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Earnings Call

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Call Participants

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Presentation

Operator

Good day, and welcome to AIG's First Quarter 2024 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

Good morning, and thanks very much. 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 refer to non-GAAP financial measures. A reconciliation of such measures to the most comparable GAAP figures is included in our 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 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 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, May 3.

Finally, today's remarks as they relate to net premiums written, adjusted pretax income, underwriting income and margin in General Insurance are presented both on a reported basis as well as a comparable basis, which reflects year-over-year comparison on a constant dollar basis as applicable, adjusted for the sale of Crop Risk Services and the sale of Validus Re. Please refer to the footnote on Page 26 of the first quarter financial supplement for prior period results for the Crop business 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 first quarter 2024 financial results. Following my remarks, Sabra will provide more detail on the quarter and then we'll take questions. Kevin Hogan will join us for the Q&A portion of the call.

Here are some highlights from the quarter. Adjusted after-tax income was $1.2 billion or $1.77 per diluted common share, representing a 9% increase in earnings per share year-over-year. Consolidated net investment income on an adjusted pretax income basis was $3.5 billion, a 13% increase year-over-year. General Insurance underwriting income was $596 million, a 19% increase year-over-year, reflecting improved accident year results, including lower catastrophes and increased 67% year-over-year on a comparable basis, if you exclude divested businesses from the prior year quarter.

The accident year combined ratio, excluding catastrophes, was 88.4%, a 30 basis point improvement from the prior year quarter and was the tenth consecutive quarter of a sub-90 combined ratio. The quarter also reflected the significant improvement we have made in controlling volatility in our property portfolio as total catastrophe-related losses in the quarter were $107 million or 1.9%, representing a 230 basis point improvement year-over-year.

Turning to Life and Retirement. The business reported very good results with premiums and deposits of $10.7 billion in the first quarter, their highest quarterly result achieved in the last decade, and strong APTI growth of 12% over the prior year quarter.

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Last September, Corebridge entered into a definitive agreement to sell the U.K. Life Insurance business to Aviva plc, which calls on April 8. Net proceeds were approximately $550 million and will be used for Corebridge share repurchases.

During the quarter, we returned over $2.4 billion to shareholders through $1.7 billion of common stock repurchases, $250 million of dividends and the redemption of all our outstanding Series A preferred stock for $500 million. We repaid $459 million of debt upon maturity, lowering our total debt to $9.8 billion. In addition, we repurchased approximately $613 million of common stock in April.

Based on our strong performance, the AIG Board of Directors approved an 11% increase in AIG's quarterly common stock dividend to $0.40 per share. The AIG Board of Directors also increased the share repurchase authorization to $10 billion, effective May 1. Lastly, we ended the first quarter with strong parent liquidity of $5.1 billion. Overall, I'm very pleased with our first quarter results and the continued strong execution of our strategy to deliver sustained underwriting excellence, profitability and disciplined capital management.

During my remarks this morning, I will discuss 4 important topics: first, I will provide some financial highlights in the quarter focused on the General Insurance business, including some insight into our net premiums written; second, I will talk briefly about the results in Life and Retirement; third, I will provide an update on our capital management strategy, specifically our plans for 2024 and 2025; and finally, I will discuss our path to a 10%-plus ROCE and provide more detail on AIG Next and our future state operating structure that will create value through a leaner and more unified company.

Let me take a moment to update you on our sell-down of Corebridge. Our Corebridge holdings currently stand at 324 million common shares outstanding, which represents a 53% ownership stake. We continue to explore all alternatives to reduce our ownership stake in Corebridge. Once Corebridge is deconsolidated from AIG, Life and Retirement's balance sheet and income statement will no longer be included in AIG's consolidated financial statements, and our remaining ownership stake will be reported in parent investments with dividends reported in net investment income.

Sabra went through this in detail on our last earnings call. We have been evaluating opportunities to maximize long-term value for Corebridge and have considered multiple strategic alternatives that we believe will best position Corebridge for future success. We remain committed to reducing AIG's ownership and to fully selling our remaining stake, and I will continue to provide updates to all of our stakeholders.

In terms of the use of Corebridge-related proceeds, AIG expects to continue to utilize excess capital and liquidity, with a focus on returning capital to shareholders through share repurchases and liability management, which I will discuss later when I outline our capital management strategy.

Now turning to General Insurance. Net premiums written were $4.5 billion and reflected the impact of the dispositions of Validus Re and Crop Risk Services as well as actions we've taken to restructure specific treaty reinsurance. Overall, Global Commercial had a very strong quarter. Excluding the impact of our divestitures, Global Commercial net premiums written growth was 1% year-over-year.

First, I want to reconfirm the guidance for the year. We expect high single-digit growth in net premiums written for the full year in our Global Commercial Insurance business. Now the results. In North America Commercial, net premiums written grew 4%. Lexington grew 24%, which was led by Casualty and Western World. Our Excess Casualty line grew 46% and our Captive Solutions grew 20%.

There's been meaningful commentary on the Excess & Surplus Lines market, and we continue to experience terrific fundamentals and results in Lexington. Let me provide a few examples. Our submission volume was up over 50% year-over-year. Lexington delivered strong new business, outperforming last year's record first quarter results, balanced across all lines. And retention remains strong for Lexington at 78%.

Shifting to North America Retail Property, net premiums written were negative $120 million in the quarter, driven by first quarter reinsurance purchased and had over a 600 basis point impact on the first quarter net premiums written growth for North America commercial compared to prior year. North America

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Financial Lines declined 4% year-over-year. In prior quarters, we provided meaningful commentary on the dynamics within Financial Lines, so I will not go through that again.

It's been a challenging market environment with continued headwinds on rate. Having said that, we continue to believe our portfolio is strong, and we remain disciplined. Sabra will give more detail in her prepared remarks.

In International Commercial, net premiums written were flat for the quarter. International Property grew 23%, and Talbot grew 18%. This was offset by a decline in our Global Specialty business of slightly over 10% due to some top line weakness in energy and the effects of the reinsurance restructuring. Also, we had a 5% decline in International Financial Lines.

Now turning to the combined ratio. Our Global Commercial business in the first quarter had an outstanding result with an 84.4% accident year combined ratio, excluding catastrophe, a 150 basis point improvement year-over-year. The accident year combined ratio, including catastrophe, was 86.6%, a 500 basis point improvement year-over-year.

This was led by International Commercial which, on a comparable basis, had an 82.8% accident year combined ratio, excluding catastrophe, which is a 140 basis point improvement year-over-year; and an 83.5% accident year combined ratio, including catastrophe, which is a 770 basis point improvement year-over-year.

North America Commercial also had an outstanding result with an 85.9% accident year combined ratio, excluding catastrophe, which is a 180 basis point improvement year-over-year; and an 89.5% accident year combined ratio, including catastrophe which is a 260 basis point improvement year-over-year. These results were simply outstanding and are a testament to our commitment and culture of underwriting excellence.

Shifting now to global Personal Insurance. Net premiums written were flat to prior year. We had modest growth in Personal Auto and Individual Travel and reductions in high net worth driven largely by reinsurance and Accident & Health, largely driven by 2 nonrenewals in China, as part of our focus on portfolio improvements in our Accident & Health business.

North America Personal had a 97.7% accident year combined ratio, excluding catastrophe. This is a 990 basis point improvement year-over-year and a 101.6% accident year combined ratio, including catastrophe, which is an 870 basis point improvement year-over-year.

As we discussed last year, we expect a material financial improvement in 2024 that will be driven by higher earned premium and a lower loss ratio from the high net worth business. We saw this manifest in the first quarter and expect this improvement to continue throughout 2024.

International parcel insurance had a 96.8% accident year combined ratio, excluding catastrophe, which increased 90 basis points year-over-year; and a 96.8% accident year combined ratio, including catastrophe, which is a 20 basis point improvement year-over-year. Overall, I'm very pleased with the financial performance of General Insurance, which delivered another excellent quarter.

Our reinsurance decisions in the first quarter had an impact on net premiums written. As we've discussed over the past several years, our reinsurance partnerships and global treaty structures have been purposeful. Our objective has been to deliver improved underwriting profitability and evolve our business portfolio to be appropriately diversified to deliver consistent results throughout the market cycle.

We believe this strategy has provided sustained value to our clients while also delivering improved risk-adjusted returns. It has significantly repositioned AIG, especially as we prepare to deconsolidate from Corebridge. Our goals with our reinsurance purchasing have been to preserve and optimize capital and enhance the quality of earnings through active management of the volatility of our underwriting results. This deliberate approach to reinsurance has helped position AIG with a very strong balance sheet and has given us the flexibility to add exposure where risk-adjusted returns are very attractive while also moderating volatility in our underwriting results.

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As a result of our divestiture of Validus Re, combined with the reduction in gross limits in property through our underwriting strategy, we have reduced our PMLs and created meaningful capacity to increase our property writings throughout our global platform should they meet our expected returns. Without going through each return period by peril and region, our key zone PMLs on average, have decreased by over 40% compared to the first quarter of 2023, which provides considerable aggregate for future growth while appropriately managing the exposures we're assuming.

Our reinsurance purchasing is deliberately concentrated at January 1. As a result, any changes in purchasing tend to be more pronounced in the first quarter reporting of net premiums written. In January 2024, we also made some changes related to the allocation of catastrophe costs among the businesses, so that catastrophe costs are more accurately reflected in pricing. Historically, some of these costs have been shared with Validus Re. We reallocated PMLs and the catastrophe costs to where we believe the most attractive opportunities for growth existed in our portfolio.

It's worth noting, when considering our property catastrophe placement, we believe we have the lowest attachment point of our peer group. Over time, we have the balance sheet and perhaps the risk appetite to take more net on our catastrophe program post deconsolidation and subject to market conditions.

As a point of reference, if we chose to raise our catastrophe attachment point to $500 million worldwide, our attachment point would likely remain the lowest among our peer group with 1 in 11 attachment point in North America wind and 1 in 19 attachment in North America earthquake based on today's exposure. Importantly, our net premiums written in commercial would have been 15% greater in the first quarter if we had elected to have a $500 million attachment point across our global portfolio.

Our earnings potential is significant. And when combined with the strength of our balance sheet, it will provide us with the flexibility to continuously evaluate and refine our strategic reinsurance purchasing as we enter 2025.

Turning to Life and Retirement. As I noted earlier, the business continued to produce strong results in the first quarter. In April, Corebridge completed their Corebridge forward restructuring. $400 million of savings has been actioned or contracted, and they expect to realize the vast majority of the savings by the end of 2024 at a cost to achieve of $300 million.

Corebridge repurchased approximately $240 million of common shares during the first quarter, and they have repurchased $370 million of common shares year-to-date. Corebridge ended the quarter with a strong balance sheet with parent liquidity of $1.7 billion. This week, the Corebridge Board of Directors approved a share buyback authorization of $2 billion, which reflects their stated commitment to delivering a 60% to 65% payout ratio to shareholders, subject to market conditions.

Turning to other operations. We have made significant progress towards our future state operating model. Adjusted pretax loss from other operations in the quarter, including Life and Retirement, was $408 million, a 17% improvement year-over-year. The improvement was primarily attributable to lower general operating expense, higher short-term investment income and lower interest expense at AIG due to debt reduction actions. We expect our future state parent expenses to be in the range of $325 million to $350 million by year-end 2024. After deconsolidation, we intend to use 1% to 1.5% of net premiums earned as a benchmark of total parent expenses in the future.

Turning to capital management. In the first quarter, we continue to execute on our balanced capital management strategy. Over the past couple of years, we have significantly strengthened our balance sheet by making key decisions that have increased our financial flexibility while always planning for the long term, which has allowed us to accelerate the execution of our strategy and unlock meaningful value for AIG shareholders.

Along with establishing appropriate debt capital structures for AIG and Corebridge and diligently executing on AIG's capital management priorities, we have also completed over $40 billion of capital market transactions since 2022. We have been very disciplined in the execution of the components of our capital management strategy that we first outlined in 2022.

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As a reminder, our objectives were: to maintain very strong insurance company capital levels to support organic growth and a steady source of operating subsidiary dividends to service parent company needs; to reduce our total debt outstanding and improve our leverage ratios, providing a well-structured and well-laddered debt portfolio with no outsized amounts due in any given year, particularly over the next 5 years; to return excess capital to shareholders in the form of share repurchases and dividends; to increase our dividend as our earnings and financial flexibility improved; and to maintain a strong parent liquidity position.

All of our Tier 1 insurance company subsidiaries are at or above their target capital ranges and have the ability to support meaningful growth without additional capital contributions. At current profitability levels, we had approximately $3 billion of run rate dividend capacity from our global General Insurance subsidiaries with approximately $2 billion attributable to the U.S. General Insurance company's dividend capacity.

We have increased the U.S. General Insurance company dividend capacity by approximately 400% over the last 3 years. This reflects a significant increase from 2021, when it was $550 million; and in 2022, when it was $1.4 billion. Looking forward, we expect to continue positioning AIG with maximum capital flexibility for growth, including reviewing our reinsurance over time and considering compelling and strategic inorganic growth opportunities should they exist.

In addition to strong insurance company capitalization, we've continued to significantly reduce our overall debt. Outstanding debt is now approximately $9.8 billion, a reduction of over $12 billion since the end of 2021, which has been a remarkable result for AIG. We had previously provided guidance that we're targeting a 20% to 25% total debt-to-capital ratio, and we expect to be in the 15% to 20% range upon deconsolidation.

While we may do additional work on maturities, we would not expect that to take priority over share repurchases. Since 2022, we've increased our focus on share repurchase activities. We completed over $5 billion of repurchases in 2022 and approximately $3 billion in 2023. Looking ahead, we expect up to $6 billion in repurchases in 2024 and up to $4 billion in 2025, depending on the timing of future Corebridge sell-downs and market conditions.

All of the expected activity in 2024 and 2025 will be covered by the $10 billion share authorization that we announced yesterday. For the balance of 2024, we expect to be able to repurchase about $1.5 billion of common stock a quarter depending on excess parent liquidity levels, including future Corebridge sale proceeds, General Insurance dividends and market conditions.

And based on the current stock price, we would expect this to get us closer to the higher end of our target share count range of 600 million to 650 million common shares by the end of the second quarter and towards the lower end of the range by the end of 2024. Furthermore, based on this outlook and depending on the stock price and market conditions, we would expect to be between 550 million and 600 million shares outstanding by year-end 2025.

Turning to our dividend. The AIG Board of Directors recently increased the cash dividend of $0.40 per share on AIG common stock up 11%, the second consecutive year with an increase of more than 10%. I could not be more pleased with our progress. We remain confident in our ability to deliver while continuing the positive momentum in our financial performance.

We remain committed to delivering an adjusted 10%-plus ROCE post deconsolidation of Corebridge. For the first quarter, we achieved a 9.3% adjusted ROCE and a 13.3% adjusted ROCE in General Insurance. Contributing to ROCE will be AIG Next, which will focus on achieving an expense base that will generate additional savings for AIG while reducing complexity throughout our organization and simplifying how we operate. AIG Next will create clarity in our operating structure, including aligning our underwriting and claims organizations with our operations and functions while defining our parent company of the future.

This is the key objective as we weave AIG together. To be a less complex, more effective and leaner company with the appropriate infrastructure and capabilities for the business we will be post

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deconsolidation. AIG Next has clearly defined work streams governed by a very experienced, centralized team with significant experience in transformations and company design reporting directly to me.

As I stated on previous calls, we expect AIG Next to generate approximately $500 million in annual run rate savings by the end of 2025. Of the $500 million in run rate savings, we expect $350 million to be actioned in 2024, which is an increase of the guidance we have provided in the past, and the balance will be actioned within 2025 with a cost to achieve of $500 million.

To date, we've made meaningful progress on AIG Next across multiple work streams. In April, we announced a voluntary early retirement program available to colleagues in the United States who meet the eligibility criteria. Eligible participants will have the opportunity to accelerate their retirement from AIG with enhanced retirement benefits.

The population of eligible participants represents approximately 25% of our U.S. workforce. About half of the eligible participants are located in the high-cost New York metropolitan area. We are anticipating a 50% take-up rate, which would result in approximately $225 million of onetime cost and a net run rate benefit of approximately $150 million after reinvestment for the skills and capabilities we need for the future. The numbers I have provided for our early retirement program are included in the total numbers I provided for AIG Next.

In summary, I'm very pleased with our overall performance as we start 2024. As I said in my recent letter to shareholders, our ability to execute continues to be one of the company's best attributes. We have accomplished a significant amount in the past several years in order to position AIG for the future, and we have continued to deliver in the first quarter, which will enable us to achieve our objectives in 2024 and beyond.

I am confident that we will continue to uphold our commitment to achieving underwriting excellence and high-quality earnings over the long term, benefiting all of our stakeholders as we continue to simplify and streamline our business and create the AIG of tomorrow.

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

Sabra Rose Purtill
Executive VP & CFO

Thank you, Peter. This morning, I will provide details on AIG's first quarter results, including General Insurance, investment income in Life and Retirement and a balance sheet update.

First quarter 2024 adjusted after-tax income attributable to AIG common shareholders, or AATI, was $1.2 billion, flat to last year due to the reduction in our ownership of Corebridge from 77.3% to 52.7% at the end of this quarter. General Insurance adjusted pretax income, or APTI, increased $110 million year-over-year, driven by higher underwriting and net investment income. The prior year quarter included APTI of approximately $175 million from Validus Re and Crop Risk Services. On a comparable basis, excluding the divested businesses, General Insurance APTI was up about $285 million.

As Peter noted, first quarter General Insurance underwriting income was $596 million, up $94 million from the prior year quarter. On a comparable basis, underwriting income rose $239 million year-over-year.

International Commercial Lines was the primary contributor to higher underwriting profitability with $175 million increase in underwriting income. North America Commercial Lines underwriting income was down $95 million from the prior year quarter as reported but up $35 million on a comparable basis. Underwriting income includes catastrophe losses of $107 million in the quarter or 190 basis points on the loss ratio, down from $265 million or 420 basis points last year.

Prior year development this quarter was a favorable $34 million compared to a favorable $68 million in the prior year quarter. This quarter's development was solely from the amortization of the deferred gain on the adverse development cover which is recalculated each year based on prior year experience. For 2024, the amortization gain will be $34 million each quarter compared to $41 million a quarter last year.

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Turning to underwriting ratios. The General Insurance calendar year combined ratio was 89.8% this quarter, a 210 basis point improvement from the prior year quarter and a 380 basis point improvement on a comparable basis. We provided additional data on Page 26 of the financial supplement on the impact of the divestitures on 2023 North American commercial combined ratios.

The accident year combined ratio ex catastrophes was 88.4%, a 30 basis point improvement over the prior year quarter and a 160 basis point improvement on a comparable basis. The accident year loss ratio adjusted for catastrophes was 56.6% this quarter, 10 basis points better than the first quarter of 2023 as reported and 70 basis points better on a comparable basis. This improvement reflects continued earn-in of rate above loss cost trend and better underwriting and risk selection, particularly in Global Commercial lines.

The expense ratio for the quarter was 31.8%, down 20 basis points from the prior year quarter as reported, with a $43 million reduction in general operating expenses. On a comparable basis, the expense ratio improved 90 basis points with 10 basis points from the acquisition ratio and 80 basis points from the general operating expense ratio, reflecting continued expense discipline as general operating expenses rose only $6 million.

As Peter covered General Insurance premium growth, I will focus on Commercial Lines new business, renewal rate, loss trends and retention as well as reserves. New business production in Global Commercial remained strong. In North America, new business was almost $450 million and balanced across all lines with excellent performance from Lexington.

International Commercial new business levels were very good, with over $500 million in the quarter, led by Talbot, Property and Casualty, offset by lower new business in energy and Financial Lines. In North America Commercial, overall rate, excluding workers' compensation, increased 5% in the quarter with exposure adding 2% for overall pricing of 7%, which is above loss cost trend. Excluding workers' comp and Financial Lines, North America commercial rate was up more than 8% in the quarter, with exposure up 2% for overall pricing over 10%, meaningfully above the loss cost trend.

North America commercial rate increase reflect strengthening pricing trends in Casualty, including Lexington Casualty, which was up 11%; Lexington Healthcare up 15%; and Excess Casualty up 16%. In International Commercial, overall rate increased 3% and exposure added 2% for an overall pricing increase of 5%, modestly ahead of the loss cost trend. Excluding Financial Lines, International rate was up 5% with overall pricing up 7%, well ahead of loss cost trend. The rate increase was driven by Property, which was up 7%; energy up 8%; and marine up 7%.

As we've discussed, Financial Lines is a notable exception to pricing trends. This was particularly the case in excess. We are taking a long-term view in Financial Lines and remain disciplined on risk selection, terms and conditions, pricing and reserving. While rate trend has been negative the past few quarters, in aggregate, the cumulative rate level in North America Financial Lines is about 50% higher than 5 years ago.

Renewal retention has improved over the past several years and remained strong. As a reminder, we calculate renewal retention using expiring premiums, excluding the impact of renewal rate and exposure changes on the ratio. Global Commercial retention increased to 89%, stable at 88% in North America and rose to 89% in International.

Turning to reserves. I wanted to provide some background on AIG's reserve review schedule for 2024 and quarterly processes. At AIG, we performed detailed valuation reviews, or DVRs, on each book once a year. In DVRs, we look at loss development and trends in prior and current accident years and consider changes in our reserving factors and approaches based on emerged experience. We do not perform DVRs in the first quarter.

In the second quarter of 2024, we will review the North America Casualty book, including excess and primary Casualty, Lexington, workers' compensation and mass tort comprising about $20 billion of reserves or 44% of our total reserves. In the third quarter, we will review International Commercial Lines,

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Global Financial Lines, Commercial Property and other lines, totaling about $22 billion or 47% of reserves with the balance of the DVRs completed in the fourth quarter.

Between DVRs, our actuarial team evaluates pricing, claims, loss trends and reserves across the portfolio. Each quarter, we complete an actual versus expected review, or AVE, for each book. The AVE review gives us a current look at trends and the opportunity to address issues prior to the scheduled DVR. Examples of such items include large new claims, notable changes in claims patterns or settlements, changes in attritional loss trends beyond normal ranges or significant major events.

We are aware that the industry has begun to address adverse casualty loss development trends in the 2016 to 2019 accident years. On our third quarter 2023 call, Peter provided significant detail on the reunderwriting and repricing of our casualty book that we began in 2018 with an entirely new framework and approach to underwriting. In addition, we changed our reserving assumptions on the book. And by 2021, we had increased reserves on North American Casualty, 2016 through 2019 accident years, by over $1 billion. We also continued to refine our actuarial judgments, and in 2019, we raised the loss cost trend assumption for certain Excess Casualty segments to 10%. And by 2022, all Excess Casualty segments were at or above 10%.

Our AVE reviews on North American Casualty since the second quarter 2023 DVR continue to show loss experience within the range of our expectations on the 2016 to 2019 accident years. As we have previously outlined, our reserving philosophy is to react to adverse trends quickly and to allow time for favorable trends, particularly in recent accident years, to mature. We did not make any adjustments to our casualty reserves this quarter, in total or within the 2016 to 2019 accident years. AIG's reserves and balance sheet are much stronger today, and our reinsurance is much more comprehensive, helping improve our underwriting results and reduce volatility.

Turning now to investment income. AIG continues to benefit from reinvestment rates on fixed maturities and loans that exceeded sales and maturities, helping drive higher yields and net investment income in General Insurance and Life and Retirement. This quarter, consolidated net investment income on an APTI basis was $3.5 billion, up 13% from the prior year quarter and up 2% in General Insurance and 16% in Life and Retirement.

General Insurance net investment income growth was negatively impacted by the sale of Validus Re, which had a $5 billion portfolio. Adjusted for income on that portfolio in the prior year quarter, General Insurance net investment income rose about 7%, with a 9% increase in fixed maturities and loans driven by higher reinvestment rates.

This quarter, new money rates on fixed maturities and loans averaged 5.9%, 150 basis points higher than the yield on sales and maturities in the quarter. The new money rates were about 115 basis points higher in General Insurance, and 165 basis points higher in Life and Retirement.

The annualized yield on fixed maturities and loans, excluding calls, prepayments and other onetime items, was 3.9% in General Insurance, 3 basis points higher than the fourth quarter of 2023 and 44 basis points higher than the prior year quarter. The sequential yield comparison in General Insurance was negatively impacted by the sale of Validus Re. First quarter General Insurance alternative investment income was $54 million or an annualized return of 5.2% this quarter, down $41 million from the prior year quarter.

Continuing to Life and Retirement. Sales and earnings were strong this quarter. First quarter sales remained at historically high levels with premiums and deposits of $10.7 billion driven by strong sales in fixed annuities and pension risk transfer.

Life and Retirement segment APTI was $991 million, up 12% from the prior year quarter, driven by higher base portfolio spread income due to higher reinvestment rates, higher fee income due to higher market levels and lower general operating expenses, partially offset by lower alternative investment income. Life and Retirement alternative investment income was negative $23 million this quarter for an annualized yield of negative 1.8% due to private equity losses and very low income on hedge funds and real estate compared to breakeven last year. Corebridge's total contribution to AIG's AATI, including corporate

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expenses, declined by approximately $100 million or 20% over the prior year quarter due to the reduction in our ownership.

Turning to the balance sheet. Book value per common share was $64.66 this quarter, down 1% from year-end 2023 and up 10% from the prior year quarter, driven mostly by the impact of interest rates. Adjusted book value per share was $77.79, up 1% from year-end 2023 and up 3% from the prior year quarter, reflecting the net impact of earnings, dividends and share repurchases.

Peter covered our capital management actions year-to-date. With respect to debt leverage, consolidated debt and preferred stock to total capital, excluding AOCI, which includes $9.4 billion of Corebridge debt, was 23.6% at March 31, down 70 basis points from year-end 2023. Excluding Corebridge debt on a pro forma deconsolidated basis, AIG debt to total capital is expected to be within the new 15% to 20% debt target range that Peter provided.

To conclude, AIG delivered another excellent quarter with significant financial and operational accomplishments. In 2024, AIG Next and the deconsolidation of Corebridge will drive significant progress towards achieving our 10%-plus adjusted ROCE goal. We are confident in our ability to achieve this goal and look forward to updating you on our progress.

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

Peter Zaffino;Chairman and CEO
Thank you, Sabra. And operator, we're ready for questions.

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Question and Answer

Operator

[Operator Instructions] Our first question comes from Mike Zaremski with BMO.

Michael David Zaremski
BMO Capital Markets Equity Research

Looking over the -- your prepared remarks, Peter, and you used the term inorganic opportunities should they exist in reviewing reinsurance. So you also talked about the capital management expectations. So I guess would -- should we be thinking about the repurchase program as kind of a base case, but should there be other opportunities you might look to do something organic? Or just was there anything kind of new in there, in that wording that we should -- that you're trying to get us to think about?

Peter Zaffino;Chairman and CEO

Thanks, Mike. It's a very good question. We are going to stay very committed to the capital management structure we outlined, which is why I gave guidance on not only '24 but '25 in terms of share repurchases.

I think we've been consistent, and I added in when we're more comprehensive in our description in terms of capital management, that should inorganic opportunities exist, and they're compelling, which just means does it add product, does it add geography? Not scale and size, but just something that does help us strategically reposition ourselves. I wouldn't want to rule that out, but it's not a priority in the short term. And so that's really the context of what I provide in my prepared remarks.

Michael David Zaremski
BMO Capital Markets Equity Research

Okay. Understood. And my follow-up is just on the overall competitive environment relative to growth. So you guys have been very open. You have lots of pricing gauges. You've talked about Financial Lines being -- continue to be a soft-ish marketplace. but you've also said that you estimate pricing above loss cost trend.

But is there -- is this a conducive environment for AIG to want to kind of grow opportunistically? Or is it more just in certain pockets? I guess just for the backdrop, some of us look at the Marsh pricing index and it feels like there's, in my words, not a lot of gap or a narrow gap between kind of pricing and loss trends, potentially.

Peter Zaffino;Chairman and CEO

Yes. Thanks. It's a very good question. Let me start on growth. You can't -- one is you can't always look at broker index. Again, I don't know what Marsh index tracks, but sometimes, they don't catch fee business. They don't really catch the entire sort of market, which is the market we play in.

I do think it's conducive to grow. We don't look for top line growth to sacrifice profitability, and I think we evidenced that in this quarter and we've evidenced it over the past couple of years, that we continue to want to improve our combined ratios and look at businesses where the best risk-adjusted returns are. And so we have shaped the portfolio that way.

It's hard in any one quarter to sometimes draw conclusions like you saw in terms of the gross premium written in this quarter. It's really driven by 3 lines: Specialty; Financial Lines; and Casualty. The first quarter was impacted in International by energy within the Specialty class. But it's a great business, we're a world leader in that class, great underwriting capabilities and global distribution. And expect us to continue to grow that, and it's a very attractive combined ratio.

So I think there's a little bit of noise. We had some captives. We had reinsurance impact the quarter, because we switched from some pro rata to excess of loss. I don't think I need to go into too much more detail on Financial Lines. It's definitely an area where we watch very carefully. Sabra provided a lot of

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great context in her prepared remarks. But we're going to focus on making sure we have the highest-quality book.

I mean, our retention I think, spoke volumes this quarter in terms of the portfolio we like. I mean, with 89% in International, 88% in North America, across the board, that was tremendous, good new business. And so we definitely find opportunities.

I mean, the one area I just want to just note. Because Lexington, we talk about it every quarter because it just continues to just be exceptional. But the market dynamics have changed quite a bit. And when we look at Excess & Surplus lines, we think there's great opportunities to continue to grow. Even though there may have been some slowdown in Property, there's other lines of business, like casualty that we're seeing massive submission activity. And I just wouldn't look at the E&S market as a hard market play or a soft market play. It's just a market that's going to be here to stay in a different way. And so we're very much investing in that. I think the margins are great and the growth opportunities are significant.

Operator

Our next question comes from Elyse Greenspan with Wells Fargo.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

Peter, my first question, last quarter, you had implied that a Corebridge deconsolidation would come by the end of the second quarter. Does that time frame remain intact?

Peter Zaffino;Chairman and CEO

There's not a whole lot more I can offer in terms of the prepared remarks. Every sell-down has been important, but this one is particularly important just because we would likely become a seller of shares that will deconsolidate Corebridge. So we continue to focus on making certain we're looking at every option available.

And considering all of those variables, Corebridge has done a significant amount of work working with AIG and independently to position itself to be a separate public company. It's done an exceptional job. We're completed, most of our transition service agreements, which just means they're more operationally prepared to go.

And so again, subject to market conditions, I think my guidance I gave last quarter stands. We would expect to try and do something before the end of the second quarter.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

And then my follow-up is on the new share count target that you provided for the end of '25, that 550 million to 600 million. I'm just trying to get a case of -- what the base case is for just Corebridge within that. Does that assume additional secondaries? If you did an exchange offer, would that be accretive to that share count target? I just want to get a sense of when you guys came up with this 550 million to 600 million, what you're assuming for Corebridge within that share count target.

Peter Zaffino;Chairman and CEO

Yes. Thanks, Elyse. I think while we gave the guidance into 2025 is -- what I said in my prepared remarks is that by the end of the second quarter, if we exercise on the share repurchases that we've outlined, we would be at the higher end of the range of the 600 million to 650 million. And if we continue the $1.5 billion a quarter, which, yes, would contemplate doing a sell-down of Corebridge. But there's other forms of liquidity that come into AIG, but we would need to sell down to be able to do the $1.5 billion in the third and fourth quarter, but that gets us to the lower end of the range.

And then as we continue to do future sell-downs, we would get below the 600 million share count, which is why we decided to give a little bit more guidance as we get into 2025. It does not include a sell-down to 0, but it does contemplate several transactions that would take place in the next 4 quarters.

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Operator

Our next question comes from Ryan Tunis with Autonomous.

Ryan James Tunis
Autonomous Research US LP

Just a follow-up, I guess, on that last question, Peter. Just, I guess, the messaging on the $10 billion share repurchase authorization. Are you trying to say that the intention is to do kind of no more than $10 billion until the end of '25? Or is that -- should we just take this as an update of what you think you can do based on what you're seeing today?

Peter Zaffino;Chairman and CEO

I would take it as just an update. We would have gone past our current Board authorization with the 2025 guidance and worked very closely with the AIG Board of Directors to talk about what we expected the capital management strategy to be in the next 6 quarters. And that's really how we derive the $10 billion. But I wouldn't think about it anything more than that.

Ryan James Tunis
Autonomous Research US LP

Got it. And then a follow-up, I guess, just thinking about the reinsurance. And obviously, you're continuing to add more, but you're saying potentially, like in the future, maybe scaling back on that a bit could be a way you could use some of your excess capital.

Could you just talk a little bit about, I guess, how we should think about how the gross underwriting, I guess, has improved at AIG over the past few years? And yes, like what would make you comfortable -- because we only see stuff on a net basis, but like what would give you comfort in retaining more net?

Peter Zaffino;Chairman and CEO

Well, in terms of the portfolio, I'm comfortable today taking more net. But what we've done over this multiyear period in terms of strategically positioning the reinsurance is working very closely with our reinsurance partners, looking across multiple lines of business and multiple geographies in the placement of reinsurance. And then also making certain that we control volatility in this period of transition. That's been really important.

I want to emphasize that because we not only are looking at our accident year combined ratios, excluding catastrophe, we have kept our retentions or lowered them in a period of high uncertainty and high volatility because we don't want to have any outsized losses or surprises perhaps or an active cat season.

Also, I think we're very different than other insurance companies in terms of how we purchase reinsurance. It's not done at the business level. It is not done within just the finance function or treasury, it's done -- reports directly to me. And so I work very closely with Charlie Fry, work very closely with Sabra in terms of what our risk appetite is going to be for that particular year. And we've protected capital and had more quality earnings as a result of some of the reinsurance that we place.

A couple of examples of things that are just very good, but impacted the first quarter is switching more to excess of loss in certain segments like energy, we transitioned and proportionally signed down a little bit of the quota share. But it wasn't economic because we ended up getting a better outcome on the quota share with 200 basis points of improvement. So it's just repositioning the portfolio. Did the same thing with property cat.

And the reason I just gave the example on our earnings and sort of prepared remarks is just, on property cat, we can absolutely take more net if we decide to as we enter 2025, depending on the portfolio and depending on our appetite for volatility. We'll still have one of the lowest attachment points of any of our peers across the world.

We enhanced coverage. There's a lot more coverage in our property cat. We've enhanced our high net worth business in terms of excess of loss and more comprehensive coverage. And also -- again, and I'll

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stop here because I could go on for hours on this discussion, but is on casualty, we renewed or improved our overall construct across the globe based on the quality of our growth portfolio.

So to start thinking about ways in which we can do reinsurance differently will not have anything really to do with the gross portfolio because they're very much like that. It's more of where do we want volatility and where do we want to take more net? And we see opportunities as we enter 2025.

Operator

Our next question comes from Rob Cox with Goldman Sachs.

Robert Cox
Goldman Sachs Group, Inc., Research Division

First question on underwriting leverage. If I take comments on capital at the insurance companies with opportunities in Property post the sale of Validus, it seems like AIG could meaningfully increase underwriting leverage here, which could obviously contribute to the 10%-plus ROCE. Could you provide any additional color on how you're thinking about underwriting leverage here, and maybe some metrics you'd point us to?

Peter Zaffino;Chairman and CEO

Sure. I'll ask Sabra to comment on some of the leverage within the insurance company subsidiaries. We see great opportunities for us to grow within -- across the world. And you've mentioned Property and specifics. We have significantly reduced PMLs, which means we have aggregate to grow. And we have the capital to grow.

And the interesting part of AIG is that when we look at Property, we have so many different points of entry depending on the risk-adjusted returns that exist. If I start in the United States, and this is not all inclusive, but just as a few examples, we have Lexington E&S property, we have Retail Property, we have the high net worth business, and that can be done on an admitted or non-admitted basis. We have Retail Property. In International, we have Japan Property that's specific to Japan. We have Talbot. And we have Global Specialty. So there's so many different points of entry. Depending on the risk-adjusted returns, we can scale up or scale down, but believe that there's going to be great opportunities for us in the future.

Yes. I mean, the first quarter tempered on Property. But look, we're not in the cat season yet, and our industry is famous of just framing out the market at a point in time. We got a long ways to go this year in terms of where the opportunities exist, but we absolutely have the leverage to grow if we like the risk-adjusted returns.

Sabra, do you want to comment on that?

Sabra Rose Purtill
Executive VP & CFO

Yes. Thank you, Peter. What I would just observe is, as we've stated in the past, and I'll reiterate today, all of our General Insurance subsidiaries or Tier 1 subsidiaries on a global basis have capital at or above our target ranges. And within the United States pool, which is the largest pool of our General Insurance capital, our risk-based capital ratios at the end of last year were around 460%, which is well higher than many of our peers.

So what I would note is that within the General Insurance companies, we're strongly capitalized to be able to support growth, obviously, protected by the reinsurance programs that we have. But I would just, as a general note, comment that premiums to surplus leverage isn't the best way to look at capital within a General Insurance company, particularly given a company like AIG, which is a leading player in Casualty and Specialty lines across the globe.

Robert Cox
Goldman Sachs Group, Inc., Research Division

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That's really helpful color. Yes, just a follow-up on Excess Casualty. I appreciate the comments. The premiums were up 46% in the quarter, and it seems like pricing is up meaningfully. It seems like AIG is taking advantage of market conditions where perhaps some others are pulling back. So I was hoping you could provide a little bit more commentary on the opportunities you're seeing there. And what makes AIG comfortable with the current environment?

Peter Zaffino;Chairman and CEO

Thank you. We do see great opportunities in Casualty. We highlighted some of the performance in the quarter. We had to start, because of the portfolio that existed, reunderwriting the Casualty portfolio well before, I think, it was discussed really in the industry. And with that, became a new underwriting philosophy, new underwriting strategy, new terms and conditions, new attachment points, net limit, gross limits, pricing, margin. And so that's been a journey for us for years.

We mentioned the 16% in Excess Casualty in terms of rate is as strong as we've seen in the past several years. And so that we do think there's a lot of capacity pulling back. We have very comprehensive reinsurance to mitigate volatility and enable us to put out limits depending on our risk appetite. And obviously, we're cautious. We're watching the different lines of business within Casualty and their trends, but absolutely see opportunities to grow.

And when you look at our premium, don't think about it as we've grown policy count or limit, it's actually the opposite. I mean, like our client count, policy count and limits are all dramatically reduced when you compare them to 3 or 4 years ago. It's just been the effect of where we participated and how we price the business. And believe that, again, we're going to be cautious, but there are real opportunities for growth in the current market.

Operator

Our next question comes from Michael Ward with Citigroup.

Michael Augustus Ward
Citigroup Inc. Exchange Research

I'm a little bit curious just on the potential sell-down of Corebridge. How do you weigh the options between doing several smaller chunks of sell-down from here versus maybe the potential for doing a sell-down of the remaining stake? And then another thing on the other side, right, we sort of think about this $500 million a month buyback. Is there the option to potentially do an ASR post sell-down?

Peter Zaffino;Chairman and CEO

I wish I could provide a little bit more detail on the first part of the question. We're looking at all alternatives, all size. I mean, so much is market-dependent. You have certain windows. And we want to make sure -- we have multiple stakeholders, I mean, within Corebridge shareholders, AIG shareholders, so sort of balancing that is really important for us.

But as I said in my answer and prepared remarks, we're ready to go. Everybody is anxious to move forward, but we're going to make sure we do it in a very methodical way to where we don't do anything that's not in the best interest of all that we've done so far and our stakeholders. So we will consider multiple options and keep everybody updated.

On the ASR, I mean, I think we've largely thought about this, and Sabra, if you want to comment to close out. We've done share repurchase in a methodical way. We always consider different ways in which we can do it. But maybe you can just comment, and then I'll close it out.

Sabra Rose Purtill
Executive VP & CFO

Yes, thanks. The thing you should keep in mind is that with the amount of shares that we can repurchase or can be repurchased by a company in any given month, whether it's an ASR or it's a 10b5-1 plan or open market purchases, it's constrained by the same factor, which is the average daily trading volume.

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We have looked at doing ASRs. And to date, what we've preferred to do is just be consistently in the market every day through a 10b5-1 plan. But it's certainly something if we were to do a larger sale of a Corebridge stake where we wanted to redeploy that quickly and get the benefit of that into our share count, then an ASR is a tool that we can use to do that. But in terms of the volume per month, it doesn't really vary that different, whether it's an ASR or a 10b5-1.

Peter Zaffino;Chairman and CEO

Thanks, Sabra. And in closing, I just want to thank all of our colleagues around the world for their continued dedication, teamwork, execution on all the progress we've made. And I want to thank everybody for joining us today and your questions. Everybody, have a great day.

Operator

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

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