Aig case solution

Business

Case Overview

This case deals with executiveleadershipstyles. In particular, this case deals with American International Group, the world’s insurance company, and its CEO Maurice “ Hank” Greenberg. Greenberg, an autocratic leader, was recently deposed by his board of directors after problems emerged regarding possible earning manipulation. It describes his leadership style, reasons his two sons (former employees) left the company, and Martin Sullivan, Greenberg’s successor. Like his former boss, Sullivan micromanages the organization, but is well liked by employees.

Teaching Objectives:

1. To show students the impact of autocratic leadership style on employees.
2. To distinguish between micro and participative management in an organization.
3. To introduce the concept of leadership succession and its effects on organizations. Purpose This case presents various leadership styles used by CEOs.

It suggests that executives who uses a more participative leadership style are more likely to create an effective employee workplace. Relationship to Part 4 The relationship of this case to part 4: leadership and its styles, possiblemotivationof employees through style, the encouragement of team work andcommunication.

This case can draw on various theories in all four chapters of Part 4.

Questions

Question 1. AIG Chairman and CEO Maurice “ Hank” Greenberg was considered an autocratic leader and a micromanager by many employees; yet the company grew dramatically during his reign as CEO. Does leadership style matter as long as the company performs well and shareholders are satisfied with their return on investment? Answer Leadership does matter. A company may perform well, and shareholders may be satisfied with their return on investment, but on another level this style of leadership may do irreparable hard to employee effectiveness and morale.

Eventually autocratic leadership will take it toll on the organization and its ability to operate effectively.

Question 2. AIG’s new CEO Sullivan has been labeled a micromanager, but with a more pleasantpersonality. Can he, as a micromanager, develop a more participative leadership style? How? Answer It may be very difficult for a manager/leader to change his management and leadership style. There is indeed a time and place for autocratic leadership (e. g. , when time is limited), but we know that participative leadership often produces better results.

While it is often difficult for executives (managers) to let go and delegate more to underlings, AIG’s new CEO Sullivan can learn to develop a more participative leadership style. He must begin to create more teams, motivate more employees to participate in corporate activities, and communicate more effective. In part, his micromanagement style may be a result of following Greenberg’s lead. As Sullivan becomes more comfortable in his new role, he should be able to delegate more effectively, especially if he is to deal with more strategic corporate issues. Leadership is a very important aspect that is prominent in our professional life.

If a team is led by an effective good leader, the team is more likely to perform well as per the expectations of the project. On the other hand, if the leader is a person who just issues orders and commands the tasks to be done, the team is demotivated and does tend to perform less than they actually can. If you are a working professional, you might have got an idea about the types of leadership styles and techniques. The working and managing style of a leader plays a very important part in making the leadership role effective. There are various managers who adopt different leadership styles and methods for employee and process management.

Each leadership style has its own methods, behavior, effects, and aspects. Participative leadership is a very significant leadership style that is most beneficial to employees, managers alike. What is Participative Leadership Style? As the name suggests, this leadership style relates to a method of having things done by involving team members ingoalssetting and decision making. Since there is an involvement of team members and employees in being a part of the management, this is by far the most useful management style in the business world.

Though there is employee participation, the leader is handed over theresponsibilityof taking the final decision. In this corporate leadership style, the manager works with the team and not over the team, which is why he can determine even the minutest errors of the processes that have to be executed. Advantages of Participative Leadership Style There are many apparent and proven advantages of the participative leadership practice. A very important advantage is that employees and team members are motivated to work, because they realize that the management is ready to consider their suggestions and viewpoints.

And if there is such employee motivation, the team members happen to work more effectively than expected. This eventually has a good effect on the company's revenue. Secondly, since the manager becomes like a team member and takes part in the decision-making process, it has a good impact on teamwork. Thirdly, as more than one minds are working on goal setting and decision making, there is an all-round analysis of the possibilities of failures. Therefore, the manager can majorly rule out any errors and possibilities of failures in the project.

You can say that there is a broader assessment of the situation which is to be worked upon. The result of participative leadership can also be effective decisions suggested by experts in the respective field. In this kind of business leadership, the manager does not only involve team members, but can also take guidance from his peers. One of the most suitable participative leadership examples can be when a manager divides project work in his team members including himself, discusses the project requirements and expectations with the team leader and other members, and then they work on it collectively.

Participative leadership surely increases employee satisfaction, reduces the workload of managers, and creates better teamwork; with all this eventually contributing to good worLeadership is a very important aspect that is prominent in our professional life. If a team is led by an effective good leader, the team is more likely to perform well as per the expectations of the project. On the other hand, if the leader is a person who just issues orders and commands the tasks to be done, the team is demotivated and does tend to perform less than they actually can.

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One of the most suitable participative leadership examples can be when a manager divides project work in his team members including himself, discusses the project requirements and expectations with the team leader and other members, and then they work on it collectively. Participative leadership surely increases employee satisfaction, reduces the workload of managers, and creates better teamwork; with all this eventually contributing to good wor Question 3. Greenberg named his son Evan as the heir apparent. Yet, Greenberg never set a departure date.

Should a good leader set a date for departure once a successor is named? Why? Why not? Answer Most of the time succession in organizations creates a host of problems. On the one hand, incumbent CEOs are less than willing to give up the power and prestige that accompany their position. On the other hand, the successor (heir apparent) may be eager to assume the top position. If the successor has to wait too long for the top leadership position, he may decide to seek out a top level position in another company, and the company may lose a unique opportunity for a smooth leadership transition.

CEOs should set a deadline for their departure so that all stakeholders are informed which can facilitate a change in leadership. LEADERSHIP AT AIG: Does Style Matter Question 1: AIG Chairman and CEO Maurice “ Hank” Greenberg was consider an autocraticleader and micromanager by many employee, yet the company grew dramaticallyduring his reign as CEO. Does leadership style matter as long as the company performs well and shareholders are satisfied with their return on investment?

Leader is a person who led people towards to the common goal. In the process of managing anorganization, I believeleadership style is the one of important factor in deciding the performanceof the company. Leader’s style of leadership changes according to the situation of the company. Based on managerial grid concept by Robert Blake and Jane Mouton, there are five style of leadership that combine different degrees of concern for production and concern for people andthis five styles of leadership is shown in figure 1 below.

In thecase study, CEO Maurice “ Hank” was more concern of production compare to the concern for people and of course, this kind of leadership will produce good performance. That is why Maurice “ Hank” able to bring thecompany from midlevel insurance company becomes the international company and give thesatisfaction towards the shareholders. However, to sustain the company at the same level, Maurice “ Hank” kinds of leadership will causes the performance of the company to be declined because lack of concern for people will affect the workers performance and this result would notsatisfy the shareholders.

The workers in AIG will become less motivated due the pressure given by the management practice by Maurice “ Hank”. This style of leadership by Maurice “ Hank” fallunder style of leadership “ produce or perish” as shown in figure 1. As conclusion, the style of leadership is the key player in determine the successful of a company. Question 2: AIG’s new CEO Sullivan has been labeled a micromanager, but with a more pleasant personality. Can he as a micromanager, develop more participativeleadership style?

How? Participative leadership style is defined as leader who involves his subordinatesin the process of making decision such as setting goal, solving problemand others, but retains the final decision making authority. By referring the case study, CEO Sullivan can develop more participative style leadership by segregating the works to his subordinates in order to enabling his subordinate to play their role in the organizations and indirectly developing the trust between himself with his subordinate.

This action will enable the workers especially his subordinate to create a feeling of self-belonging towards the company. Once the trust is there, he should implement groupdiscussion or brainstorming before making any decision but while conducting the groupdiscussion, he should be the person who get all the buy-in from the group members. In the groupdiscussion, he should use his authority in deciding the decision and this kind of ways in making decision helps his subordinate to accept and thus implement the action with full enthusiasm.

Besides that, he should often communicate with his workers through out the three layer of management such as having chitchat with the workers during teatime in order to understand the needs of workers in the company and thus raise his level of concern towards people. As he developing his understanding towards his workers, he can easily delegate the works that suit the workers best and as the result, company performance increases and building the security towards the investor and the people in the company especially shareholders. Question 3:

Greenberg named his son Evan as the heir apparent. Yet Greenberg never set adeparture date. Should a good leader set a date for departure? When should hename a successor? Every thing that starts must have an end. Leaders also have his own starts and ends in hisera of leadership. For my point of view, a good leader should set a date for his departure. This is because a leader knows better his own limitation and capabilities. A leader should alsounderstand his abilities and weakness in managing the organization as the time passes by.

I believe that every leader would like to leave his position without tarnishing his reputation andintegrity. However, it is not wise action to take if he announced his name of successor long before his departure date for the position. This is because the successor required a time for him toadapt with the changes in role and the leader himself required time to hand over and coaching hisnew successor to take over his positions but how long is the duration for the this process, it alldepends on the successor himself.

Normally, a leader had already started to look for hissuccessor long before he announced his departure date. This is because to identify a good leader does not happen in a single day. It will consume so much time and effort for leader to be bornand as been mention by Richard Arvey, a human resources and industrial relations professor inthe Carlson School of Management, " While environmental influences determine many of our leadership behaviors and the roles we obtain, our genes still exert a sizable influence over whether we will become leaders. That is why, I do believe that leadership is both inherited andacquired. As conclusion, a good leader always think three steps ahead, that’s why it is importantfor a good leader to prepare for his succession plan American International Group From Wikipedia, the free encyclopedia Jump to: navigation, search " AIG" redirects here. For other uses, see AIG (disambiguation). | American International Group, Inc. |[pic] | | Type | Public | | Traded as | NYSE: AIG | | | S&P 500 Component | | Industry | Insurance, Financial services | | Founded | Shanghai, China (1919)[1] | | Founder(s) | Cornelius Vander Starr | | Headquarters | American International Building, New York City, | | | New York, United States | | Area served | Worldwide | | Key people | Bob Benmosche | | |(President & CEO) | | | Robert Miller (Chairman)[2] | | Products | Insurance annuities, mutual funds | | Revenue |[pic]US$ 77. 301 billion (2010)[3] | | Operating income |[pic]US$ 17. 936 billion (2010)[3] | | Net income |[pic]US$ 7. 786 billion (2010)[3] | | Total assets |[pic]US$ 683. 443 billion (2010)[3] | | Total equity |[pic]US$ 113. 239 billion (2010)[3] | | Employees | 96, 000 (2010)[3] | | Website | AIG. com | American International Group, Inc. NYSE: AIG) or AIG is an American multinational insurance corporation. Its corporate headquarters is located in the American International Building in New York City. The British headquarters office is on Fenchurch Street in London, continental Europe operations are based in La Defense, Paris, and its Asian headquarters office is in Hong Kong. According to the 2011 Forbes Global 2000 list, AIG was the 29th-largest public company in the world. [4][5] It was listed on the Dow Jones Industrial Average from April 8, 2004 to September 22, 2008. AIG suffered from a liquidity crisis when its credit ratings were downgraded below " AA" levels in September 2008.

The United States Federal Reserve Bank on September 16, 2008 created an $85 billion credit facility to enable the company to meet increased collateral obligations consequent to the credit rating downgrade, in exchange for the issuance of a stock warrant to the Federal Reserve Bank for 79. 9% of the equity of AIG. The Federal Reserve Bank and the United States Treasury by May 2009 had increased the potential financial support to AIG, with the support of an investment of as much as $70 billion, a $60 billion credit line and $52. 5 billion to buy mortgage-based assets owned or guaranteed by AIG, increasing the total amount available to as much as $182. 5 billion. [6][7] AIG subsequently sold a number of its subsidiaries and other assets to pay down loans received, and continues to seek buyers of its assets. Contents | | [hide] | | 1 History | | 2 Business | | 2. 1 Holdings | | 2. 2 Auto insurance | | 2. 3 Travel Insurance | | 3 Financial crisis | | 3. 1 Chronology of September 2008 liquidity crisis | | 3. 2 Federal Reserve bailout | | 3. Additional bailouts of 2008 | | 3. 4 Counterparty controversy | | 3. 5 Post-bailout expenditures | | 3. 6 Settlement of credit default swaps | | 3. 7 Sales of assets | | 3. 8 Record losses | | 3. 2009 employee bonus payments | | 3. 10 Manchester United Sponsorship | | 3. 11 Share buyback | | 4 Litigation | | 4. 1 Accounting fraud claims | | 5 Corporate governance | | 5. Board of directors | | 6 See also | | 7 Notes | | 8 References and further reading | | 9 External links

| [edit] History [pic] [pic] The American International Building in Lower Manhattan. AIG history dates back to 1919, when Cornelius Vander Starr established an insurance agency in Shanghai, China.

Starr was the first Westerner in Shanghai to sell insurance to the Chinese, which he continued to do until AIG left China in early 1949—as Mao Zedong led the advance of the Communist People's Liberation Army on Shanghai. [8][9] Starr then moved the company headquarters to its current home in New York City. [10] The company went on to expand, often through subsidiaries, into other markets, including other parts of Asia, Latin America, Europe, and the Middle East. [11] In 1962, Starr gave management of the company's lagging U. S. holdings to Maurice R. " Hank" Greenberg, who shifted its focus from personal insurance to high-margin corporate coverage. Greenberg focused on selling insurance through independent brokers rather than agents to eliminate agent salaries.

Using brokers, AIG could price insurance according to its potential return even if it suffered decreased sales of certain products for great lengths of time with very little extra expense. In 1968, Starr named Greenberg his successor. The company went public in 1969. [12] Beginning in 2005, AIG became embroiled in a series of fraud investigations conducted by the Securities and Exchange Commission, U. S. Justice Department, and New York State Attorney General's Office. Greenberg was ousted amid an accounting scandal in February 2005; he is still fighting civil charges being pursued by New York state. [13][14][15] The New York Attorney General's investigation led to a $1. billion fine for AIG and criminal charges for some of its executives. [16] Greenberg was succeeded as CEO by Martin J. Sullivan, who had begun hiscareerat AIG as a clerk in its London office in 1970. [17] On June 15, 2008, after disclosure of financial losses and subsequent to a falling stock price, Sullivan resigned and was replaced by Robert B. Willumstad, Chairman of the AIG Board of Directors since 2006. Willumstad was forced by the US government to step down and was replaced by Edward M. Liddy on September 17, 2008. [18] AIG's board of directors named Robert Benmosche CEO on August 3, 2009 to replace Mr. Liddy, who earlier in the year announced his retirement. [19] [edit] Business [edit] Holdings

Further information: Holdings of American International Group In the United States, AIG is the largest underwriter of commercial and industrial insurance, and AIG acquired American General Life Insurance in August 2001. [20] [edit] Auto insurance AIG sold auto insurance policies through its subsidiary unit, AIG Direct (aka aigdirect. com). The policies they offered included insurance for private automobiles, motorcycles, recreational vehicles and commercial vehicles. AIG purchased the remaining 39% that it did not own of online auto insurance specialist 21st Century Insurance in 2007 for $749 million. [21] With thefailureof the parent company and the continuing recession in late 2008, AIG rebranded its insurance unit to 21st Century Insurance. 22][23] In April 2009 it was announced that AIG was selling the 21st Century Insurance subsidiary to Farmers Insurance Group for $1. 9 billion. [24] [edit] Travel Insurance Main article: AIG Travel Guard AIG sells travelers insurance internationally through Travel Guard, headquartered in Stevens Point, Wisconsin. [edit] Financial crisis Further information: Subprime mortgage crisis, Financial crisis of 2007–2010, and Liquidity crisis of September 2008 [edit] Chronology of September 2008 liquidity crisis On September 16, 2008, AIG suffered a liquidity crisis following the downgrade of its credit rating. Industry practice permits firms with the highest credit ratings to enter swaps without depositing collateral with their trading counter-parties.

When its credit rating was downgraded, the company was required to post additional collateral with its trading counter-parties, and this led to an AIG liquidity crisis. AIG's London unit sold credit protection in the form of credit default swaps (CDSs) on collateralized debt obligations (CDOs) that had by that time declined in value. [25] The United States Federal Reserve Bank announced the creation of a secured credit facility of up to US$85 billion, to prevent the company's collapse by enabling AIG to meet its obligations to deliver additional collateral to its credit default swap trading partners. The credit facility provided a structure to loan as much as US$85 billion, secured by the stock n AIG-owned subsidiaries, in exchange for warrants for a 79. 9% equity stake, and the right to suspend dividends to previously issued common and preferred stock. [17][26][27] AIG announced the same day that its board accepted the terms of the Federal Reserve Bank's rescue package and secured credit facility. [28] This was the largest government bailout of a private company in U. S. history, though smaller than the bailout of Fannie Mae and Freddie Mac a week earlier. [29][30] AIG's share prices had fallen over 95% to just $1. 25 by September 16, 2008, from a 52-week high of $70. 13. [citation needed] The company reported over $13. 2 billion in losses in the first six months of the year. 31][32] The AIG Financial Products division headed by Joseph Cassano, in London, had entered into credit default swaps to insure $441 billion worth of securities originally rated AAA. Of those securities, $57. 8 billion were structured debt securities backed by subprime loans. [33] CNN named Cassano as one of the " Ten Most Wanted: Culprits" of the 2008 financial collapse in the United States. [34] As Lehman Brothers (the largest bankruptcy in U. S. history at that time) suffered a catastrophic decline in share price, investors began comparing the types of securities held by AIG and Lehman, and found that AIG had valued its Alt-A and sub-prime mortgage-backed securities at 1. 7 to 2 times the values used by Lehman which weakened investors' confidence in AIG. 31] On September 14, 2008, AIG announced it was considering selling its aircraft leasing division, International LeaseFinanceCorporation, to raise cash. [31] The Federal Reserve hired Morgan Stanley to determine if there are systemic risks to a financial failure of AIG, and asked private entities to supply short-term bridge loans to the company. In the meantime, New York regulators allowed AIG to borrow $20 billion from its subsidiaries. [35][36] At the stock market's opening on September 16, 2008, AIG's stock dropped 60 percent. [37] The Federal Reserve continued to meet that day with major Wall Street investment firms, hoping to broker a deal for a non-governmental $75 billion line of credit to the company. 38] Rating agencies Moody's and Standard and Poor downgraded AIG's credit ratings on concerns over likely continuing losses on mortgage-backed securities. The credit rating downgrade forced the company to deliver collateral of over $10 billion to certain creditors and CDS counter-parties. [39] The New York Times later reported that talks on Wall Street had broken down and AIG may file for bankruptcy protection on Wednesday, September 17. [40] Just before the bailout by the US Federal Reserve, AIG former CEO Maurice (Hank) Greenberg sent an impassioned letter to AIG CEO Robert B. Willumstad offering his assistance in any way possible, ccing the Board of Directors. His offer was rebuffed. [41] [edit] Federal Reserve bailout

On the evening of September 16, 2008, the Federal Reserve Bank's Board of Governors announced that the Federal Reserve Bank of New York had been authorized to create a 24-month credit-liquidity facility from which AIG could draw up to $85 billion. The loan was collateralized by the assets of AIG, including its non-regulated subsidiaries and the stock of " substantially all" of its regulated subsidiaries, and with an interest rate of 850 basis points over the three-month London Interbank Offered Rate (LIBOR) (i. e. , LIBOR plus 8. 5%). In exchange for the credit facility, the U. S. government received warrants for a 79. 9 percent equity stake in AIG, with the right to suspend the payment of dividends to AIG common and preferred shareholders. [17] [27] The credit facility was created under the auspices of Section 13(3) of the Federal Reserve Act. 27][42][43] AIG's board of directors announced approval of the loan transaction in a press release the same day. The announcement did not comment on the issuance of a warrant for 79. 9% of AIG's equity, but the AIG 8-K filing of September 18, 2008, reporting the transaction to the Securities and Exchange Commission stated that a warrant for 79. 9% of AIG shares had been issued to the Board of Governors of the Federal Reserve. [17][28][44] AIG drew down US$ 28 billion of the credit-liquidity facility on September 17, 2008. [45] On September 22, 2008, AIG was removed from the Dow Jones Industrial Average. [46] An additional $37. 8 billion credit facility was established in October.

As of October 24, AIG had drawn a total of $90. 3 billion from the emergency loan, of a total $122. 8 billion. [47] Maurice Greenberg, former CEO of AIG, on September 17, 2008, characterized the bailout as a nationalization of AIG. He also stated that he was bewildered by the situation and was at a loss over how the entire situation got out of control as it did. [48] On September 17, 2008, Federal Reserve Board chair Ben Bernanke asked Treasury Secretary Henry Paulson join him, to call on members of Congress, to describe the need for a congressionally authorized bailout of the nation's banking system. Weeks later, Congress approved the Emergency Economic Stabilization Act of 2008.

Bernanke said to Paulson on September 17, " We can’t keep doing this. Both because we at the Fed don’t have the necessary resources and for reasons of democratic legitimacy, it's important that the Congress come in and take control of the situation. "[49] [edit] Additional bailouts of 2008 From mid September till early November, AIG's credit-default spreads were steadily rising, implying the company was heading for default. [50][51] On November 10, 2008, the U. S. Treasury announced it would purchase $40 billion in newly issued AIG senior preferred stock, under the authority of the Emergency Economic Stabilization Act's Troubled Asset Relief Program. 52][53][54] The FRBNY announced that it would modify the September 16 secured credit facility; the Treasury investment would permit a reduction in its size from $85 billion to $60 billion, and that the FRBNY would extend the life of the facility from three to five years, and change the interest rate from 8. 5% plus the three-month London interbank offered rate (LIBOR) for the total credit facility, to 3% plus LIBOR for funds drawn down, and 0. 75% plus LIBOR for funds not drawn, and that AIG would create two off- balance-sheet Limited Liability Companies (LLC) to hold AIG assets: one to act as an AIG

Residential Mortgage-Backed Securities Facility and the second to act as an AIG Collateralized Debt Obligations Facility. [52][54]Federal officials said the $40 billion investment would ultimately permit the government to reduce the total exposure to AIG to $112 billion from $152 billion. 52] On December 15, 2008, the Thomas More Law Center filed suit to challenge the Emergency Economic Stabilization Act of 2008, alleging that it unconstitutionally promotes Islamic law (Sharia) and religion. The lawsuit was filed because AIG provides Takaful Insurance Plans, which, according to the company, avoid investments and transactions that are" un-Islamic". [55][56] As of January 2012, TARP had about $50 billion invested in AIG according to one report. Break even for the government was figured at $28. 73 a share v. then-current share price of about $25. [57] [edit] Counterparty controversy AIG was required to post additional collateral with many creditors and ounter-parties, touching off controversy when over $100 billion was paid out to major global financial institutions that had previously received TARPmoney. While this money was legally owed to the banks by AIG (under agreements made via credit default swaps purchased from AIG by the institutions), a number of Congressmen and media members expressed outrage that taxpayer money was going to these banks through AIG. [58] In January, 2010, a document known as " Schedule A – List of Derivative Transactions" was released to the public, against the wishes of the New York Fed. It listed many of the insurance deals that AIG had with various other parties, such as Goldman Sachs, Societe Generale, Deutsche Bank, and Merrill Lynch. 59][60] Had AIG been allowed to fail in a controlled manner through bankruptcy, bondholders and derivative counterparties (major banks) would have suffered significant losses, limiting the amount of taxpayer funds directly used. Fed Chairman Ben Bernanke argued: " If a federal agency had [appropriate authority] on September 16, [2008], they could have been used to put AIG into conservatorship or receivership, unwind it slowly, protect policyholders, and impose haircuts on creditors and counterparties as appropriate. That outcome would have been far preferable to the situation we find ourselves in now. "[61] [edit] Post-bailout expenditures The week following the September bailout, AIG employees and distributors participated in a California retreat which cost $444, 000 and featured spa treatments, banquets, and golf outings. 62][63] It was reported that the trip was a reward for top-performing life-insurance agents planned before the bailout. [64] Less than 24 hours after the news of the party was first reported by the media, it was reported that the Federal Reserve had agreed to give AIG an additional loan of up to $37. 8 billion. [65] AP reported on October 17 that AIG executives spent $86, 000 on a previously scheduled English hunting trip. News of the lavish spending came just days after AIG received an additional $37. 8 billion loan from the Federal Reserve, on top of a previous $85 billion emergency loan granted the month before. Regarding the hunting trip, the company responded, " We regret that this event was not canceled. [66] An October 30, 2008 article from CNBC reported that AIG had already drawn upon $90 billion of the $123 billion allocated for loans. [67] On November 10, 2008, just a few days before renegotiating another bailout with the US Government for $40 billion, ABC News reported that AIG spent $343, 000 on a trip to a lavish resort in Phoenix, Arizona. [68] [edit] Settlement of credit default swaps On October 22, 2008, those creditors of Lehman Brothers who bought credit default swaps to hedge them against Lehman bankruptcy settled those accounts. The net payments were $5.

2 billion[69] even though initial estimates of the amount of the settlement were between $100 billion and $400 billion. 70] By December 2008, AIG had paid at least $18. 7 billion to various financial institutions, including Goldman Sachs and Societe Generale to retire obligations related to credit default swaps (CDS). As much as $53. 5 billion related to swap payouts are part of the bailout. [71] On March 15, 2009, under mounting pressure from Congress and after consultation with the Federal Reserve, AIG disclosed a list of major recipients of collateral postings and payments under credit default swaps, guaranteed investment agreements, and securities lending agreements. [72] Below is data from one of the charts AIG released, representing only a portion of the total payouts, over a period of a few months. AIG collateral postings to credit default swap counterparties, from the period September 16, 2008 to | | December 31, 2008[73] | | Counterparty | US $ posted | Counterparty | US $ posted | | Societe Generale |$4, 100, 000, 000 | Deutsche Bank |$2, 600, 000, 000 | | Goldman Sachs |$2, 500, 000, 000 | Merrill Lynch |$1, 800, 000, 000 | | Calyon |$1, 100, 000, 000 | Barclays | $900, 000, 000 | | UBS |$800, 000, 000 | DZ Bank |$700, 000, 000 | | Wachovia |$700, 000, 000 | Rabobank |$500, 000, 000 | | KFW |$500, 000, 000 | JPMorgan |$400, 000, 000 | | Banco Santander |$300, 000, 000 | Danske Bank |$200, 000, 000 | | ReconstructionFinance |$200, 000, 000 | HSBC Bank |$200, 000, 000 | | Corporation[74] | | | | Morgan Stanley |$200, 000, 000 | Bank of America |$200, 000, 000 | | Bank of Montreal |$200, 000, 000 | Royal Bank of Scotland |$200, 000, 000 | | Other (unknown) |$4, 100, 000, 000 | | | [edit] Sales of assets AIG since September 2008 has marketed its assets to pay off its government loans. A global decline in the valuation of insurance businesses, and the weakening financial condition of potential

bidders, has challenged its efforts. If the U. S. government decides to continue to protect the company from falling into bankruptcy, it may have to take the assets itself in exchange for the loans, or offer further direct financial support. 75] As of September 6, 2009, The Wall Street Journal reported that Pacific Century Group had agreed to pay $500 million for a part of American International Group's asset management business, and that they also expected to pay an additional $200 million to AIG in carried interest and other payments linked to future performance of the business. [76] Also in 2009, AIG sold its operations in Colombia to Ecuador's Banco del Pichincha. On March 1, 2010, insurance company Prudential confirmed that it was in advanced negotiations to buy the Asian operations of AIG. [77] Prudential was to buy the pan-Asian life insurance company, American International Assurance (AIA), for approximately $35. 5 billion. 78] On June 1, 2010 the deal failed because AIG would not accept the $30. 5 billion after Prudential lowered the amount by $5 billion from the originally planned $35. 5 billion after Prudential shareholder discontent. [79] AIG agreed on March 8, 2010, to sell its American Life Insurance Co. unit (ALICO) to MetLife Inc. for $15. 5 billion in cash and stock by November 1, 2010. Alico has annuities, life andhealthinsurance operations in Japan, Middle East (including Nepal, Bangladesh and Pakistan), Western and Eastern Europe, Latin America and the Caribbean. AIG said it will sell Alico for $6. 8 billion in cash and the remainder in MetLife equity.

The deal leaves AIG as the second-largest shareholder of MetLife, with a stake of more than 20% in the company. On March 29, 2010, Bloomberg L. P. reported that after almost three months of delays, AIG had completed the

$500 million sale of a portion of its asset management business, branded PineBridge Investments, to the Asia-based Pacific Century Group. [80] On September 30, 2010, AIG announced an agreement to sell two of its life insurance companies in Japan, AIG Star and AIG Edison, to Prudential Financial for $4. 2 billion in cash and $600 million in the assumption of third party debt to help repay some of the money owed to the U. S. government. 81] On November 1, 2010, AIG announced it had raised $36. 71 billion from the sale of ALICO and an initial public offering for AIA. The company will use the proceeds Federal Reserve Bank of New York credit facility and make payments on other interests owned by the government. [82] On September 2, 2011, AIG filed with the SEC to spin off their aircraft leasing firm, International Lease Finance Corporation (ILFC), in an initial public offering. [83] [edit] Record losses On March 2, 2009, AIG reported a fourth quarter loss of $61. 7bn (? 43bn) and revenue of ? $23. 7bn (?? 16. 2bn) for the final three months of 2008. This was the largest quarterly loss in corporate history at that time. 84] The announcement of the loss had an impact on morning trading in Europe and Asia, with the FTSE100, DAX and Nikkei all suffering sharp falls. In the US the Dow Jones Industrial Average fell to below 7000 points, a twelve-year low. [85][86] The news of the loss came the day after the U. S. Treasury Department had confirmed that AIG was to get an additional $30 billion in aid, on top of the $150 billion it has already received. [87] The Treasury Department suggested that the potential losses to the US and global economy would be 'extremely high' if it were to collapse[88] and has suggested that if in future there is no improvement, it will invest more money into the company, as it is unwilling to allow it to fail. 89] The firm's position as not just a domestic insurer, but also one for small businesses and many listed firms, has prompted US officials to suggest its demise could be 'disastrous' and the Federal Reserve said that AIG posed a 'systemic risk' to the global economy. [84] The fourth quarter result meant the company made a $99. 29 billion loss for the whole of 2008,[88] with five consecutive quarters of losses costing the company well over $100 billion. [89] In a testimony before the Senate Budget Committee on March 3, 2009, the Federal Reserve Chairman Ben Bernanke stated that " AIG exploited a huge gap in the regulatory system," ... and " to nobody's surprise, made irresponsible bets and took huge losses". [90] [edit] 2009 employee bonus payments

Main article: AIG bonus payments controversy In March 2009, AIG announced that they were paying $165 million in executive bonuses. Total bonuses for the financial unit could reach $450 million and bonuses for the entire company could reach $1. 2 billion. [91] President Barack Obama, who voted for the AIG bailout as a Senator[92] responded to the planned payments by saying "[I]t's hard to understand how derivative traders at AIG warranted any bonuses, much less $165 million in extra pay. How do they justify this outrage to the taxpayers who are keeping the company afloat? " and " In the last six months, AIG has received substantial sums from the U. S. Treasury.

I’ve asked Secretary Geithner to use that leverage and pursue every legal avenue to block these bonuses and make the American taxpayers whole. "[93] [pic] [pic] Protester outside 60 Wall Street Deutsche Bank's US main office in the wake of the bonus controversy is interviewed by news media. Politicians on both sides of the Congressional aisle reacted with outrage to the planned bonuses. Senator Chuck Grassley (R-Iowa) said " I would suggest the first thing that would make me feel a little bit better toward them if they'd follow the Japanese example and come before the American people and take that deep bow and say, I'm sorry, and then either do one of two things: resign or go commitsuicide. [94] Senator Chuck Schumer (D-New York) accused AIG of " Alice in Wonderland business practices" and said " It boggles the mind. " He has threatened to tax the bonuses at up to 100%. [95] Senator Richard Shelby (R-Alabama) said " These people brought this on themselves. Now you're rewarding failure. A lot of these people should be fired, not awarded bonuses. This is horrible. It's outrageous. "[96] Senator Mitch McConnell (R-Kentucky) echoed his comments, saying " This is an outrage. "[97] Senator Jon Tester (D-Montana) said " This is ridiculous. " and AIG executives " need to understand that the only reason they even have a job is because of the taxpayers. "[98] Senator Dick Durbin (D-Illinois) said " I've had it. and " The fact that they continue to do it while we pour in billions of dollars is indefensible. "[99] Representative Barney Frank (D-Massachusetts), Chairman of the House Financial Services Committee, said paying these bonuses would be " rewarding incompetence"[98] and " These people may have a right to their bonuses. They don't have a right to their jobs forever. "[96] Representative Mark Kirk (R-Illinois) said " AIG should not be on welfare from Uncle Sam, and yet paying bonuses and transferring a considerable amount of taxpayer funds to entities overseas. "[99] Federal Reserve Chairman Ben Bernanke said " It makes me angry. I slammed the phone more than a few times on discussing AIG. [96] Lawrence Summers, Director of the National Economic Council, said " The easy thing would be to just say, you know, ' Off with their heads,' and violate the contracts, but you have to think about the consequences of breaking contracts for the overall system of law. ”[100] Austan Goolsbee, of the Council of Economic Advisers said " I don't know why they would follow a policy that's really not sensible, is obviously going to ignite the ire of millions of people. " and " You worry about that backlash. "[101] Political commentators and journalists expressed an equally bipartisan outrage. [94][102][103][104][104][105][106][107][108][109][110] On March 24, 2009, The New York Times printed the resignation letter of Jake DeSantis, executive vice president of AIG's financial products unit, to Edward M. Liddy, the chief executive of AIG.

DeSantis stated he had nothing to do with the credit default swaps, he lost much of his life savings in the form of deferred compensation invested in the capital of AIG Financial Products; he had agreed to work for an annual salary of $1 out of a sense of duty, that he was assured many times the bonuses would be paid in March 2009, and that he believed he and others were let down by Liddy's lack of support. He also stated he was going to donate his bonus to those suffering from the global economic downturn. [111] It was reported that Senator Christopher Dodd (D-Con) (who first denied, then admitted to amending the legislation to allow the AIG bonuses), received $160, 000 from employees of AIG. [112][113][114][115] A memo issued in 2006 by Joseph Cassano, AIG

Financial Products chief executive, urged AIG employees to donate to Dodd, saying that as " next in line to become chairman of the Senate Banking, Housing, and Urban Affairs Committee... Senator Dodd will now have the opportunity to set the committee's agenda on issues critical to the financial services industry. "[116] [edit] Manchester United Sponsorship AIG was the principal sponsor of English football club Manchester United from 2006–2010, and as part of the sponsorship deal, its logo was prominently displayed on the front of the club's jerseys and other merchandise. The AIG deal was announced by Manchester United chief executive David Gill on April 6, 2006, for a British shirt sponsorship record ? 56. 5 million, to be paid over four years (? 14. 1 million a year).

The deal became the most valuable sponsorship deal in the world in September 2006, after the renegotiation and subsequent degrading of the ? 15 million-a-year deal Italian team Juventus had with oil firm Tamoil. During AIG's sponsorship, Manchester United enjoyed one of its most successful periods in history, winning the Premier League three consecutive years, two Football League Cups, and the UEFA Champions League. [citation needed] On January 21, 2009, it was announced that AIG would not be renewing its sponsorship of the club at the end of the deal in May 2010. It is not clear, however, whether or not AIG's agreement to run MU Finance will continue.

American risk consulting firm Aon Corporation was named the club's new principal sponsor on June 3, 2009, with its sponsorship of the club taking effect from the beginning of the 2010–11 season. The terms of the deal were not revealed, but it has been reported to be worth approximately ? 80 million over four years. [citation needed] [edit] Share buyback Due to the Q3 2011 net loss widened, so on November 3, 2011 the AIG shares has plunged 49 percent year to date. The insurer's board has approved the share buyback of as much as $1 billion. [117] [edit] Litigation |[pic] | This section needs additional citations for verification. Please help improve this article by adding citations to reliable | | | sources.

Unsourced material may be challenged and removed. (September 2008) | In November 2004, AIG reached a US$126 million settlement with the U. S. Securities and Exchange Commission and the Justice Department partly resolving a number of regulatory matters, but the company must still cooperate with investigators continuing to probe the sale of a non-traditional insurance product. [118] On June 11, 2008, three stockholders, collectively owning 4% of the outstanding stock of AIG, delivered a letter to the Board of Directors of AIG seeking to oust CEO Martin Sullivan and make certain other management and Board of Directors changes.

This letter was the latest volley in what the Wall Street Journal deemed a " public spat" between the Company's Board and management, on the one hand, and its key stockholders, and former CEO Maurice " Hank" Greenberg on the other hand. [119] Death Bet Circa 2010 the WSJ reported that afamilysued AIG for alleged complicity in a 'stranger-originated life insurance' scheme, whereby AIG managers allegedly welcomed people without an insurable interest to take out life insurance policies against others. The case involved JB Carlson and Germaine Tomlinson, and was one of many similar lawsuits in the US at the time. [120] [edit] Accounting fraud claims

On October 14, 2004 the New York State Office of Attorney General Eliot Spitzer announced that it had commenced a civil action against Marsh & McLennan Companies for steering clients to preferred insurers with whom the company maintained lucrative payoff agreements, and for soliciting rigged bids for insurance contracts from the insurers. The Attorney General announced in a release that two AIG executives pleaded guilty to criminal charges in connection with this illegal course of conduct. In early May 2005, AIG restated its financial position and issued a reduction in book value of USD $2. 7 billion, a 3. 3 percent reduction in net worth. On February 9, 2006, AIG and the New York State Attorney General's office agreed to a settlement in which AIG would pay a fine of $1. 6 billion. [121] [edit] Corporate governance [edit] Board of directors