

Starr's Strategy

An Interview with Maurice R. Greenberg, Starr Companies

EDITORS' NOTE Maurice Greenberg is the former Chairman and Chief Executive Officer of American International Group, Inc. (AIG). Under his leadership, AIG became the largest insurance company in the world and generated unprecedented value for AIG shareholders. During the nearly 40 years of his leadership, AIG's market value grew from \$300 million to \$180 billion. Greenberg is Honorary Vice Chairman and Director of the Council on Foreign Relations. He



Maurice R. Greenberg

is also a former Chairman and current member of the U.S.-Korea Business Council, Vice Chairman of the board of directors and member of the Executive Committee of the National Committee on United States-China Relations, and a member of the Business Roundtable. In addition, Greenberg is a member of the U.S.-China Business Council. He received his B.S. from the University of Miami as well as a J.D. from New York Law School. Greenberg has been admitted to the New York Bar and has been granted honorary degrees from a number of institutions, including New York Law School, Brown University, Middlebury College, and The Rockefeller University.

COMPANY BRIEF Starr Companies (www.starr.companies.com) is a global, privately held insurance and investments organization. Through its operating insurance companies, Starr Companies provides commercial property and casualty, and accident and health insurance products worldwide, with significant access to the U. S. excess and surplus marketplace for certain lines of business. Starr Companies underwrites a wide variety of specialty and international lines including aviation, marine, energy, environmental, crisis management, and excess casualty insurance, accident and health, and political risk insurance. Starr Companies also provides a broad spectrum of insurance-related services, including claims handling and settlement, reinsurance, risk assessment, loss control, and worldwide travel assistance service.

What is your vision for growth for Starr Companies?

We have grown quite a bit and have a long way to go. We have different strategies

now than we did when we started the other company that I ran, because in that case, we were first movers in many countries around the world. We're not first movers anymore in most countries, so we need a different strategy and we have one. It puts us on a faster track than we otherwise would have been.

I'm optimistic. More importantly, the strategy is embedded; people understand it; there is no hesitancy in carrying it out; and no strategy is forever. But the one thing that is not going to change quickly is we will not become a public company for some time.

Many say you're a trailblazer. Was it challenging to change strategy?

It's not that challenging because we went into markets that weren't opened – we opened them and people came in after us. So we're not trailblazers in most parts of the world now, but we are doing new things with respect to distribution, products, and other things. We'll still do things differently depending on the part of the world.

People refer to New York as the financial capital of the world, but many business leaders talk about the challenges and costs of operating here. Are you worried that New York may be losing its edge?

It is losing its edge. We have something called the Martin Act – why would any public company want to headquarter in New York with that law on the books since 1921? There is no state in the country that has that law, which gives a regulator or attorney general the right to virtually disembowel the company and its leadership.

While China provides great opportunity, there is much talk about the need to look at other markets in Southeast Asia. Do you agree with that?

China is slowing down somewhat – it may slow down to 7 percent growth. That sounds ludicrous, but there you have a country of 1.3 billion people; we're at 300 million. So they clearly have a lot of mouths to feed. China is going to go through a change in its domestic economic policies – they have to become more of a consumer market than an export market. They will do that, but they can't do it overnight. There are a lot of stress lines that will become more visible.

Businesses need to have a long-term view of China. They can't get in and out in six months and expect miracles.

The ASEAN region is a big one and rapidly growing, and one should not overlook that. Indonesia has huge potential; Malaysia is a good market; the Philippines has been upgraded by the ratings agencies – we re-entered there recently; Thailand is a strong market; Vietnam is not without problems but a big market; and Myanmar has recently opened.

The U.S. used to be the number-one trading partner of the ASEAN region; we're now four or five. China has a free trade agreement with the ASEAN region. We can't get a free trade agreement with anybody – it's very hard to get a free trade agreement from Congress. The unions have a big stake.

Most things that happen in the world require insurance to make it happen. But a lot of people don't recognize that – they only see the cost.

Insurance is a cost to the income statement but it's also a benefit to the balance sheet. We protect companies against losses – that's what insurance is for. No business worldwide can operate without insurance.

What advice would you offer to the new mayor of New York so that the city remains a global leader?

You cannot have the highest taxes and attract a lot of business; you can't have a regulatory environment that is punitive; you can't have a legislative body in the state that doesn't have the respect of not just the people of New York but companies around the country. You need a magnet to attract and not to repel and we don't have that at this point.

Is the U.S. going to continue to lead globally if we don't make changes?

We have a world with a lot of problems. The U.S. is going through a funny period right now economically. People are wondering if the QE, which the Fed has now used to print money for a couple of years, will stop, slow down or continue. Housing is somewhat better. Interest rates may begin to rise so there is concern that the bond markets are going to tank. At the same time, the equity markets are very strong. So the markets are confused. That is not in our best interests. But long term, we will work out our problems. The U.S. is still the leader. ●