AMERIPRISE FINANCIAL INC
Form 10-Q
November 03, 2009

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 2009

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Transition Period from to

Commission File No. 1-32525

AMERIPRISE FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

Delaware	**13-3180631**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1099 Ameriprise Financial Center, Minneapolis, Minnesota	**55474**

(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code: **(612) 671-3131**

Former name, former address and former fiscal year, if changed since last report: **Not Applicable**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer x	Accelerated Filer o
Non-Accelerated Filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Class	**Outstanding at October 23, 2009**
Common Stock (par value $.01 per share)	255,003,596 shares

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AMERIPRISE FINANCIAL, INC.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(in millions, except per share amounts)

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
Revenues				
Management and financial advice fees	$ 689	$ 721	$ 1,849	$ 2,292
Distribution fees	367	376	1,029	1,231
Net investment income	542	62	1,477	856
Premiums	276	264	811	777
Other revenues	109	249	493	564
Total revenues	1,983	1,672	5,659	5,720
Banking and deposit interest expense	33	43	113	132
Total net revenues	1,950	1,629	5,546	5,588
Expenses				
Distribution expenses	466	461	1,274	1,499
Interest credited to fixed accounts	232	200	674	587
Benefits, claims, losses and settlement expenses	306	196	993	794
Amortization of deferred acquisition costs	(64)	240	97	538
Interest and debt expense	45	27	99	81
General and administrative expense	625	681	1,820	1,843
Total expenses	1,610	1,805	4,957	5,342
Pretax income (loss)	340	(176)	589	246
Income tax provision (benefit)	80	(92)	126	(61)
Net income (loss)	260	(84)	463	307
Less: Net loss attributable to noncontrolling interests		(14)	(22)	(24)
Net income (loss) attributable to Ameriprise Financial	$ 260	$ (70)	$ 485	$ 331
Earnings (loss) per share attributable to Ameriprise Financial common shareholders				
Basic	$ 1.00	$ (0.32)	$ 2.05	$ 1.48
Diluted	1.00	(0.32)(1)	2.04	1.46
Weighted average common shares outstanding				
Basic	258.7	219.1	236.6	223.6
Diluted	260.7	221.7	238.0	226.4
Cash dividends paid per common share	$ 0.17	$ 0.17	$ 0.51	$ 0.47
Supplemental Disclosures:				
Net investment income:				
Net investment income before impairment losses on securities	$ 561		$ 1,562	
Total other-than-temporary impairment losses on securities	(18)		(68)	
Portion of loss recognized in other comprehensive income	(1)		(17)	
Net impairment losses recognized in net investment income	(19)		(85)	
Net investment income	$ 542		$ 1,477	

(1) Diluted shares used in this calculation represent basic shares due to the net loss. Using actual diluted shares would result in anti-dilution.

See Notes to Consolidated Financial Statements.

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AMERIPRISE FINANCIAL, INC.

CONSOLIDATED BALANCE SHEETS

(in millions, except share amounts)

	September 30, 2009 (unaudited)	December 31, 2008
Assets		
Cash and cash equivalents	$ 3,580	$ 6,228
Investments	36,847	27,522
Separate account assets	55,576	44,746
Receivables	4,247	3,887
Deferred acquisition costs	4,323	4,383
Restricted and segregated cash	1,822	1,883
Other assets	4,806	6,928
Total assets	$ 111,201	$ 95,577
Liabilities and Equity		
Liabilities:		
Future policy benefits and claims	$ 31,042	$ 29,293
Separate account liabilities	55,576	44,746
Customer deposits	9,028	8,229
Debt	2,076	2,027
Accounts payable and accrued expenses	765	887
Other liabilities	3,320	3,928
Total liabilities	101,807	89,110
Equity:		
Ameriprise Financial:		
Common shares ($.01 par value; shares authorized, 1,250,000,000; shares issued, 295,679,166 and 256,432,623, respectively)	3	3
Additional paid-in capital	5,699	4,688
Retained earnings	5,091	4,592
Treasury shares, at cost (40,619,335 and 39,921,924 shares, respectively)	(2,021)	(2,012)
Accumulated other comprehensive income (loss), net	277	(1,093)
Total Ameriprise Financial shareholders' equity	9,049	6,178
Noncontrolling interests	345	289
Total equity	9,394	6,467
Total liabilities and equity	$ 111,201	$ 95,577

See Notes to Consolidated Financial Statements.

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AMERIPRISE FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in millions)

	Nine Months Ended September 30, 2009	2008
Cash Flows from Operating Activities		
Net income	$ 463	$ 307
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Capitalization of deferred acquisition and sales inducement costs	(560)	(543)
Amortization of deferred acquisition and sales inducement costs	95	599
Depreciation, amortization and accretion, net	101	214
Deferred income tax expense (benefit)	103	(187)
Share-based compensation	138	114
Net realized investment gains	(132)	(5)
Other-than-temporary impairments recognized in net investment income and provision for loan losses	107	380
Changes in operating assets and liabilities:		
Segregated cash	82	(663)
Trading securities and equity method investments, net	253	115
Future policy benefits and claims, net	294	341
Receivables	(207)	(588)
Brokerage deposits	23	834
Accounts payable and accrued expenses	(128)	(413)
Liability for derivatives collateral held	(1,659)	(102)
Other, net	89	(214)
Net cash (used in) provided by operating activities	(938)	189
Cash Flows from Investing Activities		
Available-for-Sale securities:		
Proceeds from sales	3,910	316
Maturities, sinking fund payments and calls	4,375	2,864
Purchases	(14,497)	(2,393)
Proceeds from sales and maturities of commercial mortgage loans	235	265
Funding of commercial mortgage loans	(83)	(88)
Proceeds from sales of other investments	47	40
Purchase of other investments	(14)	(345)
Purchase of land, buildings, equipment and software	(56)	(100)
Change in policy loans, net	9	(26)
Change in restricted cash	16	151
Change in consumer banking loans and credit card receivables, net	(107)	(60)
Other, net		3
Net cash (used in) provided by investing activities	(6,165)	627

See Notes to Consolidated Financial Statements.

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AMERIPRISE FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) (CONTINUED)

(in millions)

	Nine Months Ended September 30, 2009	2008
Cash Flows from Financing Activities		
Investment certificates and banking time deposits:		
Proceeds from additions	$ 2,141	$ 1,813
Maturities, withdrawals and cash surrenders	(2,515)	(1,033)
Change in other banking deposits	1,157	(87)
Policyholder and contractholder account values:		
Consideration received	4,386	1,569
Net transfers from separate accounts	174	
Surrenders and other benefits	(1,587)	(2,223)
Deferred premium options, net	(38)	(40)
Proceeds from issuance of common stock, net of issuance costs	869	
Proceeds from issuance of debt, net of issuance costs	553	73
Repayments of debt	(550)	(6)
Dividends paid to shareholders	(118)	(105)
Repurchase of common shares	(9)	(636)
Exercise of stock options	1	9
Excess tax benefits from share-based compensation	12	7
Noncontrolling interests investments in subsidiaries	7	108
Distributions to noncontrolling interests	(42)	(33)
Other, net	(2)	(1)
Net cash provided by (used in) financing activities	4,439	(585)
Effect of exchange rate changes on cash	16	(24)
Net increase (decrease) in cash and cash equivalents	(2,648)	207
Cash and cash equivalents at beginning of period	6,228	3,836
Cash and cash equivalents at end of period	$ 3,580	$ 4,043
Supplemental Disclosures:		
Interest paid on debt	$ 84	$ 61
Income taxes paid, net	13	165

See Notes to Consolidated Financial Statements.

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AMERIPRISE FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)

Nine Months Ended September 30, 2009 and 2008

(in millions, except share amounts)

	Ameriprise Financial							
	Number of Outstanding Shares	Common Shares	Additional Paid-In Capital	Retained Earnings	Treasury Shares	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interests	Total
Balances at January 1, 2008	227,747,843	$ 3	$ 4,630	$ 4,811	$ (1,467)	$ (167)	$ 378	$ 8,188
Change in accounting principle, net				(30)				(30)
Comprehensive income:								
Net income (loss)				331			(24)	307
Other comprehensive loss, net:								
Change in net unrealized securities losses						(778)		(778)
Change in net unrealized derivatives losses						(2)		(2)
Foreign currency translation adjustment						(26)	(37)	(63)
Total comprehensive loss								(536)
Dividends paid to shareholders				(105)				(105)
Noncontrolling interests investments in subsidiaries							108	108
Distributions to noncontrolling interests							(33)	(33)
Repurchase of common shares	(13,293,913)				(636)			(636)
Share-based compensation plans	2,189,349		74	(3)	82			153
Balances at September 30, 2008	216,643,279	$ 3	$ 4,704	$ 5,004	$ (2,021)	$ (973)	$ 392	$ 7,109
Balances at January 1, 2009	216,510,699	$ 3	$ 4,688	$ 4,592	$ (2,012)	$ (1,093)	$ 289	$ 6,467
Change in accounting principle, net				132		(132)		
Comprehensive income:								
Net income (loss)				485			(22)	463
Other comprehensive income, net:								
Change in net unrealized securities losses						1,411		1,411
Change in noncredit related impairments on securities and net unrealized securities losses on previously impaired securities						41		41
Change in net unrealized derivative losses						(1)		(1)
Foreign currency translation adjustment						51	24	75
Total comprehensive income								1,989
Issuance of common stock	36,000,000		869					869
Dividends paid to shareholders				(118)				(118)
Noncontrolling interests investments in subsidiaries							96	96
Distributions to noncontrolling interests							(42)	(42)
Repurchase of common shares	(697,411)				(9)			(9)
Share-based compensation plans	3,246,543		142					142
Balances at September 30, 2009	255,059,831	$ 3	$ 5,699	$ 5,091	$ (2,021)	$ 277	$ 345	$ 9,394

See Notes to Consolidated Financial Statements.

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of Presentation

Ameriprise Financial, Inc. is a holding company, which primarily conducts business through its subsidiaries to provide financial planning and products and services that are designed to be utilized as solutions for clients cash and liquidity, asset accumulation, income, protection and estate and wealth transfer needs. The Company s foreign operations in the United Kingdom are conducted through its subsidiary, Threadneedle Asset Management Holdings Sàrl (Threadneedle).

The accompanying Consolidated Financial Statements include the accounts of Ameriprise Financial, Inc., companies in which it directly or indirectly has a controlling financial interest, variable interest entities (VIEs) in which it is the primary beneficiary and certain limited partnerships for which it is the general partner (collectively, the Company). Noncontrolling interests are the ownership interests in subsidiaries not attributable, directly or indirectly, to Ameriprise Financial, Inc. and are classified as equity within the Consolidated Balance Sheets. The Company excluding noncontrolling interests (Ameriprise Financial) includes ownership interests in subsidiaries that are attributable, directly or indirectly, to Ameriprise Financial, Inc. All material intercompany transactions and balances between or among Ameriprise Financial, Inc. and its subsidiaries and affiliates have been eliminated in consolidation.

The interim financial information in this report has not been audited. In the opinion of management, all adjustments necessary for a fair presentation of the consolidated results of operations and financial position for the interim periods have been made. All adjustments made were of a normal recurring nature.

The accompanying Consolidated Financial Statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). Certain reclassifications of prior period amounts have been made to conform to the current presentation. Results of operations reported for interim periods are not necessarily indicative of results for the entire year. These Consolidated Financial Statements and Notes should be read in conjunction with the Consolidated Financial Statements and Notes in the Company s Annual Report on Form 10-K for the year ended December 31, 2008, filed with the Securities and Exchange Commission (SEC) on March 2, 2009.

The Company evaluated events or transactions that may have occurred after the balance sheet date for potential recognition or disclosure through November 2, 2009, the date the financial statements were issued.

2. Recent Accounting Pronouncements

Adoption of New Accounting Standards

The Hierarchy of GAAP

In June 2009, the Financial Accounting Standards Board (FASB) established the FASB Accounting Standards CodificationTM (Codification) as the single source of authoritative accounting principles recognized by the FASB in the preparation of financial statements in conformity with GAAP. The Codification supersedes existing nongrandfathered, non-SEC accounting and reporting standards. The Codification did not change GAAP but rather organized it into a hierarchy where all guidance within the Codification carries an equal level of authority. The Codification became effective on July 1, 2009. The Codification did not have a material effect on the Company s consolidated results of operations and financial condition.

Subsequent Events

In May 2009, the FASB updated the accounting standards on the recognition and disclosure of subsequent events. The standard also requires the disclosure of the date through which subsequent events were evaluated. The standard is effective for interim and annual reporting periods ending after June 15, 2009, and shall be applied prospectively. The Company adopted the standard in the second quarter of 2009. The adoption did not have a material effect on the Company s consolidated results of operations and financial condition.

Fair Value

In April 2009, the FASB updated the accounting standards to provide guidance on estimating the fair value of a financial asset or liability when the trade volume and level of activity for the asset or liability have significantly decreased relative to historical levels. The standard requires entities to disclose the inputs and valuation techniques used to measure fair value and any changes in valuation inputs or techniques. In addition, debt and equity securities as defined by GAAP shall be disclosed by major category. This standard is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009, and is to be applied prospectively. The Company early adopted the standard in the first quarter of 2009. The adoption did not have a material effect on the Company s consolidated results of operations and financial condition.

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

In April 2009, the FASB updated the accounting standards to require interim disclosures about the fair value of in-scope financial instruments that are not reported at fair value. This standard is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. The Company applied the disclosure requirements of the standard in the first quarter of 2009. See Note 9 for the required disclosures.

In September 2006, the FASB updated the accounting standards to define fair value, establish a framework for measuring fair value and expand disclosures about fair value measurements. The new standard applies under other accounting standards that require or permit fair value measurements. Accordingly, the standard does not require any new fair value measurements. The provisions of the standard are required to be applied prospectively as of the beginning of the fiscal year in which it is initially applied, except for certain financial instruments as defined in the standard that require retrospective application. Any retrospective application will be recognized as a cumulative effect adjustment to the opening balance of retained earnings for the fiscal year of adoption. The Company adopted the standard effective January 1, 2008 and recorded a cumulative effect reduction to the opening balance of retained earnings of $30 million, net of deferred acquisition costs (DAC) and deferred sales inducement costs (DSIC) amortization and income taxes. This reduction to retained earnings was related to adjusting the fair value of certain derivatives the Company uses to hedge its exposure to market risk related to certain variable annuity riders. Prior to January 1, 2009, the Company recorded these derivatives in accordance with accounting guidance for derivative contracts held for trading purposes and contracts involved in energy trading and risk management activities. The new standard nullifies the previous guidance and requires these derivatives to be marked to the price the Company would receive to sell the derivatives to a market participant (an exit price). The adoption of the standard also resulted in adjustments to the fair value of the Company s embedded derivative liabilities associated with certain variable annuity riders. Since there is no market for these liabilities, the Company considered the assumptions participants in a hypothetical market would make to determine an exit price. As a result, the Company adjusted the valuation of these liabilities by updating certain policyholder assumptions, adding explicit margins to provide for profit, risk, and expenses, and adjusting the rate used to discount expected cash flows to reflect a current market estimate of the Company s risk of nonperformance specific to these liabilities. These adjustments resulted in an adoption impact of a $4 million increase in earnings, net of DAC and DSIC amortization and income taxes, at January 1, 2008. The nonperformance risk component of the adjustment is specific to the risk of RiverSource Life Insurance Company (RiverSource Life) and RiverSource Life Insurance Co. of New York (RiverSource Life of NY) (collectively, RiverSource Life companies) not fulfilling these liabilities. As the Company s estimate of this credit spread widens or tightens, the liability will decrease or increase.

Recognition and Presentation of Other-Than-Temporary Impairment

In April 2009, the FASB updated the accounting standards for the recognition and presentation of other-than-temporary impairments. The standard amends existing guidance on other-than-temporary impairments for debt securities and requires that the credit portion of other-than-temporary impairments be recorded in earnings and the noncredit portion of losses be recorded in other comprehensive income. The standard requires separate presentation of both the credit and noncredit portions of other-than-temporary impairments on the financial statements and additional disclosures. This standard is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. At the date of adoption, the portion of previously recognized other-than-temporary impairments that represent the noncredit related loss component shall be recognized as a cumulative effect of adoption with an adjustment to the opening balance of retained earnings with a corresponding adjustment to accumulated other comprehensive income (loss). The Company adopted the standard in the first quarter of 2009 and recorded a cumulative effect increase to the opening balance of retained earnings of $132 million, net of DAC and DSIC amortization, certain benefit reserves and income taxes, and a corresponding increase to accumulated other comprehensive loss, net of impacts to DAC and DSIC amortization, certain benefit reserves and income taxes. See Note 3 for the Company s updated accounting policy and disclosures required by this standard.

Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities

In June 2008, the FASB updated the accounting standards for determining whether instruments granted in share-based payment transactions are participating securities. The standard clarifies that unvested share-based payment awards with nonforfeitable rights to dividends or dividend equivalents are considered participating securities and should be included in the calculation of earnings per share pursuant to the two-class method. The standard is effective for financial statements issued for periods beginning after December 15, 2008, with early adoption prohibited. The standard requires that all prior-period earnings per share data be adjusted retrospectively to conform with the provisions of the new standard. The Company adopted the new standard as of January 1, 2009. The adoption did not have a material effect on the Company s earnings per share.

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

Disclosures about Derivative Instrument and Hedging Activities

In March 2008, the FASB updated the accounting standards for disclosures about derivative instruments and hedging activities. The standard intends to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures about their impact on an entity s financial position, financial performance, and cash flows. The standard requires disclosures regarding the objectives for using derivative instruments, the fair value of derivative instruments and their related gains and losses, and the accounting for derivatives and related hedged items. The standard is effective for fiscal years and interim periods beginning after November 15, 2008, with early adoption permitted. The Company applied the new disclosure requirements in the first quarter of 2009. See Note 10 for the required disclosures.

Noncontrolling Interests in Consolidated Financial Statements

In December 2007, the FASB updated the accounting standards for noncontrolling interests in consolidated financial statements to establish the accounting and reporting for ownership interest in subsidiaries not attributable, directly or indirectly, to a parent. The standard requires noncontrolling (minority) interests to be classified as equity (instead of as a liability) within the consolidated balance sheet, and net income (loss) attributable to both the parent and the noncontrolling interests to be disclosed on the face of the consolidated statement of operations. The standard is effective for fiscal years beginning after December 15, 2008, and interim periods within those years with early adoption prohibited. The provisions of the standard are to be applied prospectively, except for the presentation and disclosure requirements which are to be applied retrospectively to all periods presented. The Company adopted the new standard as of January 1, 2009. The adoption did not have a material effect on the Company s consolidated results of operations and financial condition.

Future Adoption of New Accounting Standards

Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)

In September 2009, the FASB updated the accounting standards to allow for net asset value (NAV) to be used as a practical expedient in estimating the fair value of alternative investments without readily determinable fair values. The standard also requires additional disclosure by major category of investment related to restrictions on the investor s ability to redeem the investment as of the measurement date, unfunded commitments and the investment strategies of the investees. The disclosures are required for all investments within the scope of the standard regardless of whether the fair value of the investment is measured using the NAV or another method. The standard is effective for interim and annual periods ending after December 15, 2009, with early adoption permitted. The Company does not expect the adoption to have a material effect on its consolidated results of operations and financial condition.

Measuring Liabilities at Fair Value

In August 2009, the FASB updated the accounting standards to provide additional guidance on estimating the fair value of a liability in a hypothetical transaction where the liability is transferred to a market participant. The standard is effective for the first reporting period, including interim periods, beginning after issuance. The Company does not expect the adoption to have a material effect on the Company s consolidated results of operations and financial condition.

Consolidation of Variable Interest Entities

In June 2009, the FASB updated the accounting standards related to the consolidation of variable interest entities. The standard amends current consolidation guidance and requires additional disclosures about an enterprise s involvement in VIEs. The standard is effective for interim and annual reporting periods beginning after November 15, 2009, with early adoption prohibited. The Company is currently evaluating the impact of the standard on its consolidated results of operations and financial condition.

Accounting for Transfers of Financial Assets

In June 2009, the FASB updated the accounting standards related to accounting for transfers of financial assets. The standard improves the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor s continuing involvement, if any, in transferred financial assets. The standard is effective for interim and annual reporting periods beginning after November 15, 2009, with early adoption prohibited, and must be applied to transfers of financial assets occurring on or after the effective date. The adoption of the standard is not expected to have a material effect on the Company s consolidated results of operations and financial condition.

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

Employer s Disclosures about Postretirement Benefit Plan Assets

In December 2008, the FASB updated the accounting standards to require enhanced disclosure related to postretirement benefit plan assets, including information about inputs and techniques used to determine the fair value of plan assets. The standard is effective for the first fiscal year ending after December 15, 2009, with early adoption permitted. The Company will apply the disclosure requirements of this standard as of December 31, 2009.

3. Investments

The following is a summary of investments:

	September 30, 2009	December 31, 2008
	(in millions)	
Available-for-Sale securities, at fair value	$ 32,625	$ 22,873
Commercial mortgage loans, net	2,706	2,887
Trading securities	313	501
Policy loans	719	729
Other investments	484	532
Total	$ 36,847	$ 27,522

Available-for-Sale Securities

Effective January 1, 2009, the Company early adopted an accounting standard that significantly changed the Company s accounting policy regarding the timing and amount of other-than temporary impairments for Available-for-Sale securities as follows. When the fair value of an investment is less than its amortized cost, the Company assesses whether or not: (i) it has the intent to sell the security (made a decision to sell) or (ii) it is more likely than not that the Company will be required to sell the security before its anticipated recovery. If either of these conditions are met, the Company must recognize an other-than-temporary impairment for the difference between the investment s amortized cost basis and its fair value through earnings. For securities that do not meet the above criteria, and the Company does not expect to recover a security s amortized cost basis, the security is considered other-than temporarily impaired. For these securities, the Company separates the total impairment into the credit loss component and the amount of the loss related to other factors. The amount of the total other-than-temporary impairment related to credit loss is recognized in earnings. The amount of the total other-than-temporary impairment related to other factors is recognized in other comprehensive income, net of impacts to DAC, DSIC, certain benefit reserves and income taxes. For Available-for-Sale securities that have recognized an other-than-temporary impairment through earnings, if through subsequent evaluation there is a significant increase in the cash flow expected, the difference between the amortized cost basis and the cash flows expected to be collected is accreted as interest income. Subsequent increases and decreases in the fair value of Available-for-Sale securities are included in other comprehensive income. The Company s Consolidated Statements of Equity present all changes in other comprehensive income associated with Available-for-Sale debt securities that have been other-than-temporarily impaired on a separate line from fair value changes recorded in other comprehensive income from all other securities.

The Company provides a supplemental disclosure on the face of its Consolidated Statements of Operations that presents: (i) total other-than-temporary impairment losses recognized during the period and (ii) the portion of other-than-temporary impairment losses recognized in other comprehensive income. The sum of these amounts represents the credit-related portion of other-than-temporary impairments that were recognized in earnings during the period. The portion of other-than-temporary losses recognized in other comprehensive income includes: (i) the portion of other-than-temporary impairment losses related to factors other than credit recognized during the period and (ii) reclassifications of other-than-temporary impairment losses previously determined to be related to factors other than credit that are determined to be credit-related in the current period. The amount presented on the Consolidated Statements of Operations as the portion of other-than-temporary losses recognized in other comprehensive income excludes subsequent increases and decreases in the fair value of these securities.

For all securities that are considered temporarily impaired, the Company does not intend to sell these securities (has not made a decision to sell) and it is not more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis. The Company believes that it will collect all principal and interest due on all investments that have amortized cost in excess of fair value that are considered only temporarily impaired.

Corporate debt securities

Factors the Company considers in determining whether declines in the fair value of fixed maturity securities are other-than-temporary include: (i) the extent to which the market value is below amortized cost; (ii) the duration of time in which there has been a significant decline in value; (iii) fundamental analysis of the liquidity, business prospects and overall financial

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

condition of the issuer; and (iv) market events that could impact credit ratings, economic and business climate, litigation and government actions, and similar external business factors. In order to determine the amount of the credit loss component for corporate debt securities considered other-than-temporarily impaired, a best estimate of the present value of cash flows expected to be collected discounted at the security s effective interest rate is compared to the amortized cost basis of the security. The significant inputs to cash flow projections consider potential debt restructuring terms, projected cash flows available to pay creditors and the Company s position in the debtor s overall capital structure.

Structured investments

For structured investments (e.g., residential mortgage backed securities, commercial mortgage backed securities, asset backed securities and other structured investments), the Company also considers factors such as overall deal structure and its position within the structure, quality of underlying collateral, delinquencies and defaults, loss severities, recoveries, prepayments and cumulative loss projections in assessing potential other-than-temporary impairments of these investments. Based upon these factors, securities that have indicators of potential other-than-temporary impairment are subject to detailed review by management. Securities for which declines are considered temporary continue to be carefully monitored by management. For the nine months ended September 30, 2009, certain non-agency mortgage backed securities were deemed other-than temporarily impaired. Generally, the credit loss component for the non-agency mortgage backed securities is determined as the amount the amortized cost basis exceeds the present value of the projected cash flows expected to be collected. Significant inputs considered in these projections are consistent with the factors considered in assessing potential other-than-temporary impairment for these investments. Forward interest rates are considered in the cash flow projections and are used to calculate the discount rate used to determine the present value of the expected cash flows when structures are supported by variable rate securities. Current effective interest rates are used to discount cash flows supported by fixed rate securities.

Available-for-Sale securities distributed by type were as follows:

	September 30, 2009			
Description of Securities	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
	(in millions)			
Corporate debt securities	$ 15,662	$ 962	$ (137)	$ 16,487
Residential mortgage backed securities	8,311	236	(498)	8,049
Commercial mortgage backed securities	4,188	208	(23)	4,373
Asset backed securities	1,837	79	(70)	1,846
State and municipal obligations	1,332	46	(56)	1,322
U.S. government and agencies obligations	303	9		312
Foreign government bonds and obligations	93	16		109
Common and preferred stocks	53	7	(12)	48
Other structured investments	23	32		55
Other debt obligations	24			24
Total	$ 31,826	$ 1,595	$ (796)	$ 32,625

	December 31, 2008			
Description of Securities	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
	(in millions)			
Corporate debt securities	$ 13,687	$ 86	$ (1,174)	$ 12,599
Residential mortgage backed securities	5,616	71	(452)	5,235
Commercial mortgage backed securities	2,880	36	(183)	2,733
Asset backed securities	1,055	4	(101)	958
State and municipal obligations	1,024	4	(155)	873
U.S. government and agencies obligations	257	14		271
Foreign government bonds and obligations	95	17	(5)	107
Common and preferred stocks	53	6	(22)	37
Other structured investments	31	19		50
Other debt obligations	10			10
Total	$ 24,708	$ 257	$ (2,092)	$ 22,873

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

At September 30, 2009 and December 31, 2008, fixed maturity securities comprised approximately 88% and 83%, respectively, of the Company s total investments. These securities were rated by Moody s Investors Service (Moody s), Standard & Poor s Rating Services (S&P) and Fitch Ratings Ltd. (Fitch), except for approximately $1.2 billion of securities at both September 30, 2009 and December 31, 2008, which were rated by the Company s internal analysts using criteria similar to Moody s, S&P and Fitch. Ratings on fixed maturity securities are presented using the median of ratings from Moody s, S&P and Fitch. If only two of the ratings are available, the lower rating is used. A summary of fixed maturity securities by rating was as follows:

	September 30, 2009			December 31, 2008		
Ratings	Amortized Cost	Fair Value	Percent of Total Fair Value	Amortized Cost	Fair Value	Percent of Total Fair Value
			(in millions, except percentages)			
AAA	$ 12,892	$ 13,356	41%	$ 9,475	$ 8,988	40%
AA	1,401	1,394	4	1,698	1,571	7
A	4,930	5,085	16	4,689	4,396	19
BBB	10,152	10,755	33	7,299	6,707	29
Below investment grade	2,398	1,987	6	1,494	1,174	5
Total fixed maturities	$ 31,773	$ 32,577	100%	$ 24,655	$ 22,836	100%

At September 30, 2009 and December 31, 2008, approximately 28% and 45%, respectively, of the securities rated AAA were GNMA, FNMA and FHLMC mortgage backed securities. No holdings of any other issuer were greater than 10% of Ameriprise Financial shareholders equity.

The following tables provide information about Available-for-Sale securities with gross unrealized losses and the length of time that individual securities have been in a continuous unrealized loss position:

	September 30, 2009					
	Less than 12 months		12 months or more		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
			(in millions)			
Corporate debt securities	$ 351	$ (5)	$ 2,157	$ (132)	$ 2,508	$ (137)
Residential mortgage backed securities	914	(33)	958	(465)	1,872	(498)
Commercial mortgage backed securities	102	(1)	514	(22)	616	(23)
Asset backed securities	126	(5)	230	(65)	356	(70)
State and municipal obligations	1		397	(56)	398	(56)
Foreign government bonds and obligations			4		4	
Common and preferred stocks			38	(12)	38	(12)
Total	$ 1,494	$ (44)	$ 4,298	$ (752)	$ 5,792	$ (796)

	December 31, 2008					
	Less than 12 months		12 months or more		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
			(in millions)			
Corporate debt securities	$ 6,250	$ (396)	$ 3,544	$ (778)	$ 9,794	$ (1,174)
Residential mortgage backed securities	765	(164)	786	(288)	1,551	(452)
	473	(27)	997	(156)	1,470	(183)

Commercial mortgage backed securities												
Asset backed securities		373		(52)		231		(49)		604		(101)
State and municipal obligations		438		(64)		295		(91)		733		(155)
U.S. government and agencies obligations						11				11		
Foreign government bonds and obligations		20		(5)						20		(5)
Common and preferred stocks						27		(22)		27		(22)
Total	$	8,319	$	(708)	$	5,891	$	(1,384)	$	14,210	$	(2,092)

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The following tables summarize gross unrealized losses by ratio of fair value to amortized cost:

	September 30, 2009								
	Less than 12 months			12 months or more			Total		
Ratio of Fair Value to Amortized Cost	Number of Securities	Fair Value	Gross Unrealized Losses	Number of Securities	Fair Value	Gross Unrealized Losses	Number of Securities	Fair Value	Gross Unrealized Losses
	(in millions, except number of securities)								
95% - 100%	94	$ 1,335	$ (13)	228	$ 2,174	$ (48)	322	$ 3,509	$ (61)
90% - 95%	10	100	(7)	72	574	(47)	82	674	(54)
80% - 90%	5	24	(4)	68	576	(87)	73	600	(91)
Less than 80%	6	35	(20)	145	974	(570)	151	1,009	(590)
Total	115	$ 1,494	$ (44)	513	$ 4,298	$ (752)	628	$ 5,792	$ (796)

	December 31, 2008								
	Less than 12 months			12 months or more			Total		
Ratio of Fair Value to Amortized Cost	Number of Securities	Fair Value	Gross Unrealized Losses	Number of Securities	Fair Value	Gross Unrealized Losses	Number of Securities	Fair Value	Gross Unrealized Losses
	(in millions, except number of securities)								
95% - 100%	328	$ 4,717	$ (100)	105	$ 1,392	$ (30)	433	$ 6,109	$ (130)
90% - 95%	169	1,980	(152)	64	1,117	(96)	233	3,097	(248)
80% - 90%	162	974	(156)	124	1,624	(297)	286	2,598	(453)
Less than 80%	108	648	(300)	281	1,758	(961)	389	2,406	(1,261)
Total	767	$ 8,319	$ (708)	574	$ 5,891	$ (1,384)	1,341	$ 14,210	$ (2,092)

As part of the Company s ongoing monitoring process, management determined that a majority of the gross unrealized losses on its Available-for-Sale securities are attributable to changes in credit spreads across sectors. The primary driver of lower unrealized losses in 2009 compared to 2008 was the tightening of credit spreads across sectors. A portion of the decrease in unrealized losses was offset by an increase due to the adoption of a new accounting standard effective January 1, 2009. The Company recorded a cumulative effect increase to the amortized cost of previously other-than-temporarily impaired investments that increased the gross unrealized losses on Available-for-Sale securities by $211 million. This impact is due to the impairment of Available-for-Sale securities recognized in other comprehensive income previously recognized through earnings for factors other than credit.

The following table presents the amounts recognized in the Consolidated Statements of Operations for other-than-temporary impairments related to credit losses on securities for which a portion of the securities total other-than-temporary impairments was recognized in other comprehensive income:

	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2009
	(in millions)	
Beginning balance of credit losses on securities held for which a portion of other-than-temporary impairment was recognized in other comprehensive income	$ 310	$ 258
Additional amount related to credit losses for which an other-than-temporary impairment was not previously recognized		8
Reductions for securities sold during the period (realized)	(17)	(20)
Additional increases to the amount related to credit losses for which an other-than-temporary impairment was previously recognized	3	50
	$ 296	$ 296

Ending balance of credit losses on securities held as of September 30 for which a portion of other-than-temporary impairment was recognized in other comprehensive income	

The change in net unrealized securities losses in other comprehensive income (loss) includes three components, net of tax: (i) unrealized gains (losses) that arose from changes in the market value of securities that were held during the period; (ii) (gains) losses that were previously unrealized, but have been recognized in current period net income due to sales of Available-for-Sale securities and (iii) other items primarily consisting of adjustments in asset and liability balances, such as DAC, DSIC, benefit reserves and reinsurance recoverables, to reflect the expected impact on their carrying values had the unrealized gains (losses) been realized as of the respective balance sheet dates. As a result of the adoption of a new accounting standard effective January 1, 2009, net unrealized investment gains (losses) arising during the period also includes

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other-than-temporary impairment losses on Available-for-Sale securities related to factors other than credit that were recognized in other comprehensive income during the period. Additionally, reclassification of (gains) losses included in net income contains noncredit other-than-temporary impairment losses that were previously unrealized, but have been recognized in current period net income due to their reclassification as credit losses.

The following table presents a rollforward of the net unrealized securities gains (losses) on Available-for-Sale securities included in accumulated other comprehensive income (loss):

	Net Unrealized Investment	Deferred	Accumulated Other Comprehensive Income (Loss) Related to Net