

# [The american international group](https://assignbuster.com/the-american-international-group/)

This article is about the American International Group. This is a united states based international company and it is based in New York. It is located in the American International Building in New York. This company was established as an insurance agency; by a person known as Cornelius Vander star in shanghai china in 1919. The first company was called American Asiatic underwriters, and only offered insurance covers in marine and fire. It has since greatly expanded to other markets making it one of the leading insurance companies in the world.

It is now headed by a C. E. O who is known as Edward Lidd, and it has companies worldwide offering a big range of insurance services. The first AIG Company was opened in America in 1926. It went by the name of American international underwriters. It was opened in New York with the mainresponsibilityof targeting the United States insurers. When the company was established those that were not doing well, were given to Maurice Greenberg by Cornelius Vander Starr for him to manage. In 1930 the company entered the Latin America and in Europe too in 1940. It grew rapidly in Latin America to the extent of defeating the Asian market.

It became a public company in the year 1969. WHAT ARE THEIR MODES OF ENTRY? Maurice green drive for success made him opt to sell insurance through brokers who were independent other than through agencies . this ensured that they avoided selling at low prices as well as to avoid great expenses. This is because in an agency the expenses of paying salaries cannot be avoided when sales are too low, whereas when using an independent broker such expenses can be avoided since the broker is only paid for the work he has done or for the commissions for the work that he ahs done.

This enabled AIG to be able to beat competition by being able to put a desirable price even when the sales were too low an also at lower expense. The company identified a need in the market to sell life insurance to its customers. Initially it intended to sell to the people of china but due to its success it extended its operations to other markets, in other countries. Their great success was attributed to local operations whereby employee’s recruitment and employment in the managerial positions was done locally.

When this happens the customers identify with the company since they embrace it as their own and they wish to contribute to its growth other than when it hires foreign employees from foreign companies. They diversified business risks by writing insurance outside the United States on American risks. The company extended to Japan where it was initially insuring its own American troops and continued to expand to Europe, Austria and North Africa. Most of this market growth was enhanced by the sale of life insurance and middle income housing.

The company also developed into a commercial insurer whereby it preferred to insure large shares with big risks and thereby going ahead to control their prices. It was a popular company with its customers and brokers alike. This enabled it to buy other companies which make up its ineternational company today. The company has since become a leading organization in the world. ARE THEY INVOLVED IN ANY JOINT VENTURES? International Lease Company AIG is in a joint venture with the international leasefinancecorporation, for equipment and aircraft leasing, which is a division that generates most of its revenues in financial services.

It has its headquarters in Los Angeles California and has profit margins upto more than 20%, since it is considered to have a very large fleet, larger than any other airline. People’s insurance company of china Another company which AIG is in joint venture with is the people’s insurance company of china. It was established in china in 1949 and is the largest insurance company in china, enjoying quite a large market share. The company offers a wide range of insurance businesses namely personal insurance, credit insurance as well as insurance on liability and property.

It also has other subsidiaries for offering life insurance and also casualty insurance. Tata AIG general AIG is in joint venture with this company and it has only been granted an operations license for this recently. It is based in India. Its main specialty is marketing insurance in India, namely commercial as well as personal and property insurance. It will be based in Mumbai with branches in New Delhi, Bangalore, Hyderabad as well as Calcutta. Its managing director goes by the name of Dalip Verma. DESCRIBE ANY POLITICAL, LEGAL, ECONOMIC, TECHNOLOGICAL. OR CULTURAL OBSTACLESTHE COMPANY HAS HAD TO OVERCOME TO BECOME A GLOBAL COMPETITOR.

The company has undergone fraud claims in the year 2000. The new York state attorney generals office, U. S justice department together with securities and exchange commission conducted the investigations for fraud and they came up with and accounting scandal in the year 2005. This led to the removal of their CEO by the name of Greenberg. The company was fine $1. 6 billion. Some of its executives were also charged with criminal charges in regard to these fraudulent claims. It has undergone near bankruptcy allegations, brought about by their weak management in corporate financial affairs as well as poor risk management.

The company has experienced losses in this year (2008), as well as low stock prices. It has also undergone a fall in share prices as recently as September 2008, and also experienced losses in the beginning of the year for a couple of months for about 6 months. The losses were in the tunes of 13 billion dollars. Together with this it has been granted a loan by a company which has been unstable in the United States and has been listed for financial collapse. These together with financial problems have prompted it to consider the sale of some of its assets like aircrafts in order to raise capital.

Some of their assets have also been attached as collateral for loans, and its executives are considered to be thrift spenders. They spend so much of the companymoneyon lavish parties as well as trips. Due to the above factors it is important to note the United States of America government regulates how the company conducts its business and it should be financially stable and it should ensure that it meets its financial requirements. If this does not happen the government may force the company to stop its business operations altogether.

However the company’s new CEO going by the name of Edward Lidd intends to keep the company running as a public company. This he will do through the use of asset sales and payments of government federal and ensuring that company operations are intact and running. WHAT Engine OF PRODUCTS/ SERVICES ARE THEY SELLING AND IN WHAT LOCATIONS? Life insurance The company offers policies on life insurance. This accounts for the largest income revenue with holdings in the United States of America, japan s well as Europe. It focuses heavily on this area and has continued to acquire other companies for this only.

More than 50% of AIG revenue comes from life insurance. This ensures that they gain a competitive edge. This product of offered exclusively in their company in china. Travel and umbrella This is a motor vehicle insurance which covers vehicles against theft, fire, accident and vandalism. The coverage covers medical expenses the property itself and in this case the motor vehicle, as well as the losses undergone. In the case of the above happening, it takes responsibility for injured third party as well as damage to property and also medical cover for the policy holder.

In the Unites States of America this product is offered and enjoys revenue due to nature and size of the motor industry that they have. Home owners insurance This is a high net worth insurance for home owners. It basically insures affluent people together with their homes as well as their assets. It is considered in the events such as kidnapping, robbery or even terrorist attacks. Insurance is also offered for precious items like expensive jewelry and even pricy pieces of art. It is offered in amongst other locations, Japan as well as the United States of America. Workers compensation

The clientele for this is mainly organizations most organizations s are required by the law to protect heir employees against occupational diseases, risks, illnesses as well as death. For this reason AIG insures companies and organizations in order for them to be able to compensate their employees incase any of the above mentioned events occur. This is offered in Poland, Romania, and the Czech Republic amongst others. Professional liabilities Covers executives against risks that may be undergone, due to mismanagement of the organization and also against reports of wrong doing.

Its market has expanded and these products are offered in these continents; ASIA, AFRICA, AUSTRIA, EUROPE, MIDDLE EAST, NORTH AMERICA AND SOUTH AMERICA. HOW DO THEY MARKET THEIR PRODUCTS AND WHO ARE THEIR COMPETITORS? They use a network of companies all over the world to market their products. For its clients it offers asset management and it does this with a specialized capability of investment management. They also market through the sponsorship ofsoccer, most notably is the sponsorship of Manchester united club.

This they do with the idea that soccer is the most loved sport in the world and hence it reaches most clientele in the whole wide world. Its internal operations brings more than half of their total profits, 80% of these earnings coming from across their life and property insurance and the othr 20%, comes from their other businesses. Some of their competitors among others are fireman’s fund insurance which is a leader in covering homes and businesses and Canadian life insurance industry and many others HAVE THEY MADE ANY ADAPTATIONS FOR LOCAL MARKETS?

They normally do recruitment and employ the local people in their organizations starting with those in the managerial positions. They ensure that the local people identify with their company, and embrace it as their own and hence attract a large number of the market clientele. WHAT DO U PERCEIVE ARE THEIR STRENGTHS AND WEAKNESSES? They aren’t likely to become unrecognizable through obsolesce since they continue to introduce and diversify their products in line with the emerging market trends. Competitors do not have a chance of having better services in terms of risk management and hence are not likely to beat AIG.

Their strength in foreign markets in Japan and china, it is considered to be the highest insurer which is not domestic. It also enjoys dominance since it was established in these countries in 1946 and 1919 respectively They are heavy investors in foreign markets. They have continued to expand and dominate foreign market s allover the word this has enabled them to be able to reach their customers whenever they maybe since they have offices in over 130 countries thus they enjoy the benefit of being an international company which is an advantage to them as well.

They have continued to be an innovative company always adopting new trends in business on how to carry out their operations. Most of its innovation is in managing risks which ensures that they are able to meet the needs of their clients. Another of their strength is the fact that it does not fund its business operations through commercial paper markets. This ensures that they can hold their mortgage bonds to maturity and also makes their mortgage investments are strong and their housing businesses do not run at a loss.

One of their major weakness is competition in a country like India it faces competition both locally and also from other foreign companies. It also has been exposed to debt and borrowing in order to offset their losses. They have also experienced unrealized losses. This has greatly affected their outlook with their clients being concerned about their well being in the market. DESCRIBE THEIR SUCCESSES AND FAILURES The have been very successful in market expansion and global networking.

This means that they are able to meet the needs of a wide network, since they have offices allover the world. It is also a recognized international company, with companies in the whole world as well as being among the largest insurers in the world. They also train their employees to the extent of reimbursing their study fees. They also have a large database of their employee’s qualifications which make them identify talented employees and also to develop their expertise through their employees and this ensures that they have the capability of offering the best services to their customers.

It has failed to secure its niche in the stock market with most of them falling too low and having them to create allegations of how well or how bad they may be performing in the market. They have continued to pay their retired CEO Sullivan a package of $ 47 million even when the company has registered a loss. This kind of money can be enjoyed greatly by the company’s shareholders since there are no projections to show that there were great business achievements that he made during his tenure. The company was in fact experiencing a fall in income. WHAT ARE THEIR REVENUES AND PROFITS FROM OVERSEAS OPERATIONS?

Its revenue has gone up to $ 1. 528 billion from 1. 318 billion per share, and at overall revenue of $ 12. 51 billion. These were mainly from general insurance, financial services as well as asset management. WHAT IS THE FUTURE OUTLOOK FOR THE COMPANY It has a bright future with an expanding market and growth in asset base, since it also owns the world’s largest leasers of aircraft. This alone gives it a competitive edge over its competitors. In this case we can say that AIG will continue to be a world leader in offering insurance and other business services in the world.

This is due primarily to its strength in the foreign market, which will ensure that it continues to enjoy economic growth and also to thrive in its non-insurance businesses as well. This will help in balancing the weaknesses of the businesses that are doing very well in the market. CONCLUSION AIG is a strong company offering various operations of insurance. It is a leading organization enjoying the credibility from its clients and expanding in foreign markets. Its ability to serve their worldwide clients through its global network has ensured that it enjoys a competitive advantage.

It has an extensive clientele in its foreign markets and especially in the first developing countries. This is a good opportunity for them to continue enjoying a world wide growth. They are exposed to trends of loss thus enjoying a favourable state in the market as opposed to their competitors.

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