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Earnings Call

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Call Participants

EXECUTIVES

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Executive VP & Chairman of General Insurance

Peter Zaffino;Chairman and CEO

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VP, MD & Head of Investor Relations

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Presentation

Operator

Good day, and welcome to AIG's Third Quarter 2023 Financial Results Conference Call. This conference is being recorded.

Now at this time, I would like to turn the conference over to Quentin McMillan. Please go ahead.

Quentin John McMillan
VP, MD & Head of Investor Relations

Thanks very much, and good morning.

Today's remarks may include forward-looking statements, which are subject to risks and uncertainties. These statements are not guarantees of future performance or events and are based on management's current expectations. AIG's filings with the SEC provide details on important factors that could cause actual results or events to differ materially. Except as required by applicable securities laws, AIG is under no obligation to update any forward-looking statements if circumstances or management's estimates or opinions should change.

Today's remarks may also include non-GAAP financial measures. The reconciliation of such measures to the most comparable GAAP figures is included in our earnings release, financial supplement and earnings presentation, all of which are available on our website at aig.com.

Additionally, note that today's remarks will include results of AIG's Life and Retirement segment and Other Operations on the same basis as prior quarters, which is how we expect to continue to report until the deconsolidation of Corebridge Financial. AIG's segments and U.S. GAAP financial results as well as AIG's key financial metrics with respect thereto differ from those reported by Corebridge Financial. Corebridge Financial will host its earnings call on Friday, November 3.

Finally, please note that today's remarks as they relate to net premiums written in General Insurance are presented on a comparable basis, which reflects year-over-year comparison on a constant dollar basis adjusted for the international lag elimination and the sale of Crop Risk Services and the sale of Validus Re. Please refer to the footnote on Page 26 of the third quarter financial supplement for prior period results for Crop Risk Services and Validus Re.

With that, I'd now like to turn the call over to our Chairman and CEO, Peter Zaffino.

Peter Zaffino;Chairman and CEO

Good morning, and thank you for joining us today to review our third quarter financial results. Following my remarks, Sabra will provide more detail on the quarter and then we will take questions. Kevin Hogan and David McElroy will join us for the Q&A portion of the call.

In the third quarter, AIG continued to deliver exceptional results. We made significant progress in our strategic, operational and financial objectives, reflecting continued execution across our entire organization.

During my remarks this morning, I will discuss the following topics: first, AIG's financial results, including Life and Retirement, and provide an update on recent divestitures; second, I will provide the results of AIG's General Insurance business; third, I will provide an update on the casualty insurance market more broadly and AIG's approach to our casualty portfolio; fourth, I will provide an update on our capital management strategy and the progress we have made this quarter. Sabra will provide more detail on AIG's balance sheet and capital position in her remarks. And lastly, I will reconfirm our guidance with respect to our path to a 10%-plus ROCE post deconsolidation of Corebridge.

Financial highlights from the third quarter included: adjusted after-tax income was $1.2 billion or $1.61 per diluted common share, representing a 92% increase year-over-year. Consolidated net investment income on an adjusted pretax income basis was $3.3 billion, a 29% increase year-over-year. In General Insurance, net investment income was $756 million, a 30% increase.

Net premiums written in General Insurance grew 9%. General Insurance underwriting income in the quarter was $611 million, which improved over 250% from the prior year quarter. The adjusted accident year combined ratio, excluding catastrophes, was 86.3%, a 210 basis point improvement from the prior year quarter, which is an outstanding result.

Our CAT loss ratio was 6.9% with $462 million of total catastrophe losses, including reinstatement premiums, which included $70 million from Validus Re. We had favorable prior year reserve development of $139 million, reflecting favorable loss experience on our portfolio, resulting from our continued focus on underwriting discipline.

The Life and Retirement business also delivered strong results in the third quarter with continued sales momentum and spread expansion. Life and Retirement's adjusted pretax income was $971 million, up 24% year-over-year. Premiums and deposits grew 4% year-over-year to $9.2 billion, driven by strong Fixed Index Annuity sales, which exceeded $2 billion for the third consecutive quarter.

September marked the 1-year anniversary of Corebridge's initial public offering. And since the IPO, Corebridge has returned approximately $1.4 billion to shareholders and is well on track to its committed payout ratio.

With respect to our remaining ownership of Corebridge, we continue to evaluate options that are aligned with the best interest of shareholders and our other stakeholders. We're very proud of the achievements that Corebridge has delivered towards its operational separation as a public company, and we remain committed to reducing our ownership and eventually a full separation.

Turning to AIG's balance sheet. During the quarter, AIG returned over $1 billion to shareholders through $785 million of common stock repurchases and $261 million of dividends. In addition, we purchased $170 million of common stock in October. We deployed $289 million to retire Validus Re debt prior to the close of the transaction yesterday. And we ended the quarter with $3.6 billion of parent liquidity.

During the quarter, we continued to make significant progress on our strategic repositioning as we have further simplified our portfolio, which we've talked about over the past several quarters. Yesterday, we announced the successful closing of the sale of Validus Re to RenaissanceRe for which we received a total consideration of $3.3 billion in cash, including a pre-close dividend and approximately $275 million at RenaissanceRe common stock. This divestiture streamlines our business model, simplifies our portfolio and further reduces our volatility.

Prior to closing the Validus Re transaction, we entered into an agreement with Enstar Group to provide AIG with protection against any adverse development on the 95% portion of Validus Re's loss reserves that AIG retains exposure to. The cost will be included in the gain on sale in the fourth quarter.

Enstar will provide $400 million of limit for an adverse development cover in excess of carried loss reserves on assumed reinsurance contracts underwritten by Validus Re with respect to accident year 2022 and prior. This ADC limit provides additional protection against downside exposure to reserves in excess of the expected redundancy to a modeled confidence level above the 90th percentile. Importantly, while we believe this ADC is prudent to mitigate the risk of any future adverse reserve development, we will benefit from any future favorable reserve development.

In August, Corebridge entered into a definitive agreement to sell Laya Healthcare to AXA for EUR 650 million, which closed on October 31. Proceeds to Corebridge, net of purchase price adjustments and deal-related expenses, will be approximately $730 million. It was announced that the proceeds will be used for a special dividend to Corebridge shareholders as of November 13.

In September, Corebridge entered into a definitive agreement to sell the U.K. Life Insurance business to Aviva plc for GBP 460 million. We expect the transaction to close sometime in the second quarter of 2024, subject to regulatory approvals. We anticipate that the proceeds from this transaction will largely be used for share repurchases, subject to market conditions. Both transactions streamline the Corebridge portfolio and allow the company to focus on its Life and Retirement products and solutions in the United States.

Turning to General Insurance, gross premiums written were $8.9 billion, a decrease of 1% from prior year quarter. Net premiums written were $6.5 billion, an increase of 9% from the prior year quarter. Global Commercial grew 6%, and Global Personal grew 16% from the prior year quarter. North America Commercial net premiums written increased 5% in the third quarter.

There are many variables in this quarter, and I want to provide more detail. The key businesses that drove growth were Lexington's core business, excluding Lexington programs, grew over 25% in the quarter, led by wholesale casualty, which grew 33%; and wholesale property, which grew 27%. Glatfelter grew 12%, and Retail Property grew 11%.

In terms of headwinds, in 2022, we made the underwriting decision to not renew 2 large Lexington programs. We took this action because we believe that these programs had meaningful CAT exposure in peak zones. And we do not believe the appropriate CAT loads were reflected in the pricing. These programs were not the best deployment of capital in order to achieve our targeted risk-adjusted returns. Those nonrenewals tempered overall growth in Lexington.

Lexington program's net premiums written reduced by 57% in the quarter. We believe, over time, we will replace this business on an individual risk basis as stronger risk-adjusted returns. However, it is a headwind in the quarter. The impact of the net premiums written associated with these 2 programs was approximately $115 million in the third quarter.

Also offsetting growth in North America was Financial Lines, which declined 11%, accounting for approximately 20% of North America Commercial Lines net premiums written in the quarter. In North America Financial Lines, large account public D&O remains competitive as a result of excess capacity driven by new entrants to the market.

Our renewal retention in our primary business remains strong, but retentions in our excess business were more challenged. New business in our excess book was down year-over-year as we were very disciplined in the current environment.

Rate reductions remain most prevalent on excess layers, particularly the higher excess layer vertical towers where it's more commoditized and the most pressure exists on pricing. In primary, where we are one of the few market leaders, rates remained flat to slightly down. We remain confident in our approach to Financial Lines. We have a global business with scale, focused on underwriting profit over top line growth, which is reflected in the results this quarter.

In International Commercial, net premiums written grew 7%, primarily driven by property, which was up 13%; global specialty, which was up 12%, led by energy and marine; and Talbot, which was up 7%.

Global Commercial had very strong renewal retention of 87% in its in-force portfolio. North America was up 200 basis points to 87%, and International was up 300 basis points to 88%. As a reminder, we calculate renewal retention prior to the impact of rate and exposure changes.

And across Global Commercial, we continue to see very strong new business, which was approximately $1 billion in the third quarter. North America Commercial produced new business of $516 million, an increase of 13% year-over-year or 27% if you exclude Financial Lines. This growth was driven by Lexington Casualty, which saw excellent new business growth of over 90%, as well as Western World, which grew over 50%.

Retail Property grew new business by 26%, and retail casualty grew new business by 25%. This was offset by Financial Lines where new business contracted by about 30% as a result of our underwriting discipline.

International Commercial produced new business of $532 million or 12% growth year-over-year. This growth was led by Talbot new business, which increased almost 50% year-over-year, and Global Specialty, which grew new business by over 40%, and it was balanced across the portfolio.

Moving to rate. In North America Commercial, rate increased 5.4% in the third quarter or 6% excluding workers' compensation. Exposure in the quarter added 3 points, bringing the total pricing change, excluding workers' comp, to 9%.

Rate increases were driven by Lexington wholesale, which was up 15%, marking the 18th consecutive quarter of double-digit rate increases, led by Lexington wholesale property, which was up 28%, Retail Property was up 27% and admitted excess casualty was up 12%. Financial Lines rate was down 8%.

In International Commercial, rate increased 4%, and the exposure increase was 2%. The rate increase was driven by property, which was up 13%; energy, which was up 10%; and Talbot, which was up 9%.

Turning to Personal Insurance, net premiums written increased 16% year-over-year, primarily driven by North America. In North America, Personal net premiums written increased 59%. Similar to last quarter, the increase was driven by business underwritten on behalf of PCS, offset by decreases in Travel and Warranty.

In the third quarter, AIG's net premiums written from PCS increased by over 100%, benefiting from an increase in gross premiums written and a reduction in quota share sessions. And as expected, the lag in earned premium growth continued to dissipate, providing operating leverage and a reduced expense ratio, primarily in general operating expenses.

The high and ultra high net worth business also had significant improvement in the accident year loss ratio, benefiting from improved pricing in our admitted business and transitioning more business to the non-admitted market. We expect PCS to continue to improve its financial performance and provide more operating leverage in the fourth quarter and into 2024.

In International Personal, net premiums written increased by 3% year-over-year, driven by growth in personal auto, travel, and that reflects the rebound post-pandemic and Japan personal property. The accident year loss ratio, ex CAT, improved 560 basis points. Overall, we're pleased with the International Personal improvement year-over-year.

Shifting to combined ratios. The General Insurance third quarter combined ratio was 90.5%, a 680 basis point improvement from the prior year quarter. Accident year combined ratio, ex CAT, was 86.3%, a 210 basis point improvement from the prior year quarter.

Global Commercial had an outstanding performance with third quarter accident year combined ratio, ex CAT, of 81.7%, a 130 basis point improvement year-over-year. The accident year combined ratio, including CAT, was 89.7%, a 500 basis point improvement from the prior year quarter.

The North America Commercial accident year combined ratio, ex CAT, was 83%. And the International Commercial accident year combined ratio, ex CAT, was 79.7%, both of which were exceptional outcomes.

We would like to provide a perspective both with and without Validus Re and Crop Risk Services. As I said, the third quarter Global Commercial accident year combined ratio, ex CAT, was 81.7%, and the calendar year combined ratio was 86.6%. Excluding Validus Re from the third quarter results, the Global Commercial accident year combined ratio would essentially have been flat, and the calendar year combined ratio would have improved by slightly over 100 basis points from the third quarter to 85.4%.

And for the first 9 months, the Global Commercial accident year combined ratio, ex CAT, was 83.6%, and the calendar year combined ratio was 87.6%. Excluding Crop and Validus Re from the 9-month period results, the Global Commercial accident year combined ratio, ex CAT, would have increased by 70 basis points to 84.3%, and the calendar year combined ratio would have increased by 50 basis points to 88.1%.

Global Personal reported a third quarter accident year combined ratio, ex CAT, of 99%, a 380 basis point improvement from the prior year quarter due in part to the North America PCS business.

Related to casualty liability and the excess casualty market, in particular in the United States, the level of narrative has increased over the last several years, driven in part by multiple mass tort events as well as rising economic and social inflation. The latter has been fueled by an exponential increase in third-party litigation funding, average severity trend increases and a precipitous rise in jury awards following the lull during the pandemic.

Over the past couple of years, I've spoken extensively about our portfolio remediation strategy, including where AIG has reduced gross limits since 2018 by $1.4 trillion. We have established strong underwriting guidelines and strong partnerships with reinsurers to manage both frequency and severity.

We have filed a similar strategy with our casualty portfolio with more of a focus on severity. When we began the underwriting turnaround in AIG in 2017, we found that the prior strategy in casualty was similar to that in the property business, which was to write large limits with a gross and net risk appetite much greater than what we offer today.

As I've outlined before, it was not uncommon to put out significant limits on any individual risk in excess of $100 million net on an occurrence basis. As we developed an entirely new framework and approach to underwriting, it required a change to our underwriting strategy.

Today, our global casualty portfolio represents 12% of our total gross premiums written and 13% of our net premiums written. The North America segment represents 55%, and the International segment represents 45% of that number. And since North America has been the topic of discussion, I will focus on what we have done in that portfolio.

In North America casualty, our gross limit for our excess casualty portfolio, including lead umbrella, has decreased by over 50% since 2018. Our average limit size has also reduced by over 50%. Average lead attachment points, which protect us from frequency and lower severity losses, have more than doubled since 2018.

In terms of gross pricing, primary auto and primary general liability, rates have increased approximately 200% since 2018, and excess casualty rates have increased by over 250%, remaining well above loss cost trends.

In addition to the significant investment in underwriting excellence and talent, we built and executed on a strategic reinsurance program to further mitigate our net exposure and volatility. What once was $100 million net exposure for AIG, there's now a maximum net on any one claim of $15 million in International and $11.5 million in North America.

And in our excess of loss treaties, we have reinstatement limits that exhaust based on extensive modeling done at the [1,000] return periods. This adequately protects AIG from vertical exposure with significant limit available in the event there are multiple losses.

Notably, the period prior to 2016 is covered by an adverse development cover for U.S. long-tail commercial lines. We purchased 80% of a $25 billion -- excess of $25 billion on payments made on or after January 1, 2016, for business written prior to 2016. The $25 billion retention was exceeded during the fourth quarter of 2020. We currently have $9 billion of the total unused recoverable limit left or $7.2 billion at the 80% level.

Conflicting views have emerged in the market on the combination of gross portfolio underwriting with the strategic use of reinsurance. There have been comments particularly recently that the use of reinsurance is not required if you're comfortable with the gross portfolio. We disagree and simply don't support that as a viable strategy for AIG.

We prefer to balance our approach and have developed a strong underwriting culture, which we have dramatically improved over the last 5 years, executing on the fundamentals of disciplined and consistent underwriting, being very focused on preempting the evolving changes in the market and using reinsurance strategically to mitigate unpredictable outcomes.

Building long-term strategic relationships with our reinsurance partners for all of our reinsurance needs has been key to repositioning AIG. Insurers cannot reverse social and economic inflation. However, we are in control of how we predict and respond to the impact of these changes to the forward-looking landscape, including how we manage our underwriting through coverage provided, limits deployed, attachment points and pricing.

Our business is not immune from social inflation, but we anticipated it early, and we took action. The consequence is that we're very pleased with our existing portfolio, and we're well positioned to be able to prudently take advantage of opportunities that exist in the current marketplace.

Turning to capital management. We use a balanced framework that remains focused on having ample capital in our insurance company subsidiaries to support organic growth in our business, continuing share repurchases, debt reduction in line with the lower end of the targets we provided and dividend increases. Lastly, we will consider compelling inorganic growth opportunities to meet our strategic objectives should they emerge.

We finished the third quarter with $3.6 billion of available liquidity prior to receiving the proceeds of the sale of Validus Re or the special dividend from the sale of Laya Healthcare. Together, they should contribute approximately another $3.7 billion in the fourth quarter. Our primary use of proceeds will be on share repurchases. We plan to accelerate our repurchase activity this quarter and as we enter 2024, and we expect to reduce debt outstanding to further strengthen the balance sheet.

We remain mindful of our leverage as a key consideration with our accelerated share repurchases. We expect to execute on the current share repurchase authorization of $7.5 billion, which will reduce shares outstanding to close to 600 million shares subject to market conditions.

Related to return on common equity, as we have outlined on our prior calls, we remain very focused on delivering a 10%-plus ROCE post deconsolidation of Corebridge. During the third quarter, we continue to make significant progress at all 4 components of our path to deliver on this commitment and how we are positioning AIG for the future.

I want to provide a few observations. In the last 90 days, we've continued to improve our underwriting results on an accident year and calendar year basis. We made recent leadership changes in General Insurance, which have effectively eliminated a management layer from the business, and we will continue this process throughout the organization in 2024.

We have strengthened the capital position of insurance company subsidiaries to enable continued profitable growth. We've moved into the final stages of the operational separation for Corebridge. We have announced and closed several divestitures and have repositioned the portfolio to support our strategy for the future. We have accelerated the progress we're making on our capital management strategy and have created a strong liquidity position.

The catalyst to achieving our targets remains the deconsolidation of Corebridge. This will allow AIG to simplify its business, eliminate duplication by combining our General Insurance business and our corporate functions, and create a leaner operating model for the future.

Before I turn it over to Sabra, I'd like to add a few more details on the closing of the sale of Validus Re to RenaissanceRe. In January of 2018, AIG announced it was acquiring Validus Holdings to position it for future growth and profitability improvement. Over the last several years, we reshaped Validus Re's portfolio by reducing the catastrophe exposure in certain U.S. peak zones while diversifying the business significantly to develop a more balanced portfolio in both property and casualty reinsurance in order to improve profitability.

Validus Re posted its first accident year combined ratio below 100% in 2022. And as we look back, we are grateful for the hard work, determination and perseverance of the team to dramatically improve the quality of the portfolio, particularly year-to-date in 2023, and it's evident in its performance today.

We are very proud of Validus Re's results and are pleased that the company acquiring Validus Re is RenaissanceRe. Through Kevin O'Donnell and his leadership team's terrific work, RenaissanceRe has become one of the world's most well-respected reinsurers. We are looking forward to continuing our strong partnership with RenaissanceRe, which will be further enhanced as we become an investor in RenRe's capital partner vehicles, allowing us to benefit from their future performance.

With that, I'll turn the call over to Sabra.

Sabra Rose Purtill
Executive VP & CFO

Thank you, Peter. This morning, I will provide more detail on AIG's third quarter, including General Insurance reserves, net investment income, Life and Retirement results and balance sheet and capital management.

Adjusted after-tax income attributable to common shareholders this quarter was $1.2 billion, up 80% from 3Q '22, for an annualized adjusted ROCE of 8.5%. AATI per diluted share was $1.61, up 92%, reflecting the accretive impact of share repurchases over the last year. The earnings growth resulted from the 82% increase in General Insurance adjusted pretax income to $1.4 billion, driven by top line growth, improved underwriting results and higher investment income.

It's important to note that while Life and Retirement also had strong earnings, AIG's ownership of Corebridge decreased to 65.6% this quarter compared to 90.1% before the IPO. And therefore, our results include a lower percentage of their consolidated earnings than last year. In total, Corebridge contributed about $32 million to the $514 million increase in AIG's adjusted after-tax income.

Turning to General Insurance. Peter summarized our underwriting results, but I want to cover prior year development and reserves in more detail. In the quarter, General Insurance prior year development, net of reinsurance, totaled $139 million favorable, including $41 million from the amortization of deferred gain on the adverse development cover. About $129 million, including the ADC gain, resulted from the detailed valuation reviews, or DVRs, with the balance from other items like catastrophes.

The DVRs covered $34.1 billion of loss reserves on a pre-ADC basis, about 70% of the total. The DVRs of particular note this quarter were for International Casualty and Financial Lines, North America Financial Lines and North America workers' compensation, which last year was completed in the second quarter. In total, North America had $154 million of favorable development, including $39 million from the ADC. International was $15 million unfavorable.

Consistent with our prior comments, casualty, bodily injury, securities class actions and medical workers' comp trends have been and continue to be more favorable than our reserving assumptions. We believe that our changes in underwriting standards reduced limits, higher attachment points on primary limits, tightened terms and conditions and better risk selection are driving the improved experience, particularly in financial lines and casualty.

Nevertheless, our philosophy is to react to bad news quickly and to allow time for favorable trends in recent accident years to mature, particularly given the impact of COVID on recent years. Therefore, this quarter's favorable development is generally from older accident years or from short-tail lines like property where physical damage claims come in quickly.

In Financial Lines, changes from the DVRs were immaterial. North America had modest adverse development on an older Lexington architect and engineers book, offset by favorability in Canada. U.K. Financial Lines had slight adverse development, reflecting emerged experience on older D&O and professional indemnity claims, partially offset by favorable experience in Europe and Japan.

We also reviewed International casualty lines this quarter. Peter discussed our changes in underwriting limits and reinsurance on our global casualty book. I would add that we also evaluate economic and social inflation trends as well as our potential exposure to mass torts across the total book and hold reserves to address those items.

This quarter, we had adverse development in U.K. and European casualty, principally from commercial auto in France and large loss experience on a few older claims in both the U.K. and Europe. Consistent with prior trends, the DVRs for workers' compensation were favorable both for years covered by the ADC and after.

Finally, property lines and Personal Insurance had favorable development in both North America and International, while we had about $23 million of adverse development on prior year catastrophes. We will complete the balance of annual DVRs next quarter, which cover about $6 billion of reserves on a number of smaller lines.

Net investment income also contributed to earnings growth in the quarter, driven principally by higher reinvestment rates on fixed maturities and loans. The average new money yield on fixed maturities and loans was 5.88% this quarter, about 145 basis points above the yield on sales and maturities, and it was about 130 and 150 basis points higher in General Insurance and Life and Retirement, respectively. Year-to-date, the total new money yield is about 202 basis points higher than sales and maturities.

The portfolio yield in General Insurance increased 9 basis points sequentially and 88 basis points over the last year with net investment income growth of 30%. The L&R investment income rose 23%, and the portfolio yield improved 9 basis points and 63 basis points, respectively. Based on the current treasury yield curve, we expect continued pickup in portfolio yields, particularly in L&R, given the longer duration of its portfolio.

Alternative investment income totaled $26 million for an annualized return of about 1%, better than the losses last year, but below our long-term experience and outlook and down sequentially. Private equity returns are the principal driver of sequential decline in alternative returns this year as we have reduced our exposure to hedge funds over the last year. Private equity is reported on a 1-quarter lag based on when we receive the fund's financial reports. So this quarter's financial results reflect second quarter margins.

Our investment portfolios have strong credit performance and remain well diversified and highly rated. We continue to monitor commercial real estate closely. Debt service coverage ratios are strong, including in the office sector. The primary impact has been on loan-to-value ratios and real estate equity valuations rather than delinquencies or defaults. We continue to work on near-term maturities, and almost all 2023 scheduled maturities have been addressed.

Life and Retirement once again delivered strong results in the third quarter. Adjusted pretax income was $971 million, up 24% year-over-year, driven by continued investment spread expansion and strong sales, particularly in Fixed Index Annuities. Underwriting margins overall remain attractive. And on a sequential quarter basis, fee income and investment spreads improved.

During the quarter, the annual actuarial assumptions update was completed, resulting in a modest $22 million increase in APTI, mostly in the Life Insurance segment, compared to a $29 million increase last year. Individual Retirement APTI increased $195 million or 52% over the prior year quarter from base spread expansion and general account product growth.

The fixed annuity surrender rate increased sequentially from 15.9% to 17.7% this quarter as operations caught up on a backlog of surrender requests from earlier in the year. On a monthly basis, surrenders peaked early in the quarter and declined sequentially each month with continued improvement in October.

Group Retirement APTI was flat year-over-year as higher fee income and alternative investment income were offset by lower other yield enhancement income and higher general operating expenses or GOE. Net outflows included one large $1 billion plan, which was mostly in mutual funds and, therefore, was not material to earnings.

Life Insurance APT was also flat year-over-year, primarily due to lower policy fees and a lower favorable impact from the annual assumptions update, partially offset by higher net investment income.

Institutional Markets APTI decreased $8 million or 10% due to less favorable mortality experience. Sales increased 19%, supported by record production of $1.9 billion, partially offset by lower PRT sales, which are highly variable quarter-to-quarter.

Turning to Other Operations. Third quarter adjusted pretax loss improved by $149 million, driven by lower corporate and other GOE and higher short-term investment income. In addition, third quarter 2022 had investment losses on a legacy portfolio that was sold in 4Q '22.

Corporate GOE was $243 million and included $68 million for Corebridge. Excluding Corebridge, AIG corporate GOE decreased $56 million from the prior year. We remain on track to reduce 2023 corporate GOE by at least $100 million, including a higher allocation to General Insurance that has not had a material impact on the expense ratio due to expense discipline across the company.

Moving to the balance sheet. Third quarter 2023 estimated risk-based capital ratios remain above our target ranges. The General Insurance U.S. pool RBC is in the high 400s, while Life and Retirement is above its 400% target. At September 30, consolidated debt and preferred stock to total capital, excluding AOCI, was 25.9%, including $9.4 billion of Corebridge debt.

Our approach to capital management is unchanged. We will continue to balance share repurchases and debt reduction while also focusing on increasing common stock dividends. As Peter indicated, from the Validus and Laya sales, we expect about $3.7 billion of additional parent liquidity in the fourth quarter. We have significant financial flexibility, which we intend to use for both additional share repurchases and debt reduction.

Based on current average daily trading volumes, we expect to be able to repurchase about $1.5 billion of common stock a quarter or $500 million a month, which we will begin when the market window opens after earnings. We expect to continue at this rate into 2024, depending on excess parent liquidity levels, including future Corebridge sales proceeds and General Insurance dividends. In the fourth quarter, we also plan to accelerate debt repayment to rightsize our debt stock for our target deconsolidated leverage ratio.

Turning to our ROCE target. We remain laser-focused and are making progress on achieving a 10%-plus ROCE post deconsolidation. Year-to-date, annualized adjusted ROCE for AIG was 8.8% and 12.0% in General Insurance and 11.4% in Life and Retirement.

Last quarter, I provided a pro forma AIG shareholders' equity ex AOCI, excluding Corebridge, of about $40 billion, including deferred tax assets from the financial crisis era net operating losses. That's the capital supporting our General Insurance business and parent operations today, excluding our stake in Corebridge.

With the sale of Validus Re and the redeployment of proceeds into share repurchases and debt reduction, the current pro forma estimate of AIG equity, excluding Corebridge, is about $37 billion, including $4 billion of deferred tax assets, or $33 billion of adjusted shareholders' equity, which is the number we use for calculating adjusted ROCE.

Considering this equity level and our plans to simplify AIG's business and operational structure and to drive more predictable and sustainable profitability, we are confident that we will achieve our 10%-plus adjusted ROCE goal. We look forward to continuing to update you on our progress.

With that, I will turn the call back over to Peter.

Peter Zaffino;Chairman and CEO
Thanks, Sabra. And Michelle, we're ready for questions.

Question and Answer

Operator

[Operator Instructions] Our first question comes from Meyer Shields with KBW.

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

One question to start on reserves. I guess, what's the process for ensuring that the adverse development in International Commercial doesn't actually reflect social inflation problem and that it's individual cases?

Peter Zaffino;Chairman and CEO

Meyer, thanks for the question. Sabra, do you want to cover? That's just a quick overview of -- Meyer mentioned the International and some of the inflation impact from reserves.

Sabra Rose Purtill
Executive VP & CFO

Yes, certainly. And let me first start by explaining what the DVR process is. So DVR is a once-a-year deep-dive into our reserves. But each quarter, we do an actual versus expected analysis. So we do make adjustments to reserves on lines of business during the ordinary part of the year, but the deep-dive is where we really drill down into the lines in great detail.

This quarter, as I noted, we had International casualty. The development that you see is related to very specific books or -- and I'm sorry, I'm getting a little feedback on the line here. So I don't know, Meyer, maybe you need to mute. Anyway, the International Commercial Lines is very much related to specific cases and judgments around settlements.

And as I said and would also note in Peter's comment, these are generally from older accident years where we are exposed to much larger limits. So therefore, when you have a particular claim that goes against you, they do -- they are lumpy and they tend to be large. So what I would just say again is that we look at our book consistently during the course of the year, do a deep-dive once a year and then make some assessments based on specific facts and circumstances.

Peter Zaffino;Chairman and CEO

Thanks, Sabra. Meyer, do you have another question?

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

Yes, just a quick one. I know there's a lot of moving parts in North America Personal. I was hoping you could give us some sense of maybe true underlying underwriting results and the path to profitability in that segment.

Peter Zaffino;Chairman and CEO

Great. Thank you. As we've talked about before, it's a business in transition. We're not pleased with the overall printed results. But we had outlined in the past that it's complicated. 2023 would be a transition year, particularly with PCS, which we see a lot of net premium written coming in each quarter. The earned will follow, and so we should have some significant benefit on the ratios as we fully earn in the premium over the coming quarters.

When we look at fourth quarter 2023 and into 2024, we will see the mix of business change. And so therefore, the overall GOE and acquisition expenses should come down. We would see the accident year loss ratio, ex CAT, slightly go up just because of the mix of what PCS is underwriting.

We did have some onetime items that I won't go into in the quarter that were headwinds in the Travel and Warranty business. But those businesses are going to have to contribute more as we get into 2024, and we're looking at the entire business model in order to improve their financial results.

So we recognize the overall segment needs to improve. We believe we have the sort of business strategic alternatives in place, and we're going to be executing them. And again, it's just a choppy year as we make that transition.

Operator

Our next question comes from Gary Ransom with Dowling & Partners.

Gary Kent Ransom
Dowling & Partners Securities, LLC

I wanted to ask about Financial Lines. On the one hand, you noted that rates are going down in that segment. And on the other hand, you were talking about social inflation. And I mean, just generally, it seems to be as worrisome as ever. I know your reserves held up this quarter, but it's like we're in a soft market for those financial lines. And I wondered if you could add some more color on how you're managing through that portion of the cycle in that business.

Peter Zaffino;Chairman and CEO

Sure. Yes, thanks, Gary, for the question. And I'll have Dave make some specific comments. When we talk about the headwinds in Financial Lines, and again, Dave will go into it, but it's primarily North America and it's primarily excess. We've done a tremendous job over the past couple of years to reposition the business and not only with the underwriting, but also with cumulative rate. And so we still think there's margins, still think our scale and balance across the world is a competitive advantage. And when we talk about some of the challenges in Financial Lines, it's really specific to North America.

Dave, do you want to provide some context in a little bit more detail, please?

David Hughes McElroy
Executive VP & Chairman of General Insurance

Yes. Yes, thank you, Peter. And thank you, Gary. The -- this is obviously a business that I've got a lot of scar tissue in over a lot of 40 years of this. And I sometimes think of my career credibility tied into fixing this book, but I am very confident with where we have positioned the book, okay?

The -- we've taken a cautious approach to the large account public company D&O business and particularly excess, Gary, that you've referred to. So we're aware of the consequences of chasing volume, okay? We've seen companies go close to the sun, they burn out, where that's our sophistication.

So the -- what we're doing here, private -- public company, D&O, the market, the private, their primary market is, frankly, a stable market, okay? It's holding up well. Cumulative rate increases, even though they went up 120% from the '18 to '21 year, they're trending around 85% today, and they're holding, okay? This is going to be about a story about excess.

And I do want to frame this that in that primary market, there are a couple of key points that are also holding and that's retentions are holding up very nicely, okay? There hasn't been an erosion in the self-insured retentions that clients are keeping. And we look at that as sort of an acting hedge against legal cost inflation.

And then the other fact that I've always been worried about is the arms race back to limits. And this industry did a great job, and I believe there was respect for this volatility by taking 25 million limits down to 10s and 15s down to 5s. So even today, our portfolio is in the 80% to 90% range of those limits on a primary basis. And therefore, the arms race to increasing limits, which is often led by those who may not understand the volatility, that has not happened, okay? So that's a win for the primary.

I'm going to be -- I'll call out the excess because the battles and the competition in this market are classic, okay? These are tranches above $50 million. It's a commodity. We're seeing more competition there. And we're -- what we're going to do is we're going to do what we've been doing, reducing our limits, reducing our policy count. Our renewal retention right now is actually running 11 points lower than what would be normal in a standard market. And we're going to continue that way, not only on a policy count basis, but an aggregate -- in an aggregate basis.

The 2 things I just called out, everybody knows that I've lived in this business for a bit, I'd call out the claim environment in the market, okay? The market may be mistiming the pricing of excess layers, okay? The plaintiffs' bar has circled back to large account. Securities class actions, they're actually up this year and looking more like the '16 to '19 cohort years, which are problematic for the industry versus the 2022 years. So it's one to be concerned about because that verticality of loss will actually affect the excess towers that are not going to be making money at [$8,000 a mill].

So this environment is not conducive to be putting out limits excess at those layers. And maybe the more important thing is about our AIG global book, okay? It is a formidable asset. And we had the heightened scrutiny on the North American book. We're confident around what that looks like. But the International book is a franchise that you could not duplicate in generations.

It's performed better than the U.S. It's got -- it's actually larger than the U.S. book. It actually represents 60% of our total volume in the world. It has more geographic spread, particularly in Europe and Asia Pac. And it actually catches more private company business, SME business and middle-market cyber business than you might think in North America. So -- and other than some of the London subscription pricing, the pricing pressure there has been de minimis. And in fact, our rates are holding up better than 2023.

So I always feel like when I got here, I didn't understand the impact and the power, but the AIG global franchise is an incredible asset, and it also is one that we have coordinated better to make sure that any sort of U.S. exposures are controlled collectively by both of us. So in some special asset, it's been built over 2 generations. We like what it is. We like the portfolio today. And it's -- there's been 5 years of work to frame this book to where we all trust it. And we trust the recent years for their performance, okay?

Kicking back to you, Peter. I know I went long.

Peter Zaffino;Chairman and CEO

Thank you, David. Very thorough. Appreciate it. Gary...

Gary Kent Ransom
Dowling & Partners Securities, LLC

Yes, that's a very thorough answer. I'm good. I mean I'm good with that.

Operator

Our next question comes from Alex Scott with Goldman Sachs.

Taylor Alexander Scott
Goldman Sachs Group, Inc., Research Division

First one I had for you is on sort of capital management related to Corebridge separation. I appreciate there's volume constraints, and it's good to have some guidance around how much capacity you can do in terms of buybacks a quarter. I did want to probe you a bit on to what degree, if at all, that, that considers further kind sell-down at Corebridge and sort of further special dividends coming out of Corebridge and so forth.

I mean I think the math would tell us that you could potentially do more than $1.5 billion a quarter, particularly for like next year over 4 quarters. And I'm just a little sensitive to it because it affects sort of accretion dilution and just the lag and what to expect. So I want to make sure we have appropriate expectations around the timing of that share count reduction and so forth. So any help is very appreciated.

Peter Zaffino;Chairman and CEO

Yes, thanks very much for the question. I mean we tried to provide between Sabra's script and in my prepared remarks a lot of detail on capital management and also the additional liquidity where we're going to have from the special dividend from the Validus Re disposition and overall how we intend to use those proceeds. And it remains the same is we want to make sure that we provide ample capital in our subsidiaries to continue to drive growth. We still think there's great opportunities for us in the businesses that we're in to drive top line growth and continue to drive profit growth and more margin, and that is our primary focus.

We've also given guidance in terms of the share count. And clearly, with the 7.5 billion of share authorization and now with the liquidity that we've outlined, we have a path towards that lower end of the 600 million. And so when we think about the next several quarters, certainly that's going to be the priority.

Sabra and I alluded to the fact that we still want to clean up a little bit of debt and make sure that we're at the lower end of the ratios, but also reflecting that buying back shares is going to have an impact on your leverage and making certain that we are being thoughtful, prudent in getting ahead of that.

In terms of the Corebridge sell-down, I mean we've been very methodical. Certainly, we would like to do something in the fourth quarter. We continue to look at all the different alternatives in terms of size and how we can do it. And it will be a priority for us to focus on when we conclude this call and start to focus into next week.

I mean Corebridge has done a terrific job of setting itself up as a public company. And they're ready for deconsolidation in terms of their operations, but we want to make certain that we are very thoughtful in the current environment. And again, we'll use those proceeds to continue to accelerate what we've outlined on the capital management.

I would expect, as we do a secondary and we get on future calls, we'll update and refresh some of the capital structure and also our guidance to see if we need to revise it. But I think that's probably all I can give you at this point.

Taylor Alexander Scott
Goldman Sachs Group, Inc., Research Division

Yes, that's helpful. Second question I had is on the, I guess, the operating company level on the RemainCo General Insurance side of things. Where do you see those metrics over time? I mean one of the things that I've looked at is just decomposing the ROE, and the underwriting leverage itself seems lower at AIG, which made all the sense in the world as you guys had more volatility.

But as you sort of expressed in your opening comments and as you guys have sort of proven out, the volatility is significantly reduced. So where can that go to over time? What are the right metrics for us to look at? Is it RBC premium to surplus? Any help on thinking through how much more business you could write on the equity you have?

Peter Zaffino;Chairman and CEO

Yes. Well, we could write significantly more business based on the capital we have in the subsidiaries today. We have a lot of moving pieces. I mean, certainly, selling Validus Re gives us a lot more flexibility in terms of how we position the portfolio for next year.

And so I'll give you a couple of examples of that is that we underwrite property business where we pick up CAT across the world, whether it's Japan, our International business through Lexington, through Talbot, through our retail in North America. But we always had to be very cautious in terms of the overall volatility in terms of how we're correlated with Validus Re, including our reinsurance purchasing where we had certain retentions that might be lower than what our risk tolerance would assume within North America and International. We bought ILWs that benefited the group.

And so like as we think about how we reposition the portfolio, I believe we have a significant amount of aggregate. We have a significant amount of capital. We have businesses that are positioned to propel growth and want to focus on that.

Now maybe the first part of your question is, what type of leverage or how can you improve it? We recognize we have an expense issue. I mean when we look at the overall combination of our corporate expenses plus the expenses that sit in the business, yes, there's a little bit of a mix issue that when you look at some of the Personal Insurance, which are great businesses, and International may have a little bit more acquisition and GOE, but by and large, we need to get expenses out.

And that's the focus. That will be the leverage in terms of contributing to ROE and also getting a future-state business that is leaner and does not have duplication across the world. I mean so that's the work we've been doing this year. We will be positioned pre-deconsolidation to start implementing that operating model.

But I think the leverage is we have enough capital to grow, and we'll continue to grow the top line where we like the risk-adjusted returns, less volatility because we don't have a reinsurance business anymore. So we can do things a little bit differently on the primary side. And we know we have expenses that need to get out, and we're going to get them out, and that's going to drive us north of the 10% ROCE.

Operator

Our next question comes from Michael Zaremski with BMO.

Michael David Zaremski
BMO Capital Markets Equity Research

My question is kind of on some points that were touched on already on the portfolio transformation strategy, which has obviously been successful over the past 5 years. So Peter, you used the T word, trillion, you said $1.4 trillion limit reduction. So just curious, I think David gave us a flavor of this answer, but does that -- is there a way to frame what percentage limit reduction your average -- this average policy is? It sounded like David said it's over 50% in some of those Financial Lines?

And just related, like how is that -- was AIG an outlier previously and you moved towards the market? Or just how has this changed your competitive position in the marketplace?

Peter Zaffino;Chairman and CEO

Yes. I think you recognize how we were able to reduce volatility. When you have -- I have to even pause when I have to write out trillion because it's a big number. And $1.4 trillion of limit, I don't think that's been done in our business before, and then reposition the portfolio to drive significant profitability improvement.

It absolutely was an outlier. Its gross limit deployment and net limit deployment was significant relative to any of its competitors. And in order to have the type of predictable results we've been able to produce over the past couple of years, when you see the relative improvement as well as absolute improvement, we are really proud of that. You had to take out the volatility, which was the outsized limits, not only from a gross perspective, and we recognize that.

While we talk about it is that, yes, we're a buyer of reinsurance, it's strategic, it matters, but it's not what's driving the results. The driver of the results is the gross underwriting and the overall reduction. Everywhere you look, property, casualty, financial lines, everything is 50% plus of reduction of gross limits. And then you add on reinsurance to temper volatility, that's how we've been able to position the portfolio to have not only significantly improved results, less volatility, it's also very sustainable. And we believe that there's opportunities for further improvement.

Michael David Zaremski
BMO Capital Markets Equity Research

Okay. Great. And my last, if I may, is on -- there's a lot of leadership changes over the past, right, years and quarters. I think Sabra used the term simplify structure. I guess any color you can offer on are we -- is the structure simplified, we're on baseball inning 4 or 9? Or any comments would be helpful.

Peter Zaffino;Chairman and CEO

Sure. Look, we've had a lot of change over the last 5 years. When I look at our overall attrition, it's at all-time low. We've had a couple of senior executives that we brought in to position the organization for the future and believe that the underwriting structure that we put forward is going to be with us for a couple of years. It's going to drive the performance that we've become accustomed to. And we'll continue to bring in skill sets in the organization that supplement what we already have in order to position us for the future.

So I'm like really very pleased. As I said, we have very low attrition, continue to upgrade talent across the organization. And people want to come work here, which is a really positive attribute of the organization and how we position it for the future.

So thank you. I do have one closing remark. First of all, I'm very proud, and I'd like to thank all of our colleagues for their efforts and all that they've done to progress our strategic plans and deliver consistently strong financial results. Very proud of them.

I would like to say a few words about our former Chief Financial Officer, Shane Fitzsimons, who passed away on Friday, October 27. Shane had a brilliant career. He was highly thought of in the global business community and quickly earned the trust and respect of the insurance industry, which is not easy to do.

He was a cherished colleague here at AIG. Shane brought energy, integrity and a very positive attitude that was both contagious and inspiring. He's a big reason why AIG is where it is today. Shane was a great friend to many of us, and we're so grateful for all that he did for AIG, our stakeholders and our colleagues.

Thank you, and have a great day.

Operator

Thank you for your participation. This does conclude the program, and you may now disconnect. Everyone, have a great day.