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BY ELECTRONIC DELIVERY

Timothy B. Henseler, Esq.
Chief, Office of Enforcement Liaison
Division of Corporation Finance
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Re: In the Matter of VALIC Financial Advisors, Inc.

Dear Mr. Henseler:

This letter is submitted on behalf of American International Group, Inc. ("AIG"), in connection with the settlement of the above-captioned administrative proceeding by the U.S. Securities and Exchange Commission (the "Commission" or "SEC") with AIG's indirect, wholly-owned subsidiary VALIC Financial Advisors, Inc. ("VFA" or the "Respondent"). The settlement is expected to result in the entry of an administrative and cease-and-desist order against the Respondent (the "Order"), which is described below.

AIG is a public company and a "well-known seasoned issuer" ("WKSI") as defined in Rule 405 of the Securities Act of 1933, as amended ("Securities Act"). AIG is a leading global insurance company with a wide range of property casualty insurance, life insurance, retirement solutions and other financial services to customers in more than 80 countries and jurisdictions. It has a diversified mix of business with 64% of its revenues attributable to its General Insurance business and 34% to its Life & Retirement portfolio. VFA represents less than 1% of AIG's total revenues. AIG, through its direct and indirect subsidiaries, provides a wide array of investment services, and accesses the capital markets frequently.

Pursuant to Securities Act Rule 405, AIG hereby requests that the Commission or the Division of Corporation Finance, acting pursuant to delegated authority, determine that for good cause shown it is not necessary under the circumstances that AIG be considered an "ineligible issuer" under Rule 405.[1]

BACKGROUND

Respondent has engaged in settlement discussions with the Staff of the Division of Enforcement, which are expected to result in the Commission issuing the Order. Solely for the

[1] In connection with another expected settlement between VFA and the Commission, AIG submitted a separate letter, also dated July 27, 2020, requesting that, for good cause shown, it is not necessary that AIG be considered an "ineligible issuer" under Rule 405.

purpose of settling this proceeding, the Respondent will consent to the entry of the Order without admitting or denying the matters in it (except the Commission's jurisdiction). The Order will find that the Respondent willfully violated Sections 206(2) and 206(4) of the Investment Advisers Act of 1940 ("Advisers Act") and Rule 206(4)-7 thereunder. Specifically, the Order will find that VFA breached its fiduciary duty to its clients in connection with its mutual fund share class selection practices with regard to its receipt of revenue sharing, avoidance of transaction fees, and receipt of compensation paid by mutual funds in accordance with Rule 12b-1 under the Investment Company Act of 1940 ("12b-1 fees"), as well as its duty to seek best execution. The Order will find that VFA instructed a third-party adviser to select mutual funds available on VFA's clearing firm's no-transaction-fee platform (the "NTF Program"), which provided financial benefits to VFA in the form of receipt of revenue sharing, avoidance of transaction fees, and receipt of 12b-1 fees. The Order will also find that VFA did not disclose that it had provided this instruction to the third-party adviser or the conflicts of interest related thereto but instead provided false and misleading disclosures regarding these issues. Similarly, the Order will find that when VFA directly purchased, recommended, or held mutual funds for advisory clients, it also received 12b-1 fees, revenue sharing and avoided paying certain transaction fees while providing misleading disclosures, and violated its duty to seek best execution for those transactions. Finally, the Order will find that VFA failed to adopt and implement written compliance policies and procedures reasonably designed to prevent violations of the Advisers Act and the rules thereunder in connection with its mutual fund share class selection practices.

The Order will require the Respondent to cease and desist from committing or causing any violations and any future violations of Sections 206(2) and 206(4) of the Advisers Act and Rule 206(4)-7 promulgated thereunder; censure the Respondent; and require the Respondent to pay disgorgement of $13,232,681, prejudgment interest of $2,211,072, and a civil monetary penalty of $4.5 million. The Order will also require Respondent to comply with undertakings to: (a) review and correct as necessary all relevant disclosure documents concerning mutual fund share class selection, revenue sharing, transaction fees, and 12b-1 fees; (b) evaluate whether existing clients should be moved to a lower-cost or lower-revenue-sharing-paying class and move clients as necessary; (c) evaluate, update (if necessary), and review for the effectiveness of their implementation, VFA's policies and procedures so that they are reasonably designed to prevent violations of the Advisers Act in connection with disclosures regarding mutual fund share class selection, revenue sharing, and transaction fees in wrap accounts; (d) notify affected investors of the settlement terms of this Order by sending a copy of the Order to each affected investor via mail, email, or such other method not unacceptable to the Commission staff, together with a cover letter in a form not unacceptable to the Commission staff; and (e) certify, in writing, compliance with the undertakings set forth in the Order in a narrative supported by exhibits within 45 days of the Order.

DISCUSSION

In 2005, the Commission revised the registration, communications, and offering processes under the Securities Act.[2] As part of this offering reform, the Commission revised Securities Act Rule 405, creating a new category of issuer, the WKSI, and a new category of offering communication, the "free writing prospectus." A WKSI is eligible for important benefits under the Commission's rules, including the ability to register securities for offer and sale under an automatic shelf registration statement, which becomes effective upon filing and is also eligible for the other benefits of the streamlined registration process, such as the ability to file automatically effective post-effective amendments to register additional securities and pay registration filing fees on a "pay as you go" basis. These rule changes have lessened the risk of regulatory delay in connection with capital formation without impacting investor protection. In addition, WKSIs are provided with greater flexibility in terms of communications, including the ability to use non-term sheet "free writing prospectuses" ("FWPs") in advance of filing a registration statement.

The Commission also created another category of issuer under Rule 405, the "ineligible issuer." An ineligible issuer is an issuer that has, among other things, been found to have violated the antifraud provisions of the federal securities laws.[3] An ineligible issuer is excluded from the category of "well-known seasoned issuer" and is unable to avail itself of the benefits afforded to a WKSI.[4]

Securities Act Rule 405 authorizes the Commission to determine, "upon a showing of good cause, that it is not necessary under the circumstances that the issuer be considered an ineligible issuer."[5] The Commission has delegated the function of granting or denying such applications to the Division of Corporation Finance.[6]

AIG understands that the entry of the Order against its subsidiary, the Respondent, would make AIG an ineligible issuer under Rule 405, absent a waiver from the Commission or the Division of Corporation Finance.

REASONS FOR GRANTING A WAIVER

Consistent with the framework outlined in the Division of Corporation Finance's Revised Statement on Well-Known Seasoned Issuer Waivers issued on April 24, 2014, AIG respectfully requests that the Commission determine that it is not necessary for AIG to be considered an

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[2] *See* Securities Offering Reform, Securities Act Release No. 8591, Exchange Act Release No. 52,056, Investment Company Act Release No. 26,993, 70 Fed. Reg. 44,722, 44,790 (Aug. 3, 2005).

[3] *See* Securities Act Rule 405(1)(vi)(C).

[4] *See* Securities Act Rules 164(e), 405 and 433, 17 C.F.R. §§ 230.164(e), 230.405 and 230.433.

[5] Securities Act Rule 405, 17 C.F.R. § 230.405.

[6] 17 C.F.R. § 200.30-l(a)(10).

ineligible issuer as a result of the entry of the Order. For the reasons described below, applying the ineligibility provisions to AIG would be disproportionately and unduly severe.

Nature of the Violation and Whether the Violation Casts Doubt on the Ability of the Issuer to Produce Reliable Disclosures to Investors.

As noted above, the conduct to be described in the Order relates to findings that VFA failed to disclose conflicts of interest, and instead provided false and misleading disclosures, related to its receipt of revenue sharing, avoidance of transaction fees, and receipt of 12b-1 fees in connection with mutual funds available on its clearing firm's NTF Program that it instructed a third-party adviser to select or that it directly purchased, recommended, or held for its advisory clients. In addition, the Order will describe that VFA violated its duty to seek best execution. The Order will not describe conduct that is related to AIG's role as an issuer of securities or any of its filings with the Commission, as a WKSI or otherwise.

The conduct as described above does not call into question the reliability of AIG's current or future disclosures as an issuer of securities. The Order will not (i) question AIG's disclosures in filings with the Commission as an issuer of securities, (ii) state that AIG's disclosure controls and procedures as an issuer of securities were deficient, or (iii) describe fraud in connection with AIG's offerings of its own securities. The Order will describe conduct at AIG's indirect, wholly-owned subsidiary, VFA, and will not implicate conduct by AIG affiliates other than VFA or by the officers or employees of the parent issuer. None of the individuals involved in the conduct described in the Order has been or will be responsible for, or has or will have any influence over, the disclosures of AIG as an issuer of securities or in its filings with the Commission as an issuer of securities.

The conduct described in the Order does not call into question the reliability, quality, or timeliness of current or future disclosures by AIG as an issuer of securities because none of the conduct is related in any way to those disclosures or to its filings with the Commission. AIG's disclosure controls and procedures mandated by Rules 13a-14 and 15d-14 under the Exchange Act were not implicated in any fashion by the described conduct. Furthermore, AIG's ongoing assessment of its need to make disclosures relevant to its investors with respect to AIG's business, or to AIG as an issuer of securities, was not deemed lacking, insufficient, or otherwise called into question by the conduct described in the Order.

The Conduct Described in the Order Does Not Involve Scienter-Based Fraud and Will Not Result in a Criminal Conviction.

The violations charged in the Order are not criminal in nature, and they are non-scienter-based violations of the Advisers Act or one rule thereunder. Rather, the violations are negligence-based. An issuer's burden to show good cause that a waiver under Rule 405 is justified is

significantly greater when a matter involves the issuer's disclosures and either a criminal conviction or scienter-based conduct.[7] In this matter, neither applies to AIG.

The Responsibility for and Duration of the Misconduct Described in the Order

The Respondent is an indirect, wholly-owned subsidiary of AIG, and it is one of the primary companies comprising AIG's Group Retirement business unit. The misconduct described in the Order involved VFA and related to VFA's practices and disclosures as a registered investment adviser. The Order will describe conduct going back to 2010 and ending in 2019. Upon becoming aware of the conduct, the Respondent terminated the conduct at issue and updated its Form ADV disclosures, as described further below.

The individuals involved in the conduct were not involved with AIG's public disclosures. Moreover, the Order makes no finding that any misconduct reflected that the leadership of AIG condoned or chose to ignore the conduct, or otherwise established a "tone at the top" that encouraged or facilitated the misconduct underlying the Order. The Commission did not make any findings of any misconduct by the board of directors, executive management, or other senior officers of AIG. The conduct described in the Order occurred squarely within lines of business that are separate and distinct from the lines of business involved in the preparation of public disclosures and filings with the Commission as an issuer of securities.

Remedial Efforts

AIG takes seriously its obligations under the federal securities laws, and VFA has implemented remedial measures and taken steps to address disclosure and conflict-of-interest concerns addressed by the Order. In fact, many of these steps were taken prior to the commencement of the Staff's investigation in late November 2018.

A. Rebating 12b-1 Fees

Several years ago, VFA implemented a policy to rebate all 12b-1 fee received in connection with mutual funds purchased and held in advisory accounts. Effective April 2016, VFA began rebating clients' 12b-1 fees generated from these investments, and since then, as more fully described below, has exchanged client holdings into non-12b-1 share classes as lower-cost share classes became available. Most client holdings are in share classes that do not generate 12b-1 fees. However, for those that do so, VFA performs multiple reviews and reconciliations over client account activity to validate that 12b-1 fees are appropriately rebated. These procedures include both daily and monthly reviews to confirm that 12b-1 fees have been accurately rebated to advisory accounts, as well as reviews to confirm that advisory accounts are properly configured during the account setup process so that 12b-1 fees would be properly rebated. After VFA identified that a small amount of 12b-1 fees had not been properly rebated due to errors in the account setup

[7] *See* Division of Corporation Finance, Revised Statement on Well-Known Seasoned Issuer Waivers (Apr. 24, 2014), *available at* https://www.sec.gov/divisions/corpfin/guidance/wksi-waivers-interp-031214.htm.

process, VFA corrected the errors in 2018 and put in place the controls described above to prevent recurrence.

In January 2019, shortly after being contacted by the SEC Staff, VFA began the process of reimbursing approximately 15,000 accounts approximately $2.3 million in 12b-1 fees collected after October 1, 2013. VFA's efforts have largely been completed.

B. Exchanging Share Classes

In January 2018, although VFA was fully rebating to clients all 12b-1 fees it received in connection with advisory accounts, VFA began exchanging existing mutual fund investments into available lower-cost, non-12b-1 share classes of the same funds on the clearing firm's platform, subject to eligibility restrictions. This was an enormous project and required identifying available share classes and associated eligibility for numerous funds, as well as contacting fund complexes to request waivers of share class minimums for various share classes as otherwise required by the fund's prospectus. That process, which included converting share classes for approximately 40 funds and over 100,000 positions, was completed in July 2018.

VFA has also put in place a process to monitor the availability of newly launched or restructured share classes that could benefit clients. VFA and its external, third-party program administrator meet at least quarterly to review VFA's advisory business, investment management and performance, individual funds, investment changes during the quarter, and additional issues, including lower-cost share class analyses. Investments in additional funds have been converted since 2018 as a result of this monitoring process.

C. Relinquishing Right to Revenue Sharing

Over three years ago, VFA relinquished its contractual right to receive revenue sharing from its clearing broker in connection with advisory accounts. In June 2017, VFA sent a written instruction to its clearing broker to cease paying to VFA all revenue sharing related to advisory accounts. Upon learning in early 2019 that a small amount of revenue sharing continued to be paid, VFA returned those amounts to the clearing broker.

VFA has implemented enhanced procedures designed to ensure that it does not receive revenue sharing attributable to its advisory accounts. Specifically, on a monthly basis, VFA reconciles the totals from the monthly commission, revenue sharing, and trail reports from its clearing broker and the monthly clearing statement. In doing so, VFA ensures that it does not receive revenue sharing attributable to its advisory accounts. The reconciliation and any variances are documented, reviewed, and approved by an independent reviewer and the Chief Financial Officer, along with noted action taken to resolve any variances.

D. Revised VFA Form ADV Brochures

VFA has continued to enhance its Form ADV brochures. In March 2017, VFA revised its Form ADV brochure to highlight that (1) its receipt of revenue sharing "present[s] a conflict of interest between VFA and its customers because VFA receives compensation based upon NTF mutual fund assets, creating an incentive for VFA to recommend to customers NTF mutual funds over other investments in order to receive these revenues" and (2) "VFA has an incentive to recommend an [advisory program] portfolio that includes NTF mutual funds over a . . . portfolio that includes fewer or no NTF mutual funds." While those disclosures were removed from the Form ADV brochure after VFA stopped receiving revenue sharing related to advisory accounts, VFA's revised disclosures continue to make clear that VFA benefits when assets are invested in NTF funds because the clearing broker uses revenue from an NTF fund and/or an affiliate of the fund to reduce the aggregate trading costs of the portfolio (which are paid by VFA).

VFA's Form ADV brochure enhancements continue. VFA's investment adviser compliance manual requires IARs to notify the Adviser CCO of any changes to VFA's business so the Firm can determine whether any amendment to Form ADV is necessary. Revised Form ADV brochures are reviewed through the Products and Services Committee in consultation with Compliance.[8] And VFA is in the process of reviewing and enhancing disclosure relating to the use of NTF funds and will file an amended Form ADV brochure to reflect this enhancement at the same time it adds disclosure about recent SEC disciplinary actions.

E. Enhancing Conflicts of Interest Committees

VFA has enhanced its committees that monitor conflicts of interest. VFA has charged a Conflicts of Interest and Compensation Committee with identifying and acting upon conflicts of interest and overseeing their elimination or mitigation and disclosure thereof. This process, too, will serve to improve VFA's client disclosures. The Committee has been established to ensure that a robust governance and control process exists for VFA to govern its existing business as well as in connection with new initiatives. Specifically, the Committee:

- provides oversight and resolution of material conflicts of interest and adherence to applicable regulatory requirements;
- oversees the ongoing process to review and determine the handling of material conflicts that may arise due to changes in products agreements with third parties and VFA affiliates, and other business arrangements that may arise from the Product and Services Committee;
- assesses potential conflicts associated with new/changes to investment products;
- reviews and approves the nature and scope of the compensation paid to the Firm's financial professionals;

[8] VFA will ensure that the specific control procedure around its Form ADV update process is formally documented in its WSPs.

- assesses the adequacy of any existing procedures to eliminate or mitigate any associated conflicts of interest; and
- recommends measures to address identified conflicts through mitigation, disclosure or elimination of the conflict.

In conclusion, VFA's remedial efforts with respect to this matter, which began even before the commencement of the Staff's investigation, have been robust. VFA has stopped using share classes that charge 12b-1 fees whenever possible, and rebates to clients any 12b-1 fees received. VFA also waived its contractual right to receive revenue sharing in connection with these accounts over three years ago. Controls are in place to ensure that all such revenue, if inadvertently transferred by the clearing broker, are returned. With respect to share class selection, following the 2018 conversion of accounts into lower cost share classes, VFA now has in place a process to actively monitor for newly launched share classes that can be used to benefit clients. VFA committees formally identify and monitor conflicts of interest resulting from products and services VFA offers and oversee their elimination or mitigation and disclosure. Finally, VFA has enhanced its disclosures and will continue to do so going forward. All these various remedial measures work in tandem and are designed to address the disclosure and conflict-of-interest concerns addressed by the Order so that they will not recur in the future.

F. VFA and Parent Entity Corporate Changes

VFA and its parent entity also have made a number of management changes and enhancements to their supervisory systems since the conduct at issue, with new leadership determined to prevent the recurrence of similar conduct. VFA aligned the reporting structure of VFA to its parent entity to ensure that all personnel at VFA report up through a single reporting line.

Further, in the past couple of years, AIG made several key hires in the Legal, Compliance, and Risk departments of VFA in order to enhance the strength of these functions going forward.

- Since 2019, AIG has added three new attorneys to the Legal function overseeing AIG subsidiaries in Group Retirement, including VFA.
- AIG hired a new Chief Compliance Officer for Group Retirement (including oversight responsibility for VFA's compliance) in April 2018.
- VFA split its Chief Compliance Officer role in March 2019 reporting up to this new position into two new positions and has since hired such roles, one overseeing the broker-dealer and one overseeing the investment adviser.
- AIG hired a new Group Retirement Chief Risk Officer (responsible for VFA) in August 2019.
- In September 2019, AIG hired a new VFA Senior Compliance Officer for Surveillance; AIG also hired two new VFA Compliance Managers in July and August 2019.

Respondent has also enhanced and improved its compliance program overall in several ways, including, among other things, the creation of new separate, appropriately-tailored compliance manuals for the broker-dealer and investment adviser programs, which became effective in January 2020; providing training sessions to all personnel on the new compliance policies and procedures in December 2019 and January 2020; and increasing staff since 2019 in Compliance Surveillance and Supervision to meet the organizational demands of the program, including trends and patterns reviews.

Taken together, these hiring and organizational enhancements significantly changed the composition and structure of VFA's management and the size, strength, and capabilities of VFA's Legal, Compliance, and Risk functions.

Prior Relief

AIG previously requested and received a waiver regarding ineligible issuer status in March 2016.[9] The prior waiver was granted following a March 2016 settlement between the Commission and Royal Alliance Associates, Inc., SagePoint Financial, Inc., and FSC Securities Corporation (the "Advisor Group subsidiaries"), all then indirect subsidiaries of AIG, and related to findings that these entities breached fiduciary duties and made inadequate disclosures in connection with mutual fund share class selection practices and the receipt of 12b-1 fees and failed to monitor advisory accounts quarterly for inactivity or "reverse churning."

Importantly, the March 2016 settlement did not include misconduct by the Respondent, which operated within a different business division than the Advisor Group subsidiaries. AIG sold the Advisor Group subsidiaries shortly after the settlement. Immediately following the March 2016 settlement, VFA, in response to the issues raised in the Advisor Group order, implemented the policy to rebate clients' 12b-1 fees described above. Importantly, the Order concerns VFA's receipt of 12b-1 fees received prior to the issuance of the Advisor Group order.[10]

Impact on Issuer if Request Is Denied

The Division's Revised Statement provides that it will "assess whether the loss of WKSI status would be a disproportionate hardship in light of the nature of the issuer's conduct." The Order will direct VFA to pay substantial disgorgement and a significant penalty, order VFA to cease and desist from violations of the Advisers Act, and require VFA to comply with a number of undertakings and ongoing remediation efforts. Given that the conduct in the Order was limited

[9] *In the Matter of American International Group, Inc.* (Mar. 14, 2016), https://www.sec.gov/divisions/corpfin/cf-noaction/2016/aig-031416-405.pdf

[10] VFA is the only AIG subsidiary that operates a retail advisory business in which services include the recommendation of mutual funds and mutual fund share classes. Accordingly, the remedial measures described herein and undertaken by VFA with regard to the 12b-1 fee related misconduct will fully address the conduct described in the VFA Order across all of AIG.

to a small number of employees in VFA and not other parts of the broader Life & Retirement, General Insurance or AIG holding company operations, we respectfully submit that applying ineligible issuer status to AIG (the Respondent's parent company) would have disproportionate consequences on AIG, particularly in light of the remedial efforts described above.

AIG is a leading global insurance holding company that relies on the capital markets to ensure it and its affiliated businesses have sufficient liquidity to meet its obligations to policyholders, customers, creditors and debtholders. AIG's subsidiaries provide a wide range of property casualty insurance, life insurance, retirement solutions, and other financial services to customers in more than 80 countries and jurisdictions. Its diverse offerings include products and services that help businesses and individuals protect their assets, manage risks, and provide for retirement security. Customers of AIG's subsidiaries include millions of clients and policyholders ranging from multi-national Fortune 500 companies to individuals throughout the world.

AIG is a frequent issuer of securities that are registered with the Commission and offered and sold off of its current and past automatically effective Form S-3ASR registration statements ("WKSI Shelf"). AIG has regularly used its WKSI Shelf for efficient access to the capital markets, which is an essential source of timely and effective funding for AIG's global operations, including the Life and Retirement business of which VFA operates. Since 2016, AIG has offered and sold more than $12.4 billion in securities pursuant to its WKSI Shelf, which registered a variety of securities, including senior, subordinated and junior debt securities, common stock, preferred stock, and depositary shares.

AIG most recently accessed the capital markets using its WKSI Shelf in May 2020 with a $4.1 billion senior debt offering in the early stages of COVID-19, and, in light of the continued impact of COVID-19, may access capital markets over the near and medium term. Consequently, the ability to utilize its WKSI Shelf and the other benefits of WKSI status, including the flexibility provided by being able to offer new securities not covered by a registration statement and the ability to register an indeterminate amount of securities, is of key import to AIG. AIG being ineligible to use a WKSI Shelf could potentially significantly negatively impact AIG's liquidity and risk management planning.

The impact to AIG if it were to lose the flexibility provided by WKSI status is particularly concerning to AIG given current market conditions and uncertainties, which have significantly altered the landscape for multinational finance and insurance institutions, such as AIG. Because AIG serves as an important source of liquidity for its many highly regulated insurance subsidiaries that are subject to capitalization requirements and ratios, AIG's ability to rapidly access the capital markets when additional capital or liquidity needs arise and when conditions are favorable is critical and can significantly impact its financing costs and ability to drive investor value.

As noted, AIG most recently utilized its WKSI Shelf when it offered and sold $4.1 billion in senior notes in May 2020 in response to the current market conditions and uncertainties resulting from COVID-19. While the offering that AIG chose to go to market with could have been done using a non-WKSI shelf if there was sufficient capacity remaining on such shelf, as those

conditions change over time, the additional flexibility of a WKSI shelf would be important to AIG's future capital-raising activities, particularly if investor demand were to coalesce around a security not contemplated at the time of the filing of the shelf.

Insurance companies have, and continue to be, innovative in developing capital securities, such as the pre-capitalized trust capital securities (or P-Caps) issued by a number of insurance companies and the contingent liquidity facility AIG created in the name of Stone Street Trust in 2010 - a predecessor to the P-Caps. These securities go beyond traditional debt and equity securities and given they are not yet developed, could not sufficiently be described in a shelf registration statement. Without WKSI status, AIG may not be able to consider these forms of securities if it does not have a method to quickly offer them should a market develop that requires registered securities. Further, if one of AIG's insurance company peers is able to successfully complete an issuance of a new security, there is often a short window for other insurers to try to issue a similar security. In times like this, that window can be only a few days and missing out on that window because AIG would need to file a new registration statement (subject to review and being declared effective), could delay AIG's access to the capital markets at a critical time. This is particularly important right now given that the scope of COVID-related liabilities is to some extent uncertain and subject to litigation, and adverse legal and regulatory decisions could result in negative market or rating agency reaction that could generate an urgent need to raise additional capital promptly.

Relatedly, as an ineligible issuer, AIG would not be able to register an indeterminate amount of securities, as it currently does through the WKSI Shelf. Even if AIG registers more than it reasonably anticipates issuing as a buffer, extreme conditions could arise where AIG would need to issue more than would reasonably be included on a non-WKSI shelf. If the situation were to arise (such as due to changes in market conditions in light of the COVID-19 crisis) where AIG suddenly needed additional liquidity and it was available through the capital markets, it would be very harmful to AIG if it was unable to access such liquidity because of reaching its limit under a non-WKSI shelf.

AIG's WKSI status – and the continued availability of its WKSI Shelf – is an important part of the company's liquidity and risk management planning. AIG manages its liquidity and capital resources to ensure it may satisfy future requirements and meet its obligations to policyholders, customers, creditors and debtholders, including those arising from reasonably foreseeable contingencies or events. AIG must comply with numerous constraints on its minimum capital positions. The primary uses of AIG's liquidity are paid losses, reinsurance payments, benefit claims, surrenders, withdrawals, interest payments, dividends, expenses, investment purchases and collateral requirements associated with its client-facing businesses. AIG's General Insurance companies may require additional funding support to meet capital or liquidity needs, including in the event of large catastrophes. Other potential events that could strain AIG's liquidity include severe equity market declines or other events causing economic or political upheaval, and the responses thereto, which continue to cause ongoing and severe economic and societal disruption accompanied by significant market volatility.

These constraints on liquidity drive the requirements for capital adequacy and are based on regulatory requirements, rating agency and creditor expectations, and business needs, and measured against internally-defined risk tolerances that take those items into account. Actual capital levels are monitored on a regular basis and, using stress testing methodology,[11] AIG evaluates the capital impact of potential macroeconomic, financial and insurance stresses in relation to the relevant capital constraints of both the parent company and its insurance subsidiaries. However, as with any financial services business of the size and scope of AIG and particularly in times of stress, circumstances may cause cash or capital needs to exceed projected liquidity or readily deployable capital resources. These circumstances could include additional collateral calls, deterioration in investment portfolios or reserve strengthening affecting statutory surplus, higher surrenders of annuities and other policies, downgrades in credit ratings, or catastrophic losses that could result in significant additional cash or capital needs and loss of sources of liquidity and capital.

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In light of these considerations, AIG believes subjecting it to ineligible issuer status is not necessary under the circumstances, either in the public interest or for the protection of investors, and good cause exists to determine that AIG should not be considered an ineligible issuer under Rule 405 as a result of the Order that will be entered in this matter. We respectfully request the Commission or the Division of Corporation Finance, pursuant to delegated authority, to make that determination.

Thank you for your attention to this matter. Please let me know if any additional information is required.

Sincerely,

Paul R. Eckert

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[11] As a highly regulated insurance company, AIG and its component businesses undertake a variety of stress tests and liquidity assessments, including an annual Own Risk and Solvency Assessment, which is filed annually with US state insurance regulators, and other jurisdiction-specific requirements both domestically and abroad.