



Robert H. Benmosche

EDITORS' NOTE Robert Benmosche has held his current post since August 2009. Previously, he served as Chairman and Chief Executive Officer of MetLife, Inc. from September 1998 to March 2006. Earlier, he served as President and Chief Executive Officer of MetLife, Inc. From 1989 to 1995, he served as an Executive Vice President of PaineWebber Group, Incorporated. Benmosche is currently a director of Credit Suisse Group AG, where he is a member of the Compensation Committee.

COMPANY BRIEF American International Group, Inc. (www.aig.com; AIG) is a leading international insurance organization serving customers in more than 130 countries. AIG companies serve commercial, institutional, and individual customers through one of the most extensive worldwide property-casualty networks of any insurer. In addition, AIG companies are leading providers of life insurance and retirement services in the United States.

Why did you agree to lead AIG during such a challenging time and what made you feel that the company would succeed?

During the summer of 2009, when I was asked to take over AIG, it was clear that we needed to demonstrate that people in this country can fix problems without government and regulation – while we do need to set ground rules for the appropriate way to do business, we then need capitalism to take it from there. Regulation has to set the rules and people have to referee when the rules are violated. But as long as you're playing within those rules, it's up to you what you can achieve when you're in your business.

In 2009, I wanted to demonstrate that the insurance industry is a well-regulated industry already and that what happened to AIG was outside the regulation of insurance. I also was a big shareholder of MetLife at the time and I was

“Bring on Tomorrow”

An Interview with Robert H. Benmosche,
President and Chief Executive Officer, American International Group, Inc.

concerned about the whole industry continuing to fall apart – what was good for AIG was good for the insurance industry, which would have been good for MetLife as well.

I also knew from my experience in the industry that I had the advantage of strong businesses and of the great people at AIG. When you take great people and you give them the freedom to act – and they choose to act responsibly – they can fix anything in this country.

How critical was it to communicate openly with employees to engage them in your vision for the company?

There was a strong need to improve morale when I arrived. I found these great people who were committed to helping AIG weather the storm, but they were becoming increasingly depressed at public criticism of the company and personal criticism of its employees. So on my first day, I went to visit the Financial Products people in Connecticut. They were at the epicenter of the crisis, so we decided on how to fix Financial Products in a way that made sense, and that would help start getting America paid back in full. We had a massive financial burden and a very complex derivative that most institutions couldn't figure out, but our people understood it. So I asked them for their support and guaranteed I would help them. I was the first CEO they had seen there since Hank Greenberg. Somebody should have showed up and asked, “How did this happen?” Yet, before Congress, this group was thrown under a bus.

I did the same thing with the rest of the company. The Internet helped because I was saying some pretty aggressive things about certain people, and that helped gel the company. AIG employees wanted somebody to fight for them, to tell them that there was hope, and that their families would be able to continue the lives they'd had. So my first initiative was to rebuild the morale and give them a vision.

What is the impact for the business now that the government is not an AIG stakeholder?

For AIG, there is no longer a question about whether we can pay back America everything they gave with the profit we promised. So this closes the chapter. It doesn't mean that bailouts are good or bad or that I feel the way it was handled was right. It just shows that,

when an American corporation that's made up of so many talented people was asked to live up to a promise, they were able to do it. I was excited to prove that, in a capitalist society, giving people enormous freedom to act, they will act responsibly.

With the government gone, there is no difference in how AIG runs on a day-to-day basis. Everybody has this perception that we had a difficult relationship with the government, but we didn't.

The government stepped up during a huge crisis in 2008 and gave AIG almost \$182 billion of assistance. It was important for us to make good on our promises and pay America back with a profit if possible – which we did and which we take great pride in. During this time, the government was an excellent partner; reports of complaints and issues were exaggerated.

The difficult time was during the first six to eight months of my arrival, when we were dealing with compensation and the public outrage. While pay initially got a lot of publicity, we have had a very good working relationship with the people of the U.S. Treasury and the Federal Reserve the entire time. The main difference is that we're changing to more a traditional format than how things were done in the early days when the government was a shareholder. But the total compensation that people received when we were under the U.S. Treasury and their total compensation structure today is about the same.

Does the public fully understand the bailout, and the fact that the government made a profit and that AIG still employs 36,000 Americans?

The public was angry, because we made salaries and bonuses while the public wound up having to have the government stand behind us during a difficult period of time. I understand why the public feels the way it feels. It's the way it was characterized. We forget about Bear Stearns. We forget about Lehman Brothers. We forget that we knew subprime lending was a serious problem, and we shouldn't be guaranteeing those mortgages by an implied agency of the U.S. government in Fannie Mae. We knew a lot of other things, so it's sad that AIG wound up being at the center of it. There were things AIG shouldn't have been doing, but we were a victim of the bigger crisis.

There are also misconceptions about our deferred tax asset. People, including some in the government, talk as if something special was given to AIG. But many of the companies in the Fortune 500 have deferred tax assets, because they have had losses in various periods of time, which they get to use in future years.

More recently, some people have been angry about the fact that we gave due consideration to a court order that said to AIG, "You must make a decision of whether you want the derivative action to continue in the name of AIG." There is a lack of understanding there that we were required by law to consider that lawsuit, and that it was former CEO Hank Greenberg filing it on behalf of AIG – it was not AIG's decision.

Today, we're still a company of 63,000 dedicated people around the world. You're talking about 36,000 jobs in America alone, not including all of the other jobs that depend on AIG being here and doing business. But the public just didn't think about the people side of it. It was more about the financial aspects of this transaction in a numbers-oriented way.

How is AIG different today and how has the way you evaluate risk changed?

In terms of how our risk management has changed over time, we're beginning to examine our data and we're applying that data, in a meaningful way, to how and what we focus on.

We run the risk of the company now as a management team, and I'm chairman of the risk committee. We keep the full board of directors informed on a regular basis, and meet once a month on all of the key risks of the organization.

This business is all about diversifying risk; if you over-concentrate in the risk class, you may win big, but you may also lose big. At the end of the day, you need to have broad businesses. We're creating diversified portfolios, which gives us a better rating over time, which gives us more flexibility.

Also, because we get asked all the time about systemically important financial institution (SIFI) and Dodd Frank, we are working with and operating with the Federal Reserve as our regulator because of AIG Bank – so even though we're not sure if we're going to be designated a SIFI, we already are, and are going to continue to be, regulated. This has a huge effect on how we approach risk management.

Where will the growth for AIG come from as you look to the future?

We're going to continue to do what we do well and focus on being a strong global insurance company. There is going to be tremendous growth on the property-casualty side, and we already do a great job there. We're great in commercial insurance, in financial lines, and in specialty lines such as aviation, marine, and more. So we're going to continue to grow our consumer business.

On the life side, which is already huge in the U.S., we're going to work on becoming more global. We also expect growth in our current business – we're number one in selling fixed annuities, and doing really well with variable annuities, an area that so many of our competitors struggle with, and we expect that will continue to grow as well.

With that focus on data, by having better data analytics, we will be able to do better

underwriting, which will also be key in helping us in the future, reducing costs, duplication of efforts, and so on, which will help us with growth.

What we want is to be the world's most sophisticated and capable insurance company, and now that we're almost rid of all of our non-core assets, you'll see us focusing more on our insurance companies and products. So it will be growth in a different way.

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The great news is that all the talent and energy devoted to bringing AIG back is now available to exceed those expectations. We incorporated that spirit into our new brand promise, "Bring on Tomorrow." Clearly, I'm optimistic about the future. AIG is a company with great roots and a great brand.

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Are there still strong opportunities for AIG in the U.S. market or will much of your growth come about internationally?

We have a big operation in Japan, for example, with Fuji, and we have more than 10,000 employees there. China is a great growth opportunity for us with our new joint venture with PICC. We're also focusing on Turkey, which is a major new market for us to consider. We have been looking a lot at Latin America, especially Brazil, where we see a vibrant, growing economy. And we're looking at other emerging market countries for growth.

But you can't count out the U.S., which is a good market as well.

Have the necessary steps been taken to avoid a similar crisis in the future and has the financial system undergone true reform?

AIG has taken considerable steps to avoid something similar in the future; we have new risk controls, we're starting to approach risk in a new way, and we're working closely with the Federal Reserve on regulation.

In terms of 2008, everyone was talking about "too big to fail," when it should have been "too complex to fail." It's an organization's complexity that makes it difficult to figure out what's going on. At AIG, we have worked to get rid of some of that complexity and have made it our goal not to be smaller but to be more focused. That's just one of many steps we have taken to avoid another crisis.

If you look at the balance sheets of the banks, in particular, and the insurance companies, they have never been stronger. AIG has almost \$300 billion more of equity capital tied into the banking system in the U.S. alone. We can withstand enormous shocks that we couldn't before.

How do you define the role of CEO and what are the key ingredients to success in the position?

Adaptability and circumstance have a lot to do with being a successful leader. Also, not being afraid to take action and make decisions, even if they might be unpopular at the time, are important in any leader. As the man in charge, you are responsible for your employees so you have to be willing to stand up and do what's right for them, even if not everyone agrees.

I have a military background, and in the military, people looked to me for leadership, because it's about their ability to make a living and to be able to take care of their families and provide for them. So as a leader, I am responsible for my employees' lives; that is how I have treated this job since I got here. An important part of leading a company is standing up for your employees.

Do you ever take time to appreciate what you have accomplished at AIG and how the company has performed coming out of the crisis?

This is a great company: there is great pride, optimism, and excitement at AIG today. We're a corporation made up of talented, driven people, who delivered on an enormous promise. Together, we did something that too many people feel is not done much anymore in the corporate or political realms: we made good on our promise.

Today, we should all be extremely proud of what we accomplished and glad we can turn our focus and energy to tomorrow. It was a huge step, but I try to be very clear that we have in no way crossed a finish line; this just closes a chapter for us. Now that our clients, our investors, our regulators, and other stakeholders know what we are capable of as a company, we have to exceed their expectations. We have now started a new chapter in AIG's story, one where we focus on quality, integrity, and the power of our performance as an independent company.

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