Dear AIG Shareholder,

2018 was a year of significant foundational work as we continued repositioning AIG to deliver long-term and sustainable value for you, our shareholders.

When I joined AIG in mid-2017, the company was emerging from more than a decade of significant changes in leadership and shifting strategies. Over the course of 2018, we undertook a thorough review of our businesses in order to return AIG to profitability by putting the right people, structure and strategies in place.

During this process we uncovered many issues and challenges that were deeper and more pervasive than we anticipated, and we worked aggressively across multiple fronts to address what we found. We added world-class talent in key senior roles, significantly reduced volatility in our portfolio, fostered a culture of accountability, instilled a focus on expense discipline balanced with critical investments for growth, and added strategic, complementary capabilities to help us better serve our clients.

Having spent 45 years in the insurance industry building and reshaping companies, I am confident we have the right strategy in place to return AIG to a position of industry leadership. We are making intelligent decisions that will allow us to continue to make progress, and we are not taking shortcuts that could jeopardize a strong long-term recovery.

Overview of 2018 Performance

Our focus in 2018 was on establishing a foundation for sustainable profitability, amidst significant volatility in the equity and credit markets and another season of notable catastrophe losses.

The numerous actions we took in 2018 are not yet fully reflected in our General Insurance financial results, but we have begun to show incremental progress. Most notably, the business began to demonstrate underlying profitability in the fourth quarter, excluding catastrophes, driven largely by an improvement in our loss ratio along with expense reductions.

Life and Retirement delivered solid earnings and returns for the year, despite a challenging fourth quarter due to sharply declining equity markets and widening credit spreads.

Looking ahead, we continue to expect to deliver an underwriting profit for General Insurance as we enter 2019. To be clear: this is only a starting point. Our intention remains to continue improving profitability and to reach double-digit returns for consolidated AIG in three years.

General Insurance: Repositioned for Profitability

In General Insurance, Peter Zaffino and his leadership team made significant progress in 2018 transforming our business. They outlined a new underwriting risk appetite, improved underwriting capabilities, created business units that positively distinguish themselves in the market and built a world-class leadership team. I am very pleased with what this new leadership team has accomplished in a relatively short period of time.
Transforming our portfolio
Throughout 2018, Peter and his team rigorously reviewed the entire General Insurance portfolio. This revealed significant exposures from AIG’s strategy prior to 2017 of deploying large limits, which made us an outlier in the industry. As a result, we have substantially reduced gross and net limits, particularly in Property and Casualty.

Peter and his team also enhanced our organizational structure and control framework. This included instituting revised underwriting guidelines for all our underwriters worldwide and implementing new assessment tools to better measure underwriting performance. The General Insurance team has also worked to enhance the strategic positioning of each business in the portfolio and empowered leaders with end-to-end accountability for results.

Additionally, General Insurance completed the acquisitions of Validus and Glatfelter during the year. Each of these businesses further deepened our talent bench while helping improve core underwriting fundamentals and strengthening our offerings in key areas.

Strategically utilizing reinsurance
Our notable progress on risk management and underwriting was critical to the execution of a revised reinsurance strategy. We recognized in late 2017 that our legacy reinsurance strategy had substantial shortcomings with respect to managing volatility across return periods and protecting against tail-risk events. In January 2018, we made initial decisions to reduce the net risk in the portfolio, which provided meaningful recoveries in the second half of last year. During the January 2019 renewal season, we made material enhancements to our reinsurance program that have significantly reduced the risk and volatility across our portfolio. Looking ahead, we will continue to evolve our use of reinsurance to balance our portfolio, manage volatility and protect against extreme risk events.

Developing world-class talent
While we will continue to see the results of these changes into 2019, clients, brokers and reinsurance partners are taking notice of the team we have built and the work we are doing. Peter has now filled critical positions, including Chief Underwriting Officer, Head of International, Head of Claims and CEO of Lexington, which were part of more than a dozen new senior additions. The caliber of those who have joined AIG since I arrived is truly world-class, and we continue to be energized as we add these industry veterans to our existing talent base.

I want to thank colleagues across General Insurance for their diligence and dedication serving clients through another year of high-impact catastrophe events — whether in Japan, where many employees, regardless of their role, fielded claims while recovering from Typhoons Jebi and Trami themselves, or in response to Hurricanes Florence and Michael and mudslides and wildfires in California. We have proven once again that we are there for our clients at some of their most difficult moments.

Looking ahead, the significant progress in General Insurance throughout 2018 has positioned us well for the future.

Life and Retirement: Stable Earnings and Attractive Returns
Under the leadership of Kevin Hogan and his highly experienced executive team, our Life and Retirement 2018 results reflected solid growth from our ongoing strategy to leverage our broad product portfolio and diversified distribution network to satisfy customer needs.

Continuing to deliver solid performance
Premiums and deposits increased 14 percent year-over-year, including increases in each key segment: Individual Retirement, Group Retirement and Life Insurance.

Additionally, Institutional Markets closed a number of pension risk transfer deals, reflecting the continued growth of this market. While adjusted pre-tax income declined year-over-year, this was primarily driven by changes to actuarial assumptions and volatility in the performance of credit and equity markets.

Overall, our Life and Retirement business continued to deliver double-digit adjusted return on equity in 2018, despite this volatility, and we expect it to continue doing so in the coming year.

Positioning for industry leadership
Life and Retirement has made a number of investments over the last several years to promote a customer-centric culture by modernizing operating platforms and enhancing digital capabilities. These platforms have received industry-leading awards year after year and strengthened the efficiency and quality of our customer experience.

Life and Retirement also continues to enhance our reach internationally. As an example, in December 2018 AIG Life UK completed its acquisition of Ellipse, expanding its individual benefit offering to include group protection.

Looking to the future, the need for protected retirement income continues to increase, and our ability to offer solutions in various product structures remains a competitive advantage. In addition, Life and Retirement is playing a founding role in the Alliance for Lifetime Income. This group has brought together professionals from across the industry to advocate for new policies that protect and secure the retirement dreams of millions of Americans.

A key driver of our ongoing strength and unique position is the incredible colleagues across our Life and Retirement businesses. In the face of changing economic environments and shifting market demands, they remain focused every day on helping people achieve financial and retirement security.
Thanks to their hard work and focus, Life and Retirement enters 2019 with a sustainable business model that is well-positioned to leverage our product expertise and distribution footprint to deploy capital to the most attractive opportunities.

Blackboard Insurance: Reimagining the Middle Market
Under the leadership of Seraina Macia, Blackboard Insurance continues to reimagine the commercial insurance experience — from underwriting to claims and finance to operations, they are using data and technology to turn the business inside out. By erasing inefficiencies and old technologies, Blackboard is positioned to help companies move faster, do more business and reinvest for growth. 2018 was a pivotal year as the team worked behind the scenes to operationalize their business.

Capital: Prudent Management, Strong Balance Sheet, Future Investment
Our strong balance sheet and careful capital management played a critical supporting role throughout 2018 as we worked to build AIG into a more valuable company.

As I have said many times before, I believe AIG’s future is contingent on re-investing excess capital in our businesses, so we can do better for our clients, brokers, employees and investors.

I am proud of the choices we have made on this front to date, which include:

- Investing in top industry talent who have brought significant expertise and experience to AIG;
- Focusing on high-quality acquisitions that are complementary to our products, markets and geographies, and investing in our potential for sustainable, profitable growth; and
- Releasing capital tied up in lower return-on-equity investments and product lines through the management of our Legacy portfolio. One example is the establishment of Fortitude Re to hold most of our run-off portfolios. In late 2018, we sold a minority stake in Fortitude Re to The Carlyle Group as we focus on standing up this business independently while meeting commitments to policyholders and regulators.

Leadership and Talent: Leveraging Our Greatest Strength
Our talent remains our greatest resource, and throughout 2018 we continued to work with great success to position the right leaders in the right roles. On my leadership team, 2018 brought the appointment of proven leaders, including in Finance and Information Technology.

What I most appreciate about our new Chief Information Officer, John Repko, is his track record in balancing results-driven business unit support with the ability to fortify corporate systems for efficiency and security. Additionally, our new Chief Financial Officer, Mark Lyons, has already demonstrated his deep expertise in insurance, building on his prior operating, finance and actuarial experience.

I also want to express how thankful I am for the signature determination of AIG employees across the company — in both business units and corporate functions. In the face of significant change, they have continued to serve clients and each other with focus and dedication. Collectively we are making AIG a more attractive and rewarding place for a more diverse and inclusive workforce.

100 Years: Taking the Long View
On the back of all that took place in 2018, we have now entered 2019, AIG’s Centennial year. I am extremely proud of the pioneering role AIG has played in this industry throughout our history. Delivering deep specialist expertise for our clients, an entrepreneurial spirit in how we address evolving risks, and a commitment to communities in which we operate have been core to who we are since AIG’s roots were planted in Shanghai in December 1919.

Importantly, I believe these qualities are key to the history that lies ahead: our next 100 years.

In Conclusion
As we look to the future, our destination remains clear. We will restore AIG as the leading insurance company in the world.

Thank you for your continued support.

Sincerely,

Brian Duperreault
President and Chief Executive Officer