 2012 (File No. 1-8787).

(34) Amendment Number Two to the American General Corporation' Supplemental Executive Retirement Plan*

Incorporated by reference to Exhibit 10.74 to AIG's Annual Report on Form 10-K for the year ended December 31, 2012 (File No. 1-8787).

(35) Master Transaction Agreement, dated as of April 19, 2011, by and among American Home Assurance Company, Chartis Casualty Company (f/k/a American International South Insurance Company), Chartis Property Casualty Company (f/k/a AIG Casualty Company), Commerce and Industry Insurance Company, Granite State Insurance Company, Illinois National Insurance Co., National Union Fire Insurance Company of Pittsburgh, Pa., New Hampshire Insurance Company, The Insurance Company of the State of Pennsylvania, Chartis Select Insurance Company (f/k/a AIG Excess Liability Insurance Company Ltd.), Chartis Specialty Insurance Company (f/k/a American International Specialty Lines Insurance Company), Landmark Insurance Company, Lexington Insurance Company, AIU Insurance Company, American International Reinsurance Company, Ltd. and American Home Assurance Company, National Union Fire Insurance Company of Pittsburgh, Pa., New Hampshire Insurance Company and Chartis Overseas Limited acting as members of the Chartis Overseas Association as respects business written or assumed by or from affiliated companies of Chartis Inc. (collectively, the Reinsureds), Eaglestone Reinsurance Company and National Indemnity Company

Incorporated by reference to Exhibit 10.6 to AIG's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011 (File No. 1-8787).

(36) Amended and Restated Unconditional Capital Maintenance Agreement, dated as of February 18, 2014, between American International Group, Inc. and AGC Life Insurance

Incorporated by reference to Exhibit 10.58 to AIG's Annual Report on Form 10-K for the year ended December 31, 2013 (File

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Company	No. 1-8787).
(37) AIG 2013 Long-Term Incentive Plan (as amended)*	Incorporated by reference to Exhibit 10.35 to AIG's Annual Report on Form 10-K for the year ended December 31, 2015 (File No. 1-8787).
(38) Form of 2013 Long-Term Incentive Plan Performance Share Units Award Agreement*	Incorporated by reference to Exhibit 10.2 to AIG's Current Report on Form 8-K filed with the SEC on March 27, 2013 (File No. 1-8787).
(39) Form of 2015 Performance Share Units Award Agreement*	Incorporated by reference to Exhibit 10.5 to AIG's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015 (File No. 1-8787).
(40) AIG Clawback Policy*	Incorporated by reference to Exhibit 10.3 to AIG's Current Report on Form 8-K filed with the SEC on March 27, 2013 (File No. 1-8787).
(41) AIG 2013 Short-Term Incentive Plan*	Incorporated by reference to Exhibit 10.5 to AIG's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014 (File No. 1-8787).
(42) Form of 2013 Short-Term Incentive Plan Award Letter*	Incorporated by reference to Exhibit 10.5 of AIG's Current Report on Form 8-K filed with the SEC on March 27, 2013 (File No. 1-8787).
(43) AIG Annual Short-Term Incentive Plan (as amended)*	Filed herewith.
(44) AIG 2013 Omnibus Incentive Plan*	Incorporated by reference to Appendix B in AIG's Definitive Proxy Statement on Schedule 14A, dated April 4, 2013 (File No. 1-8787).
(45) Description of Non-Management Director Compensation*	Incorporated by reference to "Compensation of Directors" in AIG's Definitive Proxy Statement on Schedule 14A, dated March 29, 2016 (File No.

- (46) AIG 2012 Executive Severance Plan (as amended)*
1-8787).
Incorporated by reference to Exhibit 10.1 of AIG's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 (File No. 1-8787).
- (47) Revolving Credit Agreement, dated as of December 16, 2013 by and among AIG, AerCap Ireland Capital Limited, AerCap Holdings N.V., AerCap Ireland Limited and certain subsidiaries of AerCap Holdings N.V., as guarantors
Incorporated by reference to Exhibit 10.1 to AIG's Current Report on Form 8-K filed with the SEC on December 16, 2013 (File No. 1-8787).
- (48) Nomination Agreement, dated February 11, 2016, by and among High River Limited Partnership, Icahn Partners Master Fund LP, Icahn Partners LP, Carl C. Icahn and American International Group, Inc.
Incorporated by reference to Exhibit 10.1 to AIG's Current Report on Form 8-K filed with the SEC on February 11, 2016 (File No. 1-8787).
- (49) Nomination Agreement, dated February 11, 2016, by and among Paulson & Co. Inc., John A. Paulson and American International Group, Inc.
Incorporated by reference to Exhibit 10.2 to AIG's Current Report on Form 8-K filed with the SEC on February 11, 2016 (File No. 1-8787).
- (50) Stock Purchase Agreement dated as of August 15, 2016 between American International Group, Inc. and Arch Capital Group Ltd.
Incorporated by reference to Exhibit 2.1 to AIG's Current Report on Form 8-K filed with the SEC on August 16, 2016 (File No. 1-8787).
- (51) First Amendment to Stock Purchase Agreement, dated as of December 29, 2016, American International Group, Inc. and Arch Capital Group Ltd.
Filed herewith.
- (52) Form of AIG 2013 Omnibus Incentive Plan Non-Employee Director DSU Award Agreement*
Filed herewith.
- (53) Aggregate Excess of Loss Reinsurance Agreement, dated January 20, 2017, by and between AIG Assurance Company, AIG Property Casualty Company, AIG Specialty Insurance Company, AIU Insurance Company, American Home Assurance Company, Commerce and Industry Insurance Company, Granite State Insurance Company, Illinois National Insurance Co., Lexington
Incorporated by reference to Exhibit 10.1 to AIG's Current Report on Form 8-K filed with the SEC on February 14, 2017 (File No. 1-8787).

Insurance Company, National Union Fire Insurance Company of Pittsburgh, Pa., New Hampshire Insurance Company and The Insurance Company Of The State Of Pennsylvania and National Indemnity Company (portions of this exhibit have been redacted pursuant to a request for confidential treatment).

(54) Trust Agreement, dated January 20, 2017, by and among National Union Fire Insurance Company of Pittsburgh, Pa., National Indemnity Company, and Wells Fargo Bank, National Association (portions of this exhibit have been redacted pursuant to a request for confidential treatment).

(55) Parental Guarantee Agreement, dated January 20, 2017, by Berkshire Hathaway Inc. in favor of National Union Fire Insurance Company of Pittsburgh, Pa.

Incorporated by reference to Exhibit 10.2 to AIG's Current Report on Form 8-K filed with the SEC on February 14, 2017 (File No. 1-8787).

Incorporated by reference to Exhibit 10.3 to AIG's Current Report on Form 8-K filed with the SEC on February 14, 2017 (File No. 1-8787).

11	Statement re: Computation of Per Share Earnings	Included in Note 19 to Consolidated Financial Statements.
12	Computation of Ratios of Earnings to Fixed Charges	Filed herewith.
21	Subsidiaries of Registrant	Filed herewith.
23	Consent of Independent Registered Public Accounting Firm	Filed herewith.
24	Powers of attorney	Included on signature page and filed herewith.
31	Rule 13a-14(a)/15d-14(a) Certifications	Filed herewith.
32	Section 1350 Certifications**	Filed herewith.
99.02	Securities Registered pursuant to Section 12(b) of the Act	Filed herewith.
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets as of December 31, 2016 and December 31, 2015, (ii) the Consolidated Statements of Income for the three years ended December 31, 2016, (iii) the Consolidated Statements of Equity for the three years ended December 31, 2016, (iv) the Consolidated Statements of Cash Flows for the three years ended December 31, 2016, (v) the Consolidated Statements of Comprehensive Income (Loss) for the three years ended December 31, 2016 and (vi) the Notes to the Consolidated Financial Statements.	Filed herewith.

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* This exhibit is a management contract or a compensatory plan or arrangement.

** 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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TABLE OF CONTENTS**Summary of Investments — Other than Investments in Related Parties**

	Schedule I		
At December 31, 2016			Amount at
<i>(in millions)</i>	Cost ^(a)	Fair Value	which shown in
			the Balance Sheet
Fixed maturities:			
U.S. government and government sponsored entities	\$ 4,809	\$ 4,932	4,932
Obligations of states, municipalities and political subdivisions	24,026	24,772	24,772
Non-U.S. governments	14,068	14,585	14,585
Public utilities	17,094	18,018	18,018
All other corporate debt securities	111,326	115,934	115,934
Mortgage-backed, asset-backed and collateralized	74,916	77,294	77,294
Total fixed maturity securities	246,239	255,535	255,535
Equity securities and mutual funds:			
Common stock:			
Public utilities	3	4	4
Banks, trust and insurance companies	900	1,108	1,108
Industrial, miscellaneous and all other	245	394	394
Total common stock	1,148	1,506	1,506
Preferred stock	748	752	752
Mutual funds	283	302	302
Total equity securities and mutual funds	2,179	2,560	2,560
Mortgage and other loans receivable, net of allowance	33,240	33,747	33,240
Other invested assets	24,349	24,073	24,538
Short-term investments, at cost (approximates fair value)	12,302	12,302	12,302
Derivative assets^(b)	1,809	1,809	1,809
Total investments	\$ 320,118	\$ 330,026	329,984

(a) Original cost of equity securities and fixed maturities is reduced by other-than-temporary impairment charges, and, as to fixed maturity securities, reduced by repayments and adjusted for amortization of premiums or accretion of discounts.

(b) The balance is reported in Other Assets.

TABLE OF CONTENTS**Condensed Financial Information of Registrant****Balance Sheets — Parent Company Only**

	Schedule	
December 31, <i>(in millions)</i>	2016	2015
Assets:		
Short-term investments	\$ 4,424	\$ 4,042
Other investments	7,154	7,422
Total investments	11,578	11,464
Cash	2	3
Loans to subsidiaries*	34,692	35,922
Due from affiliates - net*	3,460	1,962
Intercompany tax receivable*	5,129	3,232
Deferred income taxes	15,169	17,562
Investments in consolidated subsidiaries*	42,582	51,152
Other assets	341	532
Total assets	\$ 112,953	\$ 121,872
Liabilities:		
Due to affiliate*	\$ 6,083	\$ 4,052
Intercompany tax payable*	4,152	3,912
Deferred tax liabilities	-	-
Notes and bonds payable	19,432	17,042
Junior subordinated debt	843	1,322
MIP notes payable	1,099	1,372
Series AIGFP matched notes and bonds payable	31	32
Loans from subsidiaries*	577	572
Other liabilities (includes intercompany derivative liabilities of \$419 in 2016 and \$144 in 2015)	4,436	3,882
Total liabilities	36,653	32,222
AIG Shareholders' equity:		
Common stock	4,766	4,762
Treasury stock	(41,471)	(30,098)
Additional paid-in capital	81,064	81,512
Retained earnings	28,711	30,942
Accumulated other comprehensive income	3,230	2,532
Total AIG shareholders' equity	76,300	89,652
Total liabilities and equity	\$ 112,953	\$ 121,872

* Eliminated in consolidation.

See Accompanying Notes to Condensed Financial Information of Registrant.

TABLE OF CONTENTS**Condensed Financial Information of Registrant (Continued)**
Statements of Income — Parent Company Only**Schedule II**

Years Ended December 31, <i>(in millions)</i>	2016	2015	2014
Revenues:			
Equity in undistributed net income (loss) of consolidated subsidiaries ^(a)	\$(8,633)	\$ (2,929)	\$ (5,573)
Dividend income from consolidated subsidiaries ^(a)	7,364	6,883	15,023
Interest income	411	342	305
Net realized capital gains (losses)	2	(587)	8
Other income	103	333	1,345
Expenses:			
Interest expense	988	1,049	1,507
Net loss on extinguishment of debt	77	703	2,248
Net (gain) loss on sale of divested businesses ^(b)	(690)	11	(42)
Other expenses	985	1,167	1,588
Income (loss) from continuing operations before income tax expense (benefit)	(2,113)	1,112	5,807
Income tax benefit	(1,301)	(1,086)	(1,735)
Net income (loss)	(812)	2,198	7,542
Loss from discontinued operations	(37)	(2)	(13)
Net income (loss) attributable to AIG Parent Company	\$ (849)	\$ 2,196	\$ 7,529

(a) Eliminated in consolidation.

(b) Primarily includes pre-tax gain of \$697 million on the sale of United Guaranty Corporation (UGC) on December 31, 2016

*See Accompanying Notes to Condensed Financial Information of Registrant.***Condensed Financial Information of Registrant (Continued)**
Statements of Comprehensive Income — Parent Company Only**Schedule II**

Years Ended December 31, <i>(in millions)</i>	2016	2015	2014
Net income	\$ (849)	\$ 2,196	\$ 7,529
Other comprehensive income	693	(8,080)	4,257
Total comprehensive income attributable to AIG	\$ (156)	\$ (5,884)	\$ 11,786

See accompanying Notes to Condensed Financial Information of Registrant

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TABLE OF CONTENTS**Condensed Financial Information of Registrant (Continued)
Statements of Cash Flows — Parent Company Only****Schedule II**

Years Ended December 31, <i>(in millions)</i>	2016	2015	2014
Net cash provided by operating activities	\$ 2,112	\$ 4,443	\$ 9,316
Cash flows from investing activities:			
Sales and maturities of investments	5,598	7,609	2,996
Sales of divested businesses	2,160	-	-
Purchase of investments	(1,002)	(1,881)	(1,051)
Net change in restricted cash	-	-	(501)
Net change in short-term investments	(789)	2,300	5,792
Contributions to subsidiaries - net	1,637	565	(148)
Mortgage and other loan receivables - originations and purchases	(85)	-	-
Payments received on mortgages and other loan receivables	171	158	40
Loans to subsidiaries - net	1,525	(83)	446
Other, net	(56)	(175)	(141)
Net cash provided by investing activities	9,159	8,493	7,433
Cash flows from financing activities:			
Issuance of long-term debt	3,831	5,540	3,247
Repayment of long-term debt	(1,996)	(6,504)	(14,468)
Cash dividends paid	(1,372)	(1,028)	(712)
Loans from subsidiaries - net	3	(201)	110
Purchase of Common Stock	(11,460)	(10,691)	(4,902)
Other, net	(309)	(44)	(28)
Net cash used in financing activities	(11,303)	(12,928)	(16,753)
Change in cash	(32)	8	(4)
Cash at beginning of year	34	26	30
Cash at end of year	\$ 2	\$ 34	\$ 26

Supplementary disclosure of cash flow information:

<i>(in millions)</i>	Years Ended December 31,		
	2016	2015	2014
Cash (paid) received during the period for:			
Interest:			
Third party	\$ (975)	\$ (1,030)	(1,624)
Intercompany	2	-	5
Taxes:			
Income tax authorities	(15)	(11)	(18)
Intercompany	479	829	1,172
Intercompany non-cash financing and investing activities:			
Capital contributions	3,245	494	2,457
Return of capital*	-	-	4,836

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Dividends received in the form of securities	5,234	2,326	3,088
Fixed maturity securities received in exchange for equity securities	440	-	-
Non-cash financing/investing activities			
Non-cash consideration received from sale of shares of AerCap	-	500	-
Non-cash consideration received from sale of UGC	1,101	-	-

See Accompanying Notes to Condensed Financial Information of Registrant.

* Includes \$4.8 billion return of capital from AIG Capital Corporation related to the sale of ILFC.

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Notes to Condensed Financial Information of Registrant

American International Group, Inc.'s (the Registrant) investments in consolidated subsidiaries are stated at cost plus equity in undistributed income of consolidated subsidiaries. The accompanying condensed financial statements of the Registrant should be read in conjunction with the consolidated financial statements and notes thereto of American International Group, Inc. and subsidiaries included in the Registrant's 2016 Annual Report on Form 10-K for the year ended December 31, 2016 (Annual Report on Form 10-K) filed with the Securities and Exchange Commission on February 23, 2017.

The Registrant includes in its Statement of Income dividends from its subsidiaries and equity in undistributed income (loss) of consolidated subsidiaries, which represents the net income (loss) of each of its wholly-owned subsidiaries.

Certain prior period amounts have been reclassified to conform to the current period presentation.

The five-year debt maturity schedule is incorporated by reference from Note 15 to Consolidated Financial Statements.

The Registrant files a consolidated federal income tax return with certain subsidiaries and acts as an agent for the consolidated tax group when making payments to the Internal Revenue Service. The Registrant and its subsidiaries have adopted, pursuant to a written agreement, a method of allocating consolidated Federal income taxes. Amounts allocated to the subsidiaries under the written agreement are included in Due from affiliates in the accompanying Condensed Balance Sheets.

Income taxes in the accompanying Condensed Balance Sheets are composed of the Registrant's current and deferred tax assets, the consolidated group's current income tax receivable and deferred taxes related to tax attribute carryforwards of AIG's U.S. consolidated income tax group. See Note 23 to the Consolidated Financial Statements for additional information.

The consolidated U.S. deferred tax asset for net operating loss, capital loss and tax credit carryforwards are recorded by the Parent Company, which files the consolidated U.S. Federal income tax return, and are not allocated to its subsidiaries. Generally, as, and if, the consolidated net operating losses and other tax attribute carryforwards are utilized, the intercompany tax balance will be settled with the subsidiaries.

TABLE OF CONTENTS**Supplementary Insurance Information****Schedule III****At December 31, 2016 and 2015**

Segment <i>(in millions)</i>	Deferred Policy Acquisition Costs	Liability for Unpaid Losses and Loss Adjustment Expenses, Future Policy Benefits	Unearned Premiums	Policy and Contract Claims
2016				
Property Casualty Insurance Companies	\$ 2,563	\$ 71,812	\$ 19,348	\$ -
Life Insurance Companies	8,466	41,384	-	836
Other ^(a)	13	6,085	286	11
	\$ 11,042	\$ 119,281	\$ 19,634	\$ 847
2015				
Property Casualty Insurance Companies	\$ 2,631	\$ 69,213	\$ 20,961	\$ -
Life Insurance Companies	8,467	42,893	-	851
Other ^(a)	17	6,421	357	11
	\$ 11,115	\$ 118,527	\$ 21,318	\$ 862

For the years ended December 31, 2016, 2015 and 2014

Segment <i>(in millions)</i>	Premiums and Policy Fees	Net Investment Income	Losses and Loss Expenses Incurred, Benefits	Amortization of Deferred Policy Acquisition Costs	Other Operating Expenses	Net Premiums Written ^(b)
2016						
Commercial Insurance	\$ 18,100	\$ 3,268	\$ 18,828	\$ 2,049	\$ 3,226	\$ 16,928
Consumer Insurance	15,426	7,345	12,063	2,681	5,456	11,465
Other Operations ^(a)	2,783	539	1,900	(317)	-	819
Legacy Operations	816	2,913	3,351	108	-	21
	\$ 37,125	\$ 14,065	\$ 36,142	\$ 4,521	\$ 8,682	\$ 29,233
2015						
Commercial Insurance	\$ 19,715	\$ 3,421	\$ 16,660	\$ 2,349	\$ 3,562	\$ 20,616

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Consumer Insurance	15,070	7,356	11,967	2,762	6,872	11,583
Other Operations ^(a)	3,455	348	2,845	23	-	668
Legacy Operations	1,170	2,928	3,604	102	-	199
	\$ 39,410	\$ 14,053	\$ 35,076	\$ 5,236	\$ 10,434	\$ 33,066

2014

Commercial Insurance	\$ 20,407	\$ 4,255	\$ 14,226	\$ 2,497	\$ 3,692	\$ 20,773
Consumer Insurance	15,791	7,924	12,055	2,655	6,797	12,408
Other Operations ^(a)	2,457	655	2,299	97	-	1,032
Legacy Operations	1,214	3,245	3,469	81	-	243
	\$ 39,869	\$ 16,079	\$ 32,049	\$ 5,330	\$ 10,489	\$ 34,456

(a) Includes consolidation and elimination entries.

(b) Balances reflect the segment changes discussed in Note 3 – Segment Information to the Consolidated Financial Statements.

TABLE OF CONTENTS**Reinsurance****Schedule IV****At December 31, 2016, 2015 and 2014 and for the years then ended**

<i>(in millions)</i>	Gross Amount	Ceded to Other Companies	Assumed from Other Companies	Net Amount	Percent of Amount Assumed to Net
2016					
Long-duration insurance in force	\$ 1,025,653	\$ 174,363	\$ 339	\$ 851,629	-%
Premiums:					
Property Casualty Insurance Companies	\$ 33,970	\$ 7,561	\$ 2,824	\$ 29,233	9.7%
Life Insurance Companies	4,609	789	123	3,943	3.1
Other	-	-	-	-	-
Total	\$ 38,579	\$ 8,350	\$ 2,947	\$ 33,176	8.9%
2015					
Long-duration insurance in force	\$ 1,051,571	\$ 177,025	\$ 372	\$ 874,918	-%
Premiums:					
Property Casualty Insurance Companies	\$ 37,698	\$ 7,604	\$ 2,972	\$ 33,066	9.0%
Life Insurance Companies	5,233	756	7	4,484	0.2
Other	-	-	-	-	-
Total	\$ 42,931	\$ 8,360	\$ 2,979	\$ 37,550	7.9%
2014					
Long-duration insurance in force	\$ 1,033,281	\$ 180,178	\$ 410	\$ 853,513	-%
Premiums:					
Property Casualty Insurance Companies	\$ 39,375	\$ 8,318	\$ 3,399	\$ 34,456	9.9%
Life Insurance Companies	4,050	661	20	3,409	0.6
Other	-	-	-	-	-
Total	\$ 43,425	\$ 8,979	\$ 3,419	\$ 37,865	9.0%

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TABLE OF CONTENTS**Valuation and Qualifying Accounts****For the years ended December 31, 2016, 2015 and 2014**

<i>(in millions)</i>	Balance, Beginning of year	Additions Charged to Costs and Expenses	Charge Offs	Reclassified to Assets of Businesses Held for Sale	Divested Businesses	Other Changes
2016						
Allowance for mortgage and other loans receivable	\$ 308	(7)	(15)	-\$	-\$	
Allowance for premiums and insurances balances receivable	333	26	(88)	(2)	(7)	
Allowance for reinsurance assets	272	(23)	(34)	(8)	-	
Federal and foreign valuation allowance for deferred tax assets	3,012	83	-	-	-	(26)
2015						
Allowance for mortgage and other loans receivable	\$ 271	58	(29)	-\$	3	
Allowance for premiums and insurances balances receivable	431	35	(120)	-	-	(1)
Allowance for reinsurance assets	258	90	(67)	-	-	(1)
Federal and foreign valuation allowance for deferred tax assets	1,739	110	-	-	-	1,16
2014						
Allowance for mortgage and other loans receivable	\$ 312	(8)	(68)	-\$	1	3
Allowance for premiums and insurances balances receivable	560	35	(99)	-	-	(6)
Allowance for reinsurance assets	276	4	(3)	-	-	(1)
Federal and foreign valuation allowance for deferred tax assets	3,596	(181)	-	-	-	(1,67)

* Includes recoveries of amounts previously charged off and reclassifications to/from other accounts.