

The aig bonus compensation

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In recent months, the American International Group (AIG) has been the subject of national and world wide attention concerning the massive bailout of over one hundred and eighty billion dollars. Subsequent, it sparked national outrage by paying out what was originally thought to be one hundred and sixty five million dollars in bonuses to top executives.

The bonus figure was later revised to two hundred and eighteen million Dollars and the nation, the President and Congress reacted with unmitigated outrage and disbelief at what they considered to be highly inappropriate actions on the part of the company. AIG is a multi-billion Dollar holding company with several subsidiaries.

These subsidiaries are engaged in either Insurance or Insurance related businesses and these include General Insurance, Life Insurance, retirement services operations, Asset Management and financial services. The company was started in 1919 and is now publicly traded on the New York Stock Exchange (NYSE).

The company Common stock is also traded in Ireland and Japan. The company also offers financial services to people in over one hundred and thirty countries. AIG came under fire for its judgment in awarding the bonuses and the public demanded a rationale for what is considered a blatant indiscretion.

The Media provided seemingly unending coverage of the ongoing saga of the contentious issue and an article by MSNBC, 2009 emblemized the general mood of the nation and the response of the AIG executives;

Pillars of the community are now pariahs fearing for their safety in a ritzy area of Connecticut home to many executives at American International Group Inc., hit with a backlash over bonuses it paid to top brass even as it accepted federal bailout money.

The payouts to executives appear to have helped put a face on the economic struggles the country faces, and the anger targeting AIG is palpable. Death threats have been pouring in since the brouhaha broke, the company said, and its workers are taking no chances.

" It's scary," one executive said, speaking on condition of anonymity because he feared retribution. " People are very, very nervous for their security."

The public questioned the ethical nature of awarding large bonuses in a time where the general public was facing severe hardship and job losses seem to be the order of the day.

Ordinary families were losing their homes and increasingly, there were being forced to turn to Welfare. It seemed unconscionable for some to have so much while most people had to struggle from day to day just to buy basic food items and pay bills.

Ostentatious lifestyles outraged a public that had to be content with living from paycheck to paycheck, and in many cases, living without a paycheck.

The public wanted to tell the AIG executives that there were many suffering from loss of jobs and so it was inappropriate and unethical to take these large bonuses especially when AIG had to be bailed out by the government. TIME Magazine (2009) posits that members of Congress were furious over the bonus payments:

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Rep. Barney Frank charged Monday that a decision by financially-strapped insurance giant AIG to pay millions in executive bonuses amounts to "rewarding incompetence."

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Echoing outrage expressed on both sides of the political aisle in the wake of revelations that American International Group will pay roughly \$165 million in bonuses, Frank said he believes it's time to shake up the company. "These people may have a right to their bonuses.

They don't have a right to their jobs forever," said Frank, a Massachusetts Democrat who is chairman of the House Financial Services Committee.

This clearly echoed public outcry to what was seen as an unjust payment. The company reported a loss of \$61.7 billion for the fourth quarter of 2008 and this was one of the largest corporate loss recorded in history (TIME 2009). How then could the top executives accept bonuses for such a debacle? People protested with outright anger and demanded that the money be returned.

However, just when you believe you have heard everything about the story, another side unfolds that paints a different picture that could mitigate public outrage. CNN anchor woman Campbell Brown in her "Campbell Brown: No Bias, No Bull" broadcast showed a side that is diametrically opposed to the previous hostile cacophony that characterized the public views.

She posits "Let's take a look at the other side of the witch hunt for executives who received bonuses from AIG." Brown included a direct quote from Jake Desantis, an executive VP of AIG's financial products unit:

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I am proud of everything I have done. ... I was in no way involved in -- or responsible for -- the credit default swap transactions that have hamstrung AIG. ... Most of those responsible have left the company and have conspicuously escaped the public outrage."

He goes on: " After 12 months of hard work dismantling the company -- during which AIG reassured us many times we would be rewarded in March 2009 -- we in the financial products unit have been betrayed by AIG and are being unfairly persecuted by elected officials.

This paints a picture of an executive who works hard and was promised a bonus for his labor. In fairness, AIG needs to honor contracts and pay bonuses to executives or run the risk of legal proceedings. Why should the good suffer for other misdeeds? Brown further quotes Desantis as saying:

I was asked to work for an annual salary of one dollar, and I agreed out of a sense of duty to the company and to the public officials who have come to its aid. Having now been let down by both, I can no longer justify spending 10, 12, 14 hours a day away from my family for the benefit of those who have let me down."