

American International Group: The Next Dollar of Capital

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Topic: Capital Allocation, Risk Management, Operations Strategy

Industry: Property & Casualty Insurance

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Case convention: This is a hypothetical management decision exercise, not a reconstruction of an actual AIG board request or deliberation. All alternatives are classroom choices; company facts and management statements are sourced and dated.

The decision

At 30 June 2026, AIG reported \$7.4 billion of Parent liquidity, including a \$3.0 billion committed revolver. It had returned \$1.2 billion through common-share repurchases and \$504 million through dividends during the first half. AIG repurchased about \$195 million more in July; at 31 July, \$2.6 billion remained under its Board authorization. The authorization permits discretionary repurchases; it is not a commitment to spend that amount. [P2, Item 2, pp.67-69 and Note 13, p.71]

By the cutoff, AIG had reported second-quarter General Insurance net premiums written of \$7.516 billion, underwriting income of \$686 million and \$210 million of catastrophe charges. Management said the market had become more selective and that growth would be targeted where it expected attractive risk-adjusted returns. [P3, pp.1-4] AIG's second-quarter results were the latest available; its 2 October notice scheduled third-quarter results for 3 November, after this case's cutoff. [P10]

The classroom assignment is to advise AIG's hypothetical capital-allocation committee on the next phase of discretionary parent-level repurchases after the Corebridge exit. Should it continue repurchasing in conditional tranches, or slow repurchases to preserve flexibility for underwriting capacity, catastrophe volatility and other strategic investments? What evidence and safeguards should determine the pace? Do not assume that the July authorization balance remained unchanged in October or that Parent liquidity equals cash available for repurchases.

Capital returned and capital retained

Publicly reported item	Amount / date	Definition and source
Parent liquidity	\$7.4bn at 30 June	Company-defined measure including cash, short-term investments and \$3.0bn committed revolver availability; not cash alone. [P2, Item 2, pp.67-69]
H1 common repurchases	About \$1.2bn	Historical first-half amount. [P2, Item 2, pp.67-69]
H1 common dividends	\$504m	Historical first-half amount. [P2, Item 2, pp.67-69]
Q2 shareholder return	\$904m: \$641m repurchases and \$263m dividends	Q2 amounts are included in H1 figures above. [P3, p.2]
July repurchases / authorization	About \$195m repurchased; \$2.6bn remained at 31 July	Board authorization is discretionary and the July balance is not an October balance. [P2, Note 13, p.71]
GI subsidiary dividends upstream	\$1.8bn during H1	Paid to AIG Parent or intermediate holding companies; actual historic transfers, not a forecast. Subsidiary distributions are subject to legal-entity and regulatory constraints. [P2, Item 2, p.68]
Q2 dividend	\$0.50 per share	Declared 6 August, payable 30 September to holders of record 16 September. [P3, p.3]

Parent resources and insurer capital are not interchangeable. AIG's filing describes restrictions and conditions on dividends from regulated subsidiaries. Even when subsidiaries have paid dividends historically, future upstream capacity depends on each insurer's capital, performance and legal requirements. [P2, p.68]

Underwriting opportunities and volatility

General Insurance reported \$7.516 billion of Q2 net premiums written, up 9%; underwriting income of \$686 million, up 10%; a reported combined ratio of 89.0%; and \$210 million of catastrophe charges, equal to 3.4 loss-ratio points. These are reported period measures, not a forecast of future underwriting returns. [P3, pp.1-4]

Management described pricing as more selective and performance as increasingly dependent on line-specific conditions. It said AIG would seek targeted growth where it expected attractive risk-adjusted returns. That statement describes management's approach, not a quantified opportunity set or a disclosed capital request. [P3, lines 22-29]

The first-half record also includes capital choices already made. AIG closed its 35% Convex investment for \$2.1 billion and its 9.9% Onex investment for \$642 million on 6 February 2026. Convex participation continues through a whole-account quota share; the stated percentages are 7.5% for 2026, 10% for 2027 and 12.5% for 2028. Onex shares are restricted from transfer through 6 February 2029. These are completed transactions and continuing arrangements, not pending purchase prices. [P2, Note 4, p.57]

AIG has separately described intentions to allocate up to \$2 billion to CVC funds and separately managed accounts, with an initial \$1 billion through 2026 and a possible contribution of up to \$1.5 billion from its existing private-equity portfolio. The public record does not reconcile funded amounts or establish a remaining unpaid commitment at the cutoff. [P9, p.8; P1, pp.6-8]

In September, AIG issued €625 million of 4.250% notes due 2031 and €500 million of 4.750% notes due 2036. The filing establishes the issuance, not how proceeds were allocated or the resulting pro forma leverage. [P8, Item 8.01 and exhibits]

A choice under uncertainty

Two alternatives are available for this exercise:

1. **Continue conditional repurchases.** Keep using the Board authorization in discretionary tranches when a current capital plan indicates adequate Parent liquidity and sufficient capital at each regulated insurer after stress scenarios and planned investments.
2. **Slow repurchases temporarily.** Preserve more Parent flexibility while management refreshes its entity-level capital outlook, catastrophe scenarios, underwriting needs and the status of investment intentions.

The alternatives do not imply that AIG has adopted either policy. The public record does not disclose the October authorization balance, internal capital triggers, insurer-by-insurer statutory headroom, planned buyback calendar, future subsidiary dividend capacity, or project-level returns. Students may recommend a third conditional approach, but should state the decision rule and what could reverse it.

Travelers reported \$1.311 billion of Q2 repurchases and \$1.577 billion of total Q2 capital returned. Chubb authorized a new \$7.5 billion repurchase program effective 1 July; its Q2 filing reports \$2.122 billion of first-half repurchases and \$7.486 billion remaining as of 27 July. [P7, lines 19-20; P11, lines 79-86; P12, Note 13, p.40] These disclosures show that capital return is an active industry choice, but different scale, business mix and legal-entity capital structures make peer dollars unsuitable as AIG capacity benchmarks.

Assignment: Recommend a repurchase-governance approach. Address what must be known before the next tranche, how to protect underwriting and insurer-level capital flexibility, and how AIG should balance a flexible authorization against shareholder returns. Use only information available by 3 October 2026. Do not calculate a buyback amount from the reported Parent liquidity figure.

Source key

- **P1.** AIG 2025 Form 10-K, filed 12 February 2026, [SEC filing](#), strategy discussion, printed pp.6-8. Management objectives and intentions only.
- **P2.** AIG Q2 2026 Form 10-Q, [SEC filing](#), Item 2 pp.67-69; Note 4 p.57; Note 13 p.71.
- **P3.** AIG Q2 2026 results release, 6 August 2026, [SEC Exhibit 99.1](#), pp.1-4; management commentary lines 22-29.
- **P4.** AIG 2 September 2026 Form 8-K, [SEC filing](#), Item 5.02, lines 70-74.
- **P5.** AIG 16 September 2026 Form 8-K, [SEC filing](#), Item 5.02, lines 70-71.
- **P8.** AIG 24 September 2026 Form 8-K, [SEC filing](#), Item 8.01 and exhibits.

- **P9.** AIG 2026 proxy statement, [SEC filing](#), p.8.
- **P10.** AIG Q3 reporting schedule, 2 October 2026, [issuer release](#), lines 3-9.
- **P7.** Travelers Q2 2026 results, 17 July 2026, [issuer release](#), lines 19-20 and 114-116.
- **P11.** Chubb repurchase authorization, 21 May 2026, [issuer release](#), lines 79-86.
- **P12.** Chubb Q2 2026 Form 10-Q, [SEC filing](#), Note 13 p.40 and Part II Item 2 p.81.

Company-defined and non-GAAP measures retain their issuer labels. The \$7.4bn Parent liquidity measure includes undrawn revolver capacity; it is not all cash. Historical reported values, management statements and classroom alternatives are kept distinct. No post-cutoff results are included.