

# American international group, or aig

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AIG American International Group, or AIG, started out as a company that represented American insurance companies in Shanghai. The company moved on to become a reinsurance company in the United States that would help insurance companies disperse their liabilities and therefore aid those companies to grow faster. In 1968, Maurice Greenberg took over as CEO and AIG grew and expanded into countries around the world. Today, AIG does not only provide reinsurance services anymore but also financial services.

Maurice Greenberg was born in 1925, is a war veteran and graduated from New York law school. He had a very autocratic approach to leading AIG. His goal was to expand AIG and many political key figures asked him for advice. Because he gave advice to influential people and lobbied effectively, he was often given the benefit of the doubt when questionable practices within AIG became known. In the early 2000s there were several investigations into AIG aimed at clarifying questionable insurance practices and schemes used to boost AIG's revenue.

As a result, Greenberg was asked to step down as the CEO in 2005 and he is currently the CEO of C. V. Starr & Co Inc. Greenberg was succeeded by Martin Sullivan, Robert Willumstad, and Edward Liddy, who is the current CEO of AIG. Leading up to the bailout of AIG in 2008, the company was involved in riskier and riskier transactions. AIG used credit default swaps that allowed other companies to transfer their risk to AIG in case their securities defaulted. However, AIG did not have enough money to actually pay all these companies once the recession hit.

As a result, the federal government agreed to bail out AIG to save it from sure bankruptcy. Not all of AIG was to blame for its downfall, however. One department of the company, AIG Financial Products, dealt with hedge funds and very risky transactions that earned AIG billions of dollars but that also brought down the whole company in the end. Even though it seems as though employees of AIG knew about the potential threat the Financial Products section posed to the entire company, nothing was ever done to impose stricter regulations on the department.

On the contrary, big money and benefit incentives were given to the employees who brought in the most money. However, the transactions that brought in the most money most often also were the transactions that were the riskiest resulting in a very high risk portfolio. After the bubble exploded because AIG could not pay the institutions they had promised money to, the government bailed them out mainly because if AIG would have gone down, many other national and international companies that depended on AIG to do well would have failed as well.

Until today, Greenberg who was CEO of the company the longest, maintains his innocence and states that he always acted in the best interest of the company and no unethical behavior was going on. The big question, however, is if the bailout was necessary or justified. Should a company that has gambled away individuals' and businesses' money be rewarded for failing or should they have taken the fall and endured the consequences?