

# American International Group, Inc. (AIG)

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## INSURANCE FORUM

American International Group, Inc. (AIG) is a leading global insurance company with more than 88 million customers in over 100 countries around the globe. It is also a holding company with various subsidiaries engaged in insurance and

insurance-related businesses. In terms of net worth, it ranked 6<sup>th</sup> out of 70 licensed non-life insurance companies in the Philippines with Php 1.8 billion. It provides a wide range of non-life insurance products from property and casualty insurance, retirement products, and other financial services. It offers a wide range of property insurance including energy insurance, construction insurance, property terrorism insurance, marine insurance and aviation insurance. It also offers liability and financial lines such as casualty/ liability insurance, financial lines insurance, and environmental insurance. Its financial lines include directors and officers, professional liability, prospectus liability, and investment management insurance.

AIG's corporate headquarters is in New York, its British headquarters is in London, while its Asian headquarters is in Hong Kong. Currently, the company serves 98 percent of the Fortune 500 companies, and insures 40 percent of Forbes 400 richest Americans. According to the 2016 Forbes Global 2000 list, AIG is the 87<sup>th</sup> largest public company in the world.

AIG common stock was listed on the New York Stock Exchange (NYSE) in 1984 and later, in 1987, it became the first foreign insurance company to be listed on the Tokyo Stock Exchange. In 1988, it was listed on the London International Stock Exchange and in 1990 it was listed in Paris and Switzerland. It was once the world's largest insurance company.

AIG shares a common history with AIA and Starr International.

AIG was founded in 1919 by a 27-year old American Cornelius Vander Starr (October 15, 1892-December 20, 1968) when he established a general insurance agency, the American Asiatic Underwriters (AAU), in Shanghai, China. It was a two-room, two-clerk insurance agency. Starr was, at that time, in Shanghai working for several insurance businesses. AAU was an underwriter for insurance companies operating in Shanghai. In the succeeding years, Starr expanded the insurance companies that he represented adding Globe & Rutgers Company and the National Union Fire Insurance.

AAU later established a branch in the Philippines, the American International Underwriters for the Philippines (AIUPI) on May 1932. As it celebrated its 30th anniversary in the Philippine archipelago, AIUPI shortened its company name to American International Underwriters (Philippines), Inc. (AIUP). AIUP was incorporated on May 3, 1928 as a managing agent for several American insurance companies.

Eventually, with the advent of the Japanese invasion, Starr moved his headquarters from Shanghai, China to New York City in 1939. The Shanghai office would reopen after the war, but would later close again in 1950 following the Chinese revolution. In 1992, AIG's Asia-Pacific Division, under Evan Greenberg, Hank's son, would re-enter China making it the first insurer to receive a license since the Communist revolution in 1949.

Starr would form a succession of insurance-related companies. In 1921, Starr formed the Asia Life Insurance Company (ALICO) also in Shanghai. Later in 1926, Starr opened his first office in the United States called the American International Underwriters (AIU) Corporation. AIU served as an underwriter for U.S.-owned risks outside of North America and also served as a general agent. By the end of the 1950s, AIU would be operating in 75 countries.

In 1931, Starr established a partnership with British and Chinese businessmen and established the International Assurance Company (INTASCO), a life company. In 1948, after acquiring complete control, he reorganized the company and the word "American" would be added to the company name, thus establishing "AIA"- the life insurance company.

In 1947, Starr would incorporate the Philippine American Life Insurance Company (Philam Life) with Earl Carroll being named the CEO. By 1949, Philam Life would be the number one life insurance company in the Philippines.

By 1962, Starr would hand-pick Maurice "Hank" R. Greenberg to become president of American Home Assurance Company, one of AAU's subsidiaries. Greenberg is today (as of December 2017) the chairman of Hong Kong-based Starr International Insurance (Asia) Limited, a subsidiary of Starr International Company, Inc. Starr has been granted authority, in 2013, to establish a branch office in the Philippines to provide general or non-life insurance. Starr International was formed in September 1943 in Panama. C.V. Starr was incorporated in 1950 as a parent company for various Starr insurance enterprises.

The American International Group (AIG) would be formally formed in 1967. Greenberg was elected president and CEO of AIG in 1967. Starr would pass away in 1968. In 1970, AIU would become a wholly owned subsidiary of AIG.

When Martin J. Sullivan became CEO of AIG in 2005, AIG insured billions of dollars in derivatives against default without reinsuring to hedge the risk. It was hit very hard during the 2007-2008 mortgage/ financial crisis. By June 15, 2008, with financial losses and falling stock prices, Sullivan was forced to resign. AIG was bailed out by the U.S. government for US\$180 billion with the government taking over the company.

In 2008, Philam Life together with other AIG subsidiaries such as AIA and ALICO were placed under the administration of a special purpose vehicle as part of a bail-out agreement with the Federal Reserve Bank of New York. On November 3, 2009, AIA bought 99.78% of Philam Life – thus, placing it under its umbrella. On September 6, 2012, AIG sold for US\$2 billion its investment in AIA to repay government loans. Thus, the entire AIA (together with Philam Life) would be carved out of the AIG Group.

On November 27, 2009, Philam Life bought 51% of Ayala Life and formed a joint venture with the Bank of the Philippine Islands (BPI), and renamed BPI-Philam Life Assurance Corporation (BPI-Philam) in 2010.

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