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# AIG's Benmosche and Miller on Villains, Turnarounds and Those Bonuses

ByLeslie Scism

American International Group Inc. Chief Executive Robert Benmosche is one of the most colorful executives on Wall Street, and the company's nonexecutive chairman, Robert S. "Steve" Miller, has a long history of working to restructure struggling companies.

Bloomberg

The Wall Street Journal spoke last week with both of them, five years after AIG became one of the biggest recipients of government aid as policy makers sought to avoid world-wide financial calamity. Mr. Benmosche explained why he thought the treatment of some AIG employees was akin to abuses from the civil-rights era, and Mr. Miller confessed he initially didn't think the company could survive.

Messrs. Benmosche and Miller joined AIG in 2009, the year following the rescue package.

Here are edited excerpts from the conversations, as they looked back at how AIG made it through the crisis, to fully repay U.S. taxpayers in December:

**Mr. Benmosche on the government's campaign against partial "bonuses"** to be paid to hundreds of employees in the AIG financial-products unit as they unwound massive, ill-fated bets on mortgage bonds. He said "less than 10" employees were behind the bad trades.

"That was ignorance … of the public at large, the government and other constituencies. I'll tell you why. [Critics referred] to bonuses as above and beyond [basic compensation]. In financial markets that's not the case. … It is core compensation.

"Now you have these bright young people [in the financial-products unit] who had nothing to do with [the bad bets that hurt the company.] … They understand the derivatives very well; they understand the complexity. … They're all scared. They [had made] good livings. They probably lived beyond their means. …They aren't going to stay there for nothing.

The uproar over bonuses "was intended to stir public anger, to get everybody out there with their pitch forks and their hangman nooses, and all that–sort of like what we did in the Deep South [decades ago]. And I think it was just as bad and just as wrong.

"We wouldn't be here today had they not stayed and accepted … dramatically reduced pay. … They really contributed an enormous amount [to AIG's survival] and proved to the world they are good people. It is a shame we put them through that."

**Mr. Miller on the compensation controversies at AIG:**

"If I had just put $182 billion [into a company], I would not aim to go hire the cheapest management" to repay it.

**Mr. Benmosche on the protests against AIG tied to the bonus controversy:**

"Employees told me people were trying to follow [them] home. … [They] had to go back roads. Many of them left their homes and stayed with friends and relatives. … The worst example I talk about is somebody in the Midwest. The man was crying when he talked to me. … 'Could you imagine, in the third grade, my daughter was asked to stand before the whole class? And the teacher said, I want you to know her father works for AIG and he is part of [the company] that brought the country almost to its knees.'

"We're trying to find the villains [for the financial crisis]. There's got to be a villain somewhere. The problem is that there isn't a villain. There are villains. And they are everybody. They are the speculators in real estate. The people who flipped houses. People who lied and cheated [on mortgage applications]. Nobody did the income appraisals. … I include myself in there. I knew stuff was wrong" in the mortgage-underwriting system years before the real-estate bubble burst.

**Mr. Miller on the challenges faced by AIG in June 2009 when he agreed to serve on the board:**

"I did not think this could be saved. … I thought it would be a liquidation."

**Mr. Miller on Mr. Benmosche's arrival in August 2009:**

"He stopped the fire sales. Bob was looking to the future, not liquidation, from the day he got here."

**Mr. Miller on Mr. Benmosche's pep-rally-style town-hall meetings with employees:**

"He said some unkind things about people in Congress. … It fired up the troops. [Employees saw it as] there's somebody who going to fight for us."

**Mr. Benmosche on installation of risk-management controls** and other changes, and whether that has sapped the company of some of the entrepreneurial spirit it has historically been known for:

"We're building a lot more science and technology around intuition. We're still very entrepreneurial. … What [Maurice "Hank" Greenberg, who ran the company from the 1960s until 2005] left us is a very strong group of people. What you don't want to do is get rid of that [entrepreneurial spirit] because that's the energy. …

"We have plenty of money for new ideas. But now we have to sit down and really understand our cost of capital. … What is the return? If you can't earn your cost of capital, why are you doing it?"

**Mr. Miller on AIG's designation as a nonbank systemically important financial institution,** which subjects it to continuing oversight by the Federal Reserve:

"We decided to make lemonade. Let's let them help us if they're going to be here. [AIG could use the government oversight as] "a good housekeeping seal of approval."

**Mr. Benmosche on regulation:**

"Everyone is afraid something is going to go wrong on their watch … so they're trying to make sure nothing … will ever go wrong, and that is not reality. You have to have a little common sense and judgment. So I worry about [regulators] continually pushing higher capital. We didn't have a capital crisis, we had a liquidity crisis. If you totally derisk everything, you don't have growth."

**Mr. Benmosche on taking the job:**

"People say, 'you had no downside.' When you start down this journey, if I walked out at the wrong time … my name would be mud for the rest of my life [despite] all I've done in my career. [If] I went into AIG and it had a chance to be saved and I screwed it up. …

“I stuck it out for a lot of reasons, including my own reputation. I didn’t want to be the spoiled brat who comes in and shoots his mouth off and then walks out, doesn’t get it done.”

**Mr. Benmosche on his retirement date:**

“First quarter 2015. … The reason is: I’m having a lot of fun. And I feel I’m making a lot of progress here. We have a lot of things to do. … We’re restructuring the whole place, from front to back. …

“Our ROE [return on equity] is continuing to improve. I want to see that continue, so that it’s sustainable. And I want to be sure when I go, that … we are considered the pre-eminent and most valuable insurance company in the world, not only in size but performance. … That’s what I want and I think we’re close to it.

“To the extent I can stay around a little longer [than the first quarter of 2015], I’m happy to do it.”