

Starr's Story

An Interview with Maurice R. Greenberg, Starr Companies

EDITORS' NOTE *Maurice R. Greenberg is Chairman of Starr Companies, a global insurance and investment organization. Starr was founded by Cornelius Vander Starr in 1919 in Shanghai, China. Greenberg formed the American International Group, Inc. (AIG) as a Starr subsidiary, and served as that company's Chairman and CEO until March 2005. Under his nearly 40 years of leadership, AIG grew from an initial market value of \$300 million to \$180 billion, becoming the largest insurance company in the world. He serves on the President's Council on International Activities of Yale University, as Honorary Vice Chairman of the Council on Foreign Relations, as Vice Chairman of the National Committee on United States-China Relations, and as a member of the Board of the US-China Business Council. He is the past Chairman and Director of the Federal Reserve Bank of New York and is active on the boards of many other civic and charitable organizations around the world. Greenberg has been especially active and committed to development in Asia, taking his first trip to China in 1975. In 1990, he was appointed as Shanghai's first Chairman of the International Business Leaders' Advisory Council by Zhu Rongji, then Mayor. In 1994, Greenberg was appointed Senior Economic Advisor to the Beijing Municipal Government. He was awarded "Honorary Citizen of Shanghai" in 1997. He is a Member of the Advisory Board of the Tsinghua School of Economics and Management, a Member of the International Advisory Council of the China Development Research Foundation and China Development Bank and numerous other distinguished Boards and academies. A decorated United States Veteran, Greenberg served in both World War II and the Korean Conflict, rising to the rank of Captain*



Maurice R. Greenberg

and awarded the Bronze Star. He was awarded the French Ordre National de la Légion d'Honneur for his service on D-Day on Omaha Beach in World War II. Greenberg is also the Chairman of The Starr Foundation, a philanthropic organization initially funded by Cornelius Vander Starr's estate. Under his leadership, the Starr Foundation has grown to become one of the largest private foundations in the United States. The Foundation has made more than \$3 billion in grants worldwide to many academic, medical, cultural and public policy organizations around the world. Greenberg received his pre-law certificate from the University of Miami and an LL.B. from New York Law School. He has been granted honorary degrees from a number of institutions, including New York Law School, Brown University, Middlebury College, Bryant University and The Rockefeller University.

COMPANY BRIEF *Starr Companies (starrcompanies.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.*

China has come a long way in terms of technology and business acumen.

It's a growth story and we're proud that our origins are there.

Starr will celebrate its 100th anniversary in 2019, having been founded in 1919 by Cornelius Vander Starr in Shanghai, China. Will you highlight the history and heritage of Starr and what have been the keys to the longevity the company has enjoyed?

After World War I, C.V. Starr traveled East and wound up in China.

He had studied law but had some knowledge about the insurance industry. In those days, if one worked in a law firm, they typically didn't have to do much more than just the law, but he had an entrepreneurial spirit.

Starr arrived in Shanghai and wanted to start a business. He didn't have much money so he borrowed from people he knew, one of whom became very close to

him. C.V. Starr made friends very quickly and the business grew.

He created the first American owned insurance company in China, and it grew and operated throughout China. Subsequently, it spread into other parts of Asia. He built a large organization before World War II started, at which time he had to leave China.

The loyalty of his Chinese employees was so strong that they were each allowed to take a piece of furniture home when he left China, leaving the office bare.

When World War II ended, Starr returned to restart the business. The office in China was reassembled in 24 hours – the furniture was returned and business started again.

Then the revolution against the establishment in China began, so Starr had to leave China again and never returned after that. However, many of the people who worked for him ended up working in Starr's Hong Kong office and elsewhere.

I joined Starr years after he returned to the U.S. The history is very rich and the loyalty to Starr was inspiring. However, his story of having established the first American-owned insurance company in China is not well known.

What did C.V. Starr see in China that made him feel it provided such a large opportunity?

It was a huge country with a large population and it was clear that it would be a wealthy country one day. He was well known in China and, when he left, he wasn't sure that the communist party would ever be open as much as he hoped, so he never went back.

I first went to China in 1975 and I believed the country would not be kept out of the world trading system and would continue to be around for a long time.

Shanghai was the home of the company and there were branches in several different provinces. Shanghai was very popular back then, as it still is today.

What was it about C.V. Starr's talent and personality that attributed to his success?

He was smart and he understood the need for different types of insurance such as marine, life insurance and property casualty within a country. I originally joined him to build an accident and health business.

He believed that after World War II, people would begin traveling more. He also knew McArthur quite well, which led to the company being established in Tokyo after World War II.



Cornelius Vander Starr

We're always looking for new opportunities, and product innovation is a high priority here.

He was well known internationally and was arguably the most successful individual in the international insurance world.

He saw the opportunity in China very early on. Overall, China is very important, not just to our company, but to the world – it's the second-largest economy in the world today. I'm not sure anyone can keep it from being the number one economy in the world.

China has come a long way in terms of technology and business acumen. It's a growth story and we're proud that our origins are there.

How did your personal interest and involvement in China develop?

When Starr left China, there was a time during which we had no presence in the country, so growth came from the companies we owned and the beginnings of AIG. I went back to China believing that it would eventually be a major market, but it took years to get approval to reestablish a business there given that the communist party at that time was not interested in opening the market.

I met the Mayor of Shanghai at the time and helped him, at his request, to establish an international business advisory council, which I chaired for two terms. It's now in its 30th year and has brought many foreign companies to Shanghai.

It's a very important institution today. Many foreign companies want to become members but we have no room right now. We made a major contribution to China and did many other wonderful things in the country at that time.

Is there an effective understanding in the marketplace today about the global footprint and capabilities of Starr's business?

When C.V. Starr came back to the U.S. from China, he was trying to rebuild an organization that had its roots in China. There was no point in him going back to China at the time because he couldn't do business there.

He was operating in Southeast Asia, the U.S., and to a lesser degree in Europe and Latin America. It was a diverse organization, but it was not

■

We're proud that we're celebrating 100 years of being in business under the name Starr. I'm proud to have known Mr. Starr and proud of what he accomplished.

■

huge at that time. It had its roots on the international side and represented different insurance companies for their international business and the AIU, which was a subsidiary and was our successful international business representing American companies.

When I joined Starr, it was not to go back to China – it was to help consolidate some of the businesses we had and make those businesses profitable. Starr owned American Home, which was struggling in the U.S. I became the head of the American Home, and we had turned it around and it became one of the early companies in the newly created AIG.

AIG became the largest insurance company in history and the most successful. When we took it public, it had a market value of \$300 million; when we left, it was \$180 billion.

What makes Starr different?

We went back to China in 1975, but it took many years to get a foothold. Eventually we did, and established a presence in the property casualty business. Now, that business is growing in many provinces.

What makes us different is that we're not traditionalists – change is constant and, if we don't recognize this, we are lost. We're always looking for new opportunities, and product innovation is a high priority here. What corporate America needs in the way of product, we try to produce. This can be tough sometimes because the legal structure continues to change, so we have to find new ways to satisfy corporate America's needs but not at our own expense.

There are constant challenges, but we attract the kind of people who relish that kind of environment.

We are also efficient – our expense ratio is probably the lowest in the industry and maintaining this is a constant objective.

I spend a great deal of time on U.S./China relations because it's the most important relationship in the world today.

What are the keys to ensuring that Starr continues to attract and retain top talent?

When I first joined Starr and took over the American Home insurance company, it was a traditional company with traditional results, which was not very attractive. I relished being in an organization where one wasn't instructed to be a traditionalist and was able to provide what corporate America needed in the way of insurance.

This attracted a different kind of individual – the kind that wanted to build. They enjoyed the challenge and we were very successful. They became an integral part of building AIG.

We attract well-educated individuals who understand what we're trying to accomplish. They like the environment we have. Many of the people we have here today have worked with us before. We started out with three people and we are now over 3,000.

What is the perception of Starr Companies in the market today?

It's well-known that Starr Companies was known as AIG. It is also known that we left AIG because of someone in public office, who should not have been there. This story is one of the great tragedies of our time.

However, we restarted the business and, when we did, we were sought out. Clients were happy to change their providers and come to Starr.

We have not fully translated this story to the market. I would hope that, in the next year or two, we do many more things and have more interaction with producers and accounts around the country as we celebrate our 100th Anniversary. We're proud that we're celebrating 100 years of being in business under the name Starr. I'm proud to have known Mr. Starr and proud of what he accomplished.

It took a lot of courage for an American with little money to go to China and start an insurance business, and we're carrying on that tradition.

In China, it is customary to begin to celebrate major anniversaries during the prior year, so we will start our 100th Anniversary celebration later this year and continue throughout 2019.

Starr has also achieved strong results on the investment side of the business. What have been the keys to the strength of this part of Starr's business?

We have a pretty big investment department in China and a talented Chinese woman running it. In the U.S., we have two investment departments. One of them is a traditional one with insurance companies, but it is still somewhat different because we're private. As a result, we have more flexibility and we're taking advantage of that. We are very cognizant of the need to avoid investing in any way that might jeopardize the company.

The other investment group in the company, which is run by Geoff Clark, has been very successful. It has nothing to do with insurance; instead, it is based on opportunities that come our way and are so valuable that they will give us a great outcome.

We have flexibility because we're private and we have broadened our scope on the investment side.

Starr has a purpose-driven culture and has done great work through The Starr Foundation. Will you discuss the origins of the Foundation and its mission and focus?

I wanted to keep Starr's name alive. When he passed away, he had \$15 million of assets in the Foundation. He didn't have a huge network so whatever he had he left to the Foundation.

We built the assets up to about \$6 billion and we were proud to be able to do many things in his name. The Foundation suffered when AIG was taken down, because the net worth of the Foundation was affected.

Nonetheless, it's an important Foundation today. We have done well in managing it, both on the investment income side and through other ways of increasing its net worth.

We have done great work in the healthcare industry with hospitals in New York and elsewhere, in education within many universities, in the insurance industry, and in many other areas.

When it comes to U.S./China relations, where do you see the relationship today and is this a time of opportunity?

The relationship is an evolving one. China is more open today than it was 10 years ago; on the other hand, there are many American companies that find it difficult to get approval to do their business there. It is changing, but not fast enough.

China has more access to our market than American companies have to the Chinese market, although this is different for some companies that have a long history in China.

I spend a great deal of time on U.S./China relations because it's the most important relationship in the world today.

It's difficult on both sides. The current administration is concerned with the trade deficits that we have with China, and there is some truth to that, but China is continuing to open its market all the time. It's never fast enough, but if we work at it, we can bring about positive change. ●