AIG Life Insurance Company (Switzerland) Ltd.

Financial Condition Report 2017

30 April 2018

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Executive Summary

AIG Life Insurance Company Ltd. ("AIG Life" or the "Company") is incorporated in Switzerland and is a wholly owned subsidiary of the American International Group, Inc. ("AIG Inc."), a company incorporated in the State of Delaware, United States of America with headquarters in New York City.

The Company is authorised and regulated by the Swiss Financial Market Supervisory Authority (FINMA) in Switzerland.

The purpose of the Financial Condition Report (FCR) is to provide the reader with an understanding of the Company's Business and Performance, Systems of Governance, Risk Profile, Valuation for Solvency purposes and Capital Management.

The Company received on March 28, 2018 FINMA's decision to release AIG Life from the obligation of publishing some information ("light reporting") as foreseen by FINMA's circular 2016/02 marginal 16. Based on FINMA's decision AIG Life must publish the following information:

- Solvability (FINMA's circular 2016/02 marginal 73-82) (Section B)
- Tables of quantitative model for the market value balance sheet and the target capital (FINMA's circular 2016/02 marginal 102 and 104 and attachment 1) (Section B)
- Allowance for the light reporting (attachment 1)
- Annual report (Attachment 2)
- Sign off of the Financial Condition Report by the board of directors (Attachment 3)

Section A to the FCR provides information about the Company's business.

Section B provides information on SST (Swiss Solvency Test) valuation and in particular on the market consistent balance sheet items, the Target capital items and the changes from the prior year results. Furthermore, the following requirements as set in FINMA's circular 2016/02 marginal 73-82 are covered:

- Information regarding the choice of solvency model.
- Breakdown of target capital into its key components, including explanatory notes
- Breakdown of market risk and insurance risk into their key components, including explanatory notes
- Comparison with the corresponding information from the previous reporting period, including explanatory notes
- Breakdown of risk-bearing capital into its key components, including explanatory notes
- Comparison with the corresponding information from the previous reporting period, including explanatory notes
- Comments on the reported solvency.

The SST coverage is calculated as the ratio of the Company's total risk bearing capital reduced by the market value margin to the Capital for Insurance & Market & Credit risks (SCR). The SCR corresponds to the target capital reduced by the market value margin. The SST metrics are defined by the regulations. During the year, the company ensured compliance with SST requirements including maintaining capital resources above the solvency capital requirements. As at 1st January 2018, the

SCR is CHF 22.6m covered by CHF 36.1m of capital resources thus providing a 148.0% coverage ratio. The solvency (risk-bearing capital, target capital) amounts stated in the FCR are identical to the information submitted to FINMA. The SST amounts as at 1st January 2018 are still subject to regulatory audit.

The Company was fully compliant with SST during 2017.

AIG General Manager
Claudio Maffucci

A. BUSINESS

The ‘Business’ section of the report sets out the details regarding the business structure, key operations and market position of AIG Life Insurance Company (Switzerland) Ltd. (“AIG Life” or the “Company”).

A.1 COMPANY INFORMATION

AIG Life is incorporated in Switzerland and is a wholly owned subsidiary of the American International Group, Inc. (“AIG Inc.”), a company incorporated in the State of Delaware, United States of America with headquarters in New York City.

AIG Life was founded in 1962 and holds a life insurance license, a reinsurance license, an accident insurance license and an illness insurance license from the Swiss regulator FINMA. Currently the company is headquartered in Breganzona (Switzerland) and started its operations in 1963 under the name “Ticino Vita - Società d’assicurazioni sulla vita” in Lugano and was selling insurance policies to clients from Switzerland, especially to those from the Southern Italian-speaking canton Ticino, as well as clients from North Italy. Initially, customers from Switzerland bought mainly annual premium products, whereas the north Italian customers were more interested in single premium products.

In 1983, AIG Inc. bought 100% of AIG Life. This change in ownership had a positive impact on the business, which continued to expand until the late 1990’s. In the late 1990’s, due to AIG Inc.’s expansion into markets where AIG Life customers were located, AIG Inc. slowed the growth of the company. In July 2002, the Board of Directors of AIG Life and AIG Inc. decided to put the company into run-off. Currently, the company does not underwrite new business, does not maintain distribution channels and does not market products in any form. Furthermore, due to the long term run-off status of AIG Life, the company maintains only necessary operational structures to support the run-off process. In particular, in order to optimize costs, AIG Life has outsourced some of its administration services (actuarial services, IT services) to external providers.

The company is FINMA authorised and regulated by the FINMA, and owns the following licenses:

A	B	Business lines	
x		A1	Collective life insurance vocational provisions
x		A2.1	Capital insurance bound to parts of fund, with death or disability benefits
x		A2.2	Ditto, with additional guarantee in case of life
x		A2.3	Annuity insurance bound to parts of fund
x		A2.4	Life insurance bound to confined funds or other reference values, with death or disability benefits
x		A2.5	Ditto, with additional guarantee in case of life
x		A2.6	Pension insurance bound to confined funds or other reference values
x		A3.1	Individual capital insurance in case of death and life

X		A3.2	Individual pension insurance
X		A3.3	Other individual life insurances
X		A3.4	Collective life insurance outside vocational provisions
X		A4	Accident insurance
X		A5	Health insurance
X		A6	Operations of capitalization

Registered Office
AIG Life Insurance Company (Switzerland) Ltd
Via Camara 19
6932 Breganzona (CH)
+41 91 960 48 48

Supervisory Authority
Swiss Financial Market Supervisory Authority (FINMA)
Laupenstrasse 27
3003 Bern (CH)
+41 31 327 91 00

External Auditors
PricewaterhouseCoopers AG
Birchstrasse 160
8050 Zürich
+41 58 792 44 00

A.2 POSITION WITHIN THE GROUP LEGAL STRUCTURE

The company is a 100% subsidiary of AIG Inc. and is thus directly owned by AIG Inc.. The company operates independently and almost all operational decisions are made locally.

A.3 MATERIAL PARTICIPATING UNDERTAKINGS

The company has no subsidiaries nor undertakings.

A.4 MATERIAL LINES OF BUSINESS BY OPERATING SEGMENT

From an operating perspective, AIG Life forms part of the Legacy business module of AIG Inc.

The portfolio of AIG Life consists of the product types described in the following:

- Ordinary
  - Endowment: A product providing a death benefit with an embedded investment element of a fixed term. This type of product provides a benefit regardless of whether the policyholder is alive or not and there is the possibility to increase such a benefit regularly throughout the duration of the policy.
  - Whole of Life: A single (or annual) premium product, which provides a death benefit and also has an embedded investment element of variable term. The benefit is paid in the event of surrender or death.
  - Risk Only: A life insurance product for which the benefit is payable only in case of the policyholder’s death (which has to occur within the policy’s duration, or in the event of the “fixed term product”; the benefit is payable only at the maturity). The policy itself has no value if the policyholder is alive at the expiry date (though any associated policy may have a value). In the case of the “fixed term product”, if the policyholder dies before the maturity, no additional premium is due.
  - Group Pension: A single premium product with a death benefit and amount payable at retirement.

- Annuities: A standard annuity product with guaranteed benefits paid on one or two lives either up to the death of the beneficiaries or up to a defined term. The annuity might be either deferred or in payment and both forms of premium payment single and regular, are available. The policyholder can include in the contract death benefit coverage in the form of a premium refund.
- Saving: Whole of Life saving products with an interest guarantee. In the case of death the saving amount is paid out to the beneficiaries.
- Unit Linked Whole of Life or endowment type product invested in funds with a Guaranteed Minimum Death Benefit (GMDB). The policyholder bears the investment risk.
- Hospitalization A regular premium life insurance product which provides daily benefits in the event of hospitalization according to a chosen plan (every admission into a clinic or hospital as a consequence of an injury or illness).
- Credit Life Credit Life is liable for any outstanding debt the policyholder may leave behind in the event of death or disability.

It was possible to add the following riders to the main insurance policy:

In the event of disability

- Incapacity to work (annuity) This rider is available (1) as an annual benefit in the case of disability claim (incapacity to work) paid until the maturity of the main insurance policy or disability's disappearance or (2) as a lump sum. This rider cover is available only in case the waiver premium rider is subscribed as well.
- Waiver of premium This is a rider cover provided in case of policyholder's incapacity to work. This rider provides as its benefit the payment of the main cover premium.

In the event of death

- by accident A supplementary benefit is due in the event of death by accident.
- Annuity (temporary) An annuity due to the policyholder in the event of death from insured death day to the maturity date of the main cover.
- Risk only (fixed term) A fixed benefit is provided in case of insured death within rider cover duration. This rider cover's duration cannot be higher than the duration of the main cover.

AIG Life products are either with profit participation or Index-linked and unit-linked insurance.

The following table shows the size of the insured portfolio by product class at 31st December 2017:

Product class	Number of covers	Statutory technical provisions
Ordinary	4'168	78'997'338
Annuities	257	29'147'064
Saving	37	8'947'830
Unit Linked	74	3'684'859
Disabilities	2'112	14'715'228
Hospitalization	49	182'757

A.5 MATERIAL GEOGRAPHICAL LOCATIONS

AIG Life operates within Switzerland.

B. Solvency

The ‘Solvency’ section of the report describes the following:

- Valuation of assets, technical provisions and other liabilities from a statutory basis to a Solvency basis. This section contains quantitative and qualitative explanations of the main differences between the figures valued according to the SST principles (FINMA circular 2008/44) and those accounted for in the statutory balance sheet of AIG Life.
- Approach and methodology underlying the target capital valuation.

Key elements of the section include:

- Solvency model
- Risk bearing capital
- Target capital

The Target Capital within the Swiss Solvency Test is the amount of funds that the Company is required to hold in line with the capital requirements set in the Swiss insurance supervision act and ordinance. The Target Capital is a distribution based figure calibrated to ensure that all quantifiable risks are taken into account, including insurance, market, and credit risk.

The amount of the Target Capital at 1st January 2018 was CHF 29.1m for a SST ratio of 148.0% (149.6% in the prior year)

It is worth noting, that the Company capitalization within the SST is done by the ratio of (1) the Risk Bearing Capital reduced by the Market Value Margin and (2) the target capital amount without considering the Market Value Margin. The Target Capital reduced by the Market Value Margin (2) is called Capital for Insurance & Market & Credit risks (“SCR”) within the SST valuation.

B.1 Solvency Model

As in the prior year AIG Life applies the SST Standard Model for calculating the target capital. Furthermore, the Delta-Gamma method has been used to estimate a non-linear adjustment on the market risk factors, and tail scenarios have been included as required by FINMA in a last step.

The following simplification is used:

- Cash-flows are projected gross of reinsurance which is thus not considered for mitigating the impact of the risk exposure (e.g. the reinsurance participation in larger or more frequent claims).

The assessment of the Target Capital using the standard formula approach is based on a modular approach consisting of a core of life, market and credit risks with associated sub-modules. These are aggregated in the standard formula using correlation matrices, both at the sub-module and the main module level. Extreme scenarios are then used for calibrating the impact in the distribution tail. Furthermore, the non-linearity impact in the distribution tail is considered as well when determining the Target Capital. The operational risk component is not quantified as part of the Target Capital. A qualitative analysis of that risk is performed within the ORSA.

Here, the “delta-RBC” (ΔRBC) approach is used for capturing the impact of the underlying risk module. Note that the expression ΔRBC has a sign convention whereby positive values signify a loss.

In order to calculate ΔRBC, the base scenario as well as the stressed assets and liabilities will need to be calculated. The difference between the base and the stressed assets and liabilities is the ΔRBC.

The ΔRBC is based on the market consistent balance sheet. No further risk mitigation techniques in addition to those considered within the MCBS (i.e. management of the run-off) are used in the calculation of the Target Capital.

B.2 Risk Bearing Capital

Company's Risk Bearing Capital ("RBC") is comprised of the following:

- The subscribed shareholder equity
- Statutory accumulated gains or losses
- Unrealized gains and losses resulting from the transition of both assets and liabilities from statutory to market consistent balance sheet ("MCBS").

The following table shows the risk bearing capital split into its main components comparing the amounts as at 1st January 2017 and as at 1st January 2018:

Risk Bearing Capital Components	1st January 2018	1st January 2017
Subscribed shareholder equity	18'423'580	18'423'580
Statutory accumulated losses	-3'239'098	-3'088'835
Unrealized gains on transition to the MCBS	24'969'642	28'534'133
Reduction	-169'208	-255'900
RBC	**39'984'916**	**43'612'979**

The RBC decreased in 2017 by CHF 3.6m. The drop can be explained as follows:

- The statutory accumulated losses slightly increased by the loss of the financial year 2017 of CHF 0.1m
- The unrealized gains on transition to the MCBS reduced significantly as the new valuation of properties held by AIG Life performed by Würst & Partners in 2017 resulted in the depreciation of the Dübendorf building for CHF 3.5m (notably due to unoccupied office spaces).
- The reduction applied within the RBC calculation is related to the intangible assets which are not allowed within the RBC.

The following subsections outline the structure of assets and liabilities as well as the changes in values since the prior year SST valuation.

B.2.1 Assets

The 'Assets' subsection of the report aims to provide information regarding the valuation of assets held by the Company under the SST regime, including information on the basis, methods and The 'Assets' subsection of the report aims to provide information regarding the valuation of assets held by the Company under the SST regime, including information on the basis, methods and assumptions utilised.

The assets table below shows the Market Consistent Balance Sheet line items as in the SST valuation, their corresponding statutory values, and the market value adjustments and reclassifications applied.

Assets - Market Consistent Balance Sheet	Notes	Statutory Accounts Value	SST Adjustment	SST Value
		In CHF	In CHF	In CHF
Goodwill		-	-	-
Deferred acquisition costs		-	-	-
Intangible assets		169'208	-	169'208
Deferred tax assets		-	-	-
Pension benefit surplus		-	-	-
Property, plant & equipment held for own use		26'673	-	26'673
Investments (other than assets held for index-linked and unit-linked contracts)	1	157'931'364	8'189'013	166'120'377
Property (other than for own use)		26'927'687	2'910'313	29'838'000
Holdings in related undertakings, including participations		-	-	-
Equities		-	-	-
Government Bonds		-	-	-
Corporate Bonds		131'003'677	5'278'700	136'282'377
Derivatives		-	-	-
Deposits other than cash equivalents		-	-	-
Other investments		-	-	-
Assets held for index-linked and unit-linked contracts		3'207'818	-	3'207'818
Loans and mortgages		782'107	-	782'107
Reinsurance recoverables		-	-	-
Deposits to cedants		-	-	-
Insurance and intermediaries receivables		155'084	-	155'084
Reinsurance receivables		172'939	-	172'939
Receivables (trade, not insurance)	2	646'493	639'980	1'286'473
Own shares (held directly)		-	-	-
Amounts due in respect of own fund items or initial fund called up		-	-	-
Cash and cash equivalents	3	6'015'638	-	6'015'638
Any other assets, not elsewhere shown		1'045'676	-	1'045'676
Total assets		**170'153'000**	**8'828'993**	**178'981'994**

1. INVESTMENTS (OTHER THAN ASSETS HELD FOR INDEX-LINKED AND UNIT-LINKED CONTRACTS)

Investments are measured and carried at fair value in accordance with FINMA circular 2008/44. The following valuation principles are applied to the statutory amounts:

- Bonds and other fixed-interest bearing securities are valued according to the amortized cost-method, which prescribes that the difference between the purchase price and the amount to be repaid should be written off pro rata over the remaining period to maturity.
- Property at market value reduced by the annual depreciation.
- Deposits other than cash equivalents at par value.

The valuation difference of CHF 8.2m between statutory and SST relates to unrealized gains, i.e. differences between book and market value of the properties and the bonds.

2. RECEIVABLES (TRADE, NOT INSURANCE)

The CHF 0.6m difference between statutory and SST balance sheet results from the amount (fees) the company will receive in 2018 for the administration support delivered to American Security Life in Liechtenstein. In the statutory approach future fees resulting from that third party agreement are already considered within the statutory reserves. As under SST such that approach is not allowed only the fees outstanding for 2018 are recognised within the market consistent balance sheet as an asset.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprises deposits with banks and cash.

Cash and deposits at banks are reported at par.

B.2.2 TECHNICAL PROVISIONS

The below technical provisions table has been extracted from the Market Consistent Balance Sheet which summarises the calculation of Technical Provisions using statutory reserves as the starting point.

Technical Provisions - Market Consistent Balance Sheet		Statutory Accounts Value	SST Adjustment	SST Value
		In CHF	In CHF	In CHF
Technical provisions - life (excluding index-linked and unit-linked)		146'308'355.32	(15'905'706.06)	130'402'649.26
Technical provisions – index-linked and unit-linked		3'207'818.30	(234'942.75)	2'972'875.55
Total Technical Provisions		**149'516'173.62**	**(16'140'648.81)**	**133'375'524.81**

The significant difference in the Technical Provisions is due to the following:

- Statutory amounts are calculated using conservative approaches as required by FINMA and the Swiss Association of Actuaries and thus contain large prudence margins.
- Technical provisions under SST are calculated as best estimates and hence without risk margins.
- Equalization reserves are considered as part of the shareholder equity within the SST valuation whether in the statutory balance sheet are part of the technical provisions. Thus CHF 9.5m are moved into the RBC when moving from the statutory balance sheet into the SST MCBS.

The technical provisions are defined as the probability-weighted average of future cash flows, discounted to take into account the time value of money considering all possible future scenarios. The cash flow projection used in the calculation of the best estimate takes account of all the cash in-flows and out-flows required to settle the insurance and reinsurance obligations over their lifetime. Policy cashflows are modelled at a granular level (per policy basis in monthly or annual increments).

BEST ESTIMATE LIABILITY

In line with FINMA circular 2008/44, the best estimate liability (“BEL”) is determined as a present value of the probability weighted future cash flows using the relevant risk-free interest rate term structure.

AIG Life does not perform a scenario based calculation (i.e. simulation techniques are not used). The calculation of BEL is based on deterministic techniques. This involves determining a fixed set of assumptions (i.e. best estimate assumptions) which are used to project cash flows and calculate the BEL. The uncertainty in the cash flows is embedded within the best estimate assumptions.

The above approach has been considered appropriate because of the size and complexity of the insured portfolio.

The projected cash flows are associated with existing contracts and obligations with uncertainty incorporated through an expected lapse rate. Lapse rates have been estimated based on company experience. Expected cashflows are also influenced by mortality, morbidity and expense assumptions (including expense overruns related to the company’s run-off). These are updated each year based on company experience combined with industry data and reviewed and approved by the AIG Life management.

Assumptions are considered to be best estimate when they represent the "mean" or probability weighted average of possible outcomes to an uncertain event, i.e. actual experience could be equally likely to be better or worse than the assumption.

The calculation does not explicitly consider any other future management actions that may be taken to reduce the Company's risk exposure following certain events.

Furthermore best estimate liabilities are calculated gross, without deduction of the amounts recoverable from reinsurance contracts. The cash flows are therefore calculated gross of reinsurance recoveries expected from the reinsurance arrangement.

Market Value Margin

The Market Value Margin ("MVM") amounts to CHF 6.5m at 1st January 2018. Within the Solvency 2 valuations the MVM would correspond to the risk margin used to increase the Best Estimate Liablities and get the technical provisions. Within the SST valuation the MVM is not part of the technical provisions and thus of the MCBS. However, the MVM is used to reduce the RBC when calculating the SST coverage ratio.

The following is considered within the MVM valuation:

Insurance risk

The insurance risk is projected in line with the expected development of the Best Estimate Liabilities over the course of the projection.

Market risk

For the SST 2018 valuation, the projection of the non-hedgeable market risk is based on an investment strategy targeting the reduction in the market risk and consists in moving the assets into risk-free governments bonds replicating the expected liability cash-flows. However, the resulting asset-liability matching is not perfect and there remain two sources of non-hedgeable market risk:

- The replicating investment strategy does not consider selling the two commercial buildings of Dübendorf and Breganzona as, due to their size, those buildings are not liquid and thus cannot easily be moved into bonds in the short term; and
- Liability cash-flows are assumed to be replicated only until the Last Liquid Point of each currency (a maturity of 15 years for CHF), to be compliant with FINMA requirements in this regard. As the Swiss bond market beyond 15 years is less liquid but still exists, we consider this approach to be conservative.

The replicating investment strategy is assumed to be implemented from the first year of projection. Hence, the market risk component of the risk margin starting in year 2018 is calculated by replacing MR(0) with MR'(0), which corresponds to the market risk at time 0 calculated based on the replicating investment strategy. The market risk is then projected in line with the expected development of the BEL over the course of the projection.

Credit risk

The credit risk calculation within the risk margin calculation is based on the replicating investment strategy applying the standard SST approach. The credit risk is also projected in line with the expected development of the BEL over the course of the projection.

Scenarios

The impact of the scenarios was developed as a proportion of the aggregated market and insurance risk (where the market risk is MR' as described above). To do so, the ratio from the SST 2018 MVM was applied to the projected aggregated market and insurance risk amounts.

B.2.3 OTHER LIABILITIES

The below liabilities table has been extracted from the Market Consistent Balance Sheet which details the calculation of SST values from statutory to SST. The below table should be viewed in conjunction with the explanatory notes.

Liabilities - Market Consistent Balance Sheet	Notes	Statutory Accounts Value	Solvency II Adjustment	Solvency II Value
		In CHF	In CHF	In CHF
Total Technical Provisions		**149'516'174**	**(16'140'649)**	**133'375'525**
Provisions other than technical provisions		500'000	-	500'000
Pension benefit obligations		-	-	-
Deposits from reinsurers		-	-	-
Deferred tax liabilities		-	-	-
Derivatives		-	-	-
Debts owed to credit institutions		-	-	-
Financial liabilities other than debts owed to credit institutions		-	-	-
Insurance & intermediaries payables	1	4'357'727	-	4'357'727
Reinsurance payables		-	-	-
Payables (trade, not insurance)		314'483	-	314'483
Subordinated liabilities		-	-	-
Any other liabilities, not elsewhere shown		280'135	-	280'135
Total liabilities		**154'968'519**	**(16'140'649)**	**138'827'870**

The valuation of liabilities other than technical provisions is recognised at face value.

1. INSURANCE & INTERMEDIARIES PAYABLE

Insurance and Intermediaries payables include the following:

- Payables to brokers CHF 73'182
- Payables to policyholders: CHF 2'053'553
- Prepaid premiums and premium deposits: CHF 1'244'008
- Payables to reinsurers (third party): CHF 986'984

Most of the amount results from pending benefit payments to policyholders due to pending claims and from premium deposits.

B.3 TARGET CAPITAL

The Target Capital is measured at least annually or more frequently if a material change occurs to the Company's risk or capital profile, business strategy, the macro-economic outlook or if regulatory feedback warrants a change.

The Target Capital is composed by the following risk items:

- Insurance Risk
- Market Risk
- Credit Risk
- Market Value Margin

The table below highlights the capital requirements for each risk module with the comparison to the prior year amounts:

In CHF m	2017	2016
Insurance Risk		
Parameter Risk	8.4	8.4
Mortality	1.1	1.0
Longevity	0.5	0.5
Disability	0.2	0.3
Recovery rate	0.2	0.3
Cost	8.3	8.3
Lapse rate	1.1	1.2
Diversification	-3.0	-3.2
Stochastic Risk	1.1	1.6
Diversification	-1.0	-1.4
Insurance Risk (diversified)	**8.5**	**8.6**
Market Risk		
Interest rate	3.1	7.1
Spread	11.3	8.5
Currency	3.0	3.1
Real estate	5.8	6.3
Diversification	-8.8	-10.3
Market Risk (diversified)	**14.5**	**14.7**
Diversification	-5.8	-5.9
Insurance & Market (diversified)	17.2	17.4
Scenarios	1.6	2.6
Credit Risk	3.9	4.1
SCR	**22.6**	**24.1**
Market Value Margin	6.5	7.5
Target Capital	**29.1**	**31.6**

Insurance Risk

AIG Life's Insurance risk is dominated by the risk related to the run-off costs. As this exposure reduces slowly over the years the capital amount on the insurance risk remained stable compared to the prior year. The other insurance risk components reduced as the insured portfolio reduced being the company in run-off. The slight increase in the mortality risk is related to the change in the mortality best estimate which increased the best estimate liabilities and thus the exposure to that risk.

Market Risk

AIG Life's market risk is dominated by spread risk, interest rate risk and real estate risk. The overall market risk based on the delta-gamma approach has decreased by CHF -0.2 m compared to last year. The main changes with respect to last year are the decrease in interest rate risk and the increase in spread risk. Investing a significant portion of the cash and bank accounts into bonds in helped improve the Asset Liability Matching and decrease interest rate risk, at the expense of spread risk (as longer bonds are more sensitive to spread stresses).

Credit Risk

AIG Life's Credit Risk Model is based on the FINMA standard model and parameterization. Credit risk results mainly from the bond portfolio and bank deposits. The total credit risk amounts to CHF 3.9m compared to CHF 4.1 m for the prior year SST 2017. This decrease in credit risk is mostly linked to the decrease of the size of the asset portfolio, partly offset by the investment of a significant portion of the cash and bank accounts into bonds in 2017. AIG Life's investment strategy aims, among others, improving company's asset liability matching based on the SST cash-flows in order to reduce the target capital. In this context, new bonds were bought in 2017 for approximately CHF 13m. In parallel, cash and bank accounts decreased by approximately CHF -11m over 2017 (now representing 3% of AIG Life's total investments) also due to linked to benefit payments during the year.

B.4 QUANTITATIVE REPORTS

This section contains the two quantitative reports required by FINMA Circular 2016/02 marginal 102:

Financial situation report:
quantitative template "Market-consistent Balance Sheet Solo"

Currency : CHF
Indications in CHF

		Ref. date previous period	Adjustments previous period	Ref. date reporting year
Market-consistent value of investments	Real estate	33'268'217		29'838'000
	Shareholdings			
	Fixed-income securities	136'155'011		136'282'377
	Loans	916'953		782'107
	Mortgages			
	Equities			
	Other investments			
	Collective investment schemes			
	Alternative investments			
	Other investments			
	Total investments	170'340'182		166'902'484
	Financial investments from unit-linked life insurance	4'778'739		3'207'818
	Receivables from derivative financial instruments			
Market-consistent value of other assets	Cash and cash equivalents	16'965'210		6'015'638
	Receivables from insurance business	331'725		328'023
	Other receivables	1'395'958		1'286'473
	Other assets	1'505'287		1'072'349
	Total other assets	20'198'180		8'871'691
Total market-consistent value of assets	Total market-consistent value of assets	195'317'100		178'981'994

		Ref. date previous period	Adjustments previous period	Ref. date reporting year
Best estimate liabilities (BEL)	Best estimate of provisions for insurance liabilities	145'885'664		133'375'525
	Direct insurance: life insurance business (excluding ALV)	141'486'219		130'311'629
	Direct insurance: non-life insurance business			
	Direct insurance: health insurance business	106'217		91'020
	Direct insurance: unit-linked life insurance business	4'293'228		2'972'876
	Direct insurance: other business			
	Outward reinsurance: life insurance business (excluding ALV)			
	Outward reinsurance: non-life insurance business			
	Outward reinsurance: health insurance business			
	Outward reinsurance: unit-linked life insurance business			
	Outward reinsurance: other business			
	Reinsurers' share of best estimate of provisions for insurance liabilities	-		-
	Direct insurance: life insurance business (excluding ALV)			
	Direct insurance: non-life insurance business			
	Direct insurance: health insurance business			
	Direct insurance: unit-linked life insurance business			
	Direct insurance: other business			
	Outward reinsurance: life insurance business (excluding ALV)			
	Outward reinsurance: non-life insurance business			
	Outward reinsurance: health insurance business			
	Outward reinsurance: unit-linked life insurance business			
	Outward reinsurance: other business			
Market-consistent value of other liabilities	Non-technical provisions	500'000		500'000
	Interest-bearing liabilities			
	Liabilities from derivative financial instruments			
	Deposits retained on ceded reinsurance			
	Liabilities from insurance business	4'374'790		4'357'727
	Other liabilities	687'767		594'618
Total BEL plus market-consistent value of other liabilities	Total BEL plus market-consistent value of other liabilities	151'448'221		138'827'870

		Ref. date previous period	Adjustments previous period	Ref. date reporting year
	Market-consistent value of assets minus total from BEL plus market-consistent value of other liabilities	43'868'879		40'154'124

Financial situation report:
quantitative template « Solvency Solo »

Currency : CHF
Indications in CHF

		Ref. date previous period in CHF millions	Adjustments previous period in CHF millions	Ref. date reporting year in CHF millions
Derivation of RBC	Market-consistent value of assets minus total from best estimate liabilities plus market-consistent value of other liabilities	43'868'879		40'154'124
	Deductions	-255'900		-169'208
	Core capital	43'612'979		39'984'916
	Supplementary capital	-		0
	RBC	43'612'979		39'984'916

		Ref. date previous period in CHF millions	Adjustments previous period in CHF millions	Ref. date reporting year in CHF millions
Derivation of target capital	Underwriting risk	8'588'366		8'476'988
	Market risk	14'659'400		14'462'254
	Diversification effects	-5'856'150		-5'786'005
	Scenarios effects	2'614'849		1'551'183
	Credit risk	4'134'448		3'929'782
	Capital for Insurance & Market & Credit risks (SCR)	24'140'914		22'634'202
	Risk margin and other effects on target capital	7'496'774		6'489'757
	Target capital	31'637'688		29'123'959

		Ref. date previous period %	Adjustments previous period %	Ref. date reporting year %
SST ratio	(RBC-Risk margin)/SCR	149.6%		148.0%