

The case of aig: strengths and weaknesses essay



**ASSIGN
BUSTER**

With operations in more than 130 countries, American International Group, Inc. (AIG) is the world's leading international insurance and financial services organization. As one of the world's largest and most innovative insurers and financial intermediaries, AIG formulated a strategy in an era of new competition and Internet distribution (Froot ; Nelson, 1999).

Its member companies serve commercial, institutional and individual customers through extensive worldwide property-casualty and life insurance networks. The group's headquarters is located in New York City.

The company's history dates back to 1919 in China where American entrepreneur, Cornelius Vander Starr, opened a small insurance agency called American Asiatic Underwriters (AAU). However, the American International Group (AIG) formed in 1967 held the shares of the domestic (US) companies.

AIU and most of its affiliated agencies and companies became AIG subsidiaries in 1970. At that point, the modern structure of AIG was established (AIG Website).

Presently, the strength of AIG thrives on three things. First, the company enjoys superior track record with its renowned financial strength, broad product portfolio and strong earnings growth prospects. Second, the undeniable global reach made AIG the largest commercial and industrial underwriter in the US and the leading domestic provider of property/casualty and specialty insurance.

It also possesses the one of the largest retail securities sales force in the US. The company enjoys significant presence in Asia, the Pacific Rim, the UK, Europe, Africa, the Middle East and Latin America. Third, AIG's diverse product offerings serve commercial, institutional and individual customers through the extensive worldwide property-casualty and life insurance networks of any insurer.

In the US, AIG companies are underwriters of commercial and industrial insurance, and AIG American General is a life insurer.

Unfortunately, AIG has its own share of weaknesses. First, the accounting scandals it faced tarnished the company's reputation. The company acknowledged that it had improperly accounted for the reinsurance transaction to bolster reserves, and detailed numerous other examples of problematic accounting.

It also announced the delay of its annual 10-K filing. AIG was suspected of fudging up its financial performance with dubious transactions and improper accounting. Second, the fraudulent practices of the top management exemplified through the highly unusual arrangement with three private entities, governed and controlled by AIG Chairman Maurice Greenberg and other AIG executives.

Lastly, the declining operational efficiency of general insurance business has affected AIG's strong revenue growth and realized capital gains in comparison to capital losses in through the years.

Without doubt, AIG could do well if they will focus more on transparency, proper accounting, cooperation with industry regulators, and neglecting the conflicts of interests that pull the company down. For more than 80 years, AIG succeeded by making positive contributions to the consumers and companies they serve.

In focusing to solve the aspects of their weaknesses and magnifying their present strengths, AIG could do more than be competitive in the era of information and globalization, but they could conquer new heights of achievement for customers, shareholders and their employees.

References

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