

# Chapter 1

## How Hank Greenberg Did It

**T**he Four Seasons restaurant on East 52nd Street is an uncommonly rich venue for celebrity spotting. On the first Wednesday in May 2005, midday diners could glance around the room and see Tom Brokaw, Barbara Walters, Colin Powell, and a bevy of other big names, but the person turning the most heads that day wasn't a famous broadcaster or politico. It was Hank Greenberg, the man who built American International Group into the world's largest insurance company. Greenberg had long been a celebrity CEO, at least among the financial cognoscenti, one whose singular accomplishments lifted him above his peers and gave him a stature that overshadowed all but a handful of other corporate chieftains.

Greenberg's celebrity, like that of most business moguls (and insurance executives, in particular), was not the type that turned heads as he walked down the street. Some might know the name, but few knew the face.

Not until 2005, that is, when scandal at AIG put Greenberg's photo in the *New York Times* almost daily, and a line-drawing of him appeared on the front page of the *Wall Street Journal* at least once a week. Suddenly, Hank Greenberg was the highly recognizable malefactor of the moment, accused of cooking the books at AIG to inflate profits and make the balance sheet look stronger than the underlying reality. That afternoon at the Four Seasons—on his 80th birthday, of all days—Greenberg was having a new kind of power lunch. His companions were two attorneys, Robert Morvillo and Kenneth Bialkin, and they weren't talking deals. Morvillo is a criminal lawyer whose new assignment was to keep Greenberg out of jail, something he had failed to do for Martha Stewart, his last celebrity client.

After finishing his broiled fish and fresh vegetables, Greenberg worked the crowd as he made his way from the Grill Room balcony to the exit. He chatted with Brokaw, stopped by the table of Sir Howard Stringer, who had just become CEO of the Sony Corporation, and exchanged a few words with Richard Grasso, the New York Stock Exchange chairman who was forced out when the shocking magnitude of his compensation became public. Greenberg had been on the NYSE compensation committee that approved Grasso's pay package, including a \$180 million lump-sum pension payment. As he led his lawyers down the stairs to the doorway and the street, several of Greenberg's friends were pleased to note that his unaccustomed troubles had not taken the slight swagger from his step.

Faced with Greenberg's woes, most mortals would be staggering instead of swaggering. Even in the context of the rampant scandals of recent years, few executives have fallen so far, so fast, and from such a seemingly unassailable aerie. In February 2005, AIG received a subpoena from Eliot Spitzer, New York State's hyperactive attorney general, for documents relating to what he believed was accounting chicanery having to do with a recondite kind of transaction known as finite insurance. Spitzer suspected that Greenberg himself had arranged the specific transaction in question to add a phony \$500 million to AIG's reserves for the year 2000. The party on the other side of the deal was none other than Warren Buffett of Berkshire Hathaway. Spitzer was saying that the sage of Omaha had done no wrong, though

executives of a Berkshire subsidiary, General Re, may have been culpable. What Spitzer was saying—on Sunday morning network television, no less—was that Greenberg had committed fraud.

Spitzer's snoops also wanted to know whether AIG had improperly kept some Caribbean subsidiaries off its books in order to understate the true leverage in its operations and hide the full magnitude of the risks it had insured, questions that raised the specter of Enron's notorious "off-balance-sheet entities." Spitzer wasn't alone. AIG also found itself under investigation by the New York Insurance Department, the Securities and Exchange Commission, and the U.S. Justice Department, and was at least peripherally involved in investigations by insurance regulators in England, Ireland, and Australia. Among other things, the SEC wanted to know whether Greenberg had tried to manipulate the price of AIG stock. In one case, he reportedly had put pressure on the NYSE specialists who handle AIG's stock to support the price during an acquisition in 2001, and had lobbied Richard Grasso to put his arm on the specialists as well. More recently, Greenberg had ordered an AIG trader to buy 250,000 shares of stock on the day the company disclosed its receipt of the Spitzer subpoena.

Once Spitzer turned his guns on AIG, bad things happened to Hank Greenberg in rapid succession. On March 14 the AIG directors forced him to step down as chief executive, a move that shocked nearly everyone familiar with AIG. Greenberg had personally selected each of these directors, in most cases because they were close business friends or because they could use their prestige and influence to help the company in the United States and around the world, or both. Now they had decided that the best way to help AIG was to strip their friend Hank of his power. Two weeks later, under mounting pressure from Spitzer, the directors insisted that he relinquish the chairmanship as well.

After he was ousted, Greenberg, in a conversation with a senior executive at AIG, talked about a conversation he once had with company founder Starr about the risk of public companies. He wistfully said, "I should have listened. This would not have happened if we were still private."

Removing the boss has become standard procedure in twenty-first-century corporate investigations, especially ones mounted by Spitzer. In this case, Spitzer promised he would not bring criminal charges against AIG if the company cooperated in his investigation. Translation: Help me nail the bad guys, your bad guys, and you get off with a slap on the wrist; otherwise, you're toast. AIG's directors gave Spitzer what he wanted, and then some. At the end of April the board released the results of its own investigation of accounting irregularities. Though the language was vague, the report made clear that bad things had been done, and that they had been done by Greenberg and Howard I. Smith, the chief financial officer who also was forced out in March. AIG didn't name the two, but said all the malfeasance was carried out at "the direction of former senior managers."

Through all this, AIG treated Greenberg in much the same way that companies regularly deal with executives suspected of selling trade secrets or embezzling. The company would not let Greenberg clean out his office until mid-May, and even then held back papers pertaining to two other companies Greenberg chaired that are independent of AIG but closely linked to it. AIG also kept a Van Gogh and some antique furniture pending a clear determination of ownership.

All standard procedure, except that there is nothing standard about Hank Greenberg or AIG. When the board forced him out, Maurice Raymond Greenberg had been running AIG longer than the CEO of any other major U.S. corporation. (Greenberg appropriated his nickname from Hammerin' Hank Greenberg, a Depression-era slugger for the Detroit Tigers.) He had been No. 1 at AIG for 37 years, ever since founder Cornelius Vander Starr turned over the then-private company to him in 1968. The closest to him in tenure among large-company chairmen was Richard Schulze, who founded Best Buy in 1966. Schulze, however, relinquished the role of chief executive in 2002.

Greenberg also was far older than any of his peers. At 80, he was long past the age when most people slow down at least a bit. Not Hank. He was determined to stay on the job as long as his health permitted, and it seemed that nature might allow him to reign at AIG for quite a while longer. Greenberg is a remarkably young man for his years. His mind, everyone close to him agrees, is as sharp as ever. His face looks more like 70 than 80, and his physical condition is said to be

that of a very healthy 60-year-old. He is notoriously impatient and short-tempered, like many older persons, except Hank has always been that way. Moreover, Greenberg comes from long-lived stock. His mother lived to 105 and her mother, by some accounts, worked until she died at 108.

Greenberg is much more than a survivor, of course. In the nearly four decades that he ruled AIG, he transformed a modest company in the insurance business into not just the largest insurer in the world, but also the No. 9 company (ranked by revenues) on the Fortune 500. AIG's \$850 billion of assets at the end of 2005 made it the fourth largest company of all kinds in the United States when measured on that basis. Back in 1968, AIG was best known for being an insurance agency, selling the policies of other insurers to customers in Asia, Latin America, and Europe. It also operated its own life insurance companies in Japan, Hong Kong, the Philippines, and around Asia and owned the majority of several domestic companies, but all of that didn't stack up much next to the giant insurers in Hartford, New York, and Boston. By the turn of the new century, AIG had totally eclipsed Equitable, John Hancock, Aetna, Travelers, Continental, and all the other companies that had towered over it 30 years before. In the process, Greenberg provided long-term returns to his shareholders that only a handful of companies (Buffett's Berkshire Hathaway is one) could top. Greenberg also made himself seriously rich. His holdings of AIG stock alone were worth more than \$3 billion, and he ranked No. 47 on the Forbes list of the 400 richest Americans.

Given his accomplishments, it may seem somewhat surprising that Greenberg isn't routinely ranked in the Parthenon of business titans, men like Henry Ford, Alfred P. Sloan, and Samuel Colt, or at least among lesser heroes of the modern age, like Warren Buffett, Walter Wriston, or Louis Gerstner. The reasons for so few accolades are several. First, Greenberg's stellar success came in insurance, and insurance is inherently recondite and dull (even if it wasn't dull as practiced at AIG). More important, Greenberg's innovations weren't ones that are readily transferable to other industries or even, it appears, to other insurance companies. Many AIG executives left for other insurers over the years to apply what they had learned from Hank, but none managed to duplicate what he had wrought.

Greenberg's remarkable, sustained success at AIG and his consummate skill at manipulating situations to his advantage make his downfall all the more surprising, as we shall see, but the way he achieved his victories may actually have made his comeuppance all but inevitable in the post-Enron era. To say that Greenberg ruled AIG understates the measure of control he kept over the company. He was an archetypal autocrat, one who knew every detail of the company's operations and, incredible as it seems, persisted in trying to micromanage the business even as it grew to nearly \$100 billion in annual revenues. He was demanding, exacting, and frequently explosive with subordinates, so much so that he drove two of his sons out of the company after they had risen to its highest ranks, by all accounts on merit rather than favoritism. Nevertheless, those who tolerated his frequent sarcasm and occasional tirades, and also delivered the goods in terms of growth and profitability, were rewarded more richly than CEOs at other large companies.

Over the decades, Greenberg worked indefatigably to be recognized as the smartest, canniest, and most successful insurance executive in the world, the brilliant exception in what normally is a numbingly mundane business. Insurance, after all, is the domain of actuaries, people who are said to choose their profession because they lack the personalities to be accountants. Greenberg's brilliance manifested itself in several departures from the normal course of the insurance business—none all that revolutionary on its own, but dynamite in combination—in relentless execution of his strategy, and in demanding that his people regularly achieve goals that others treat as mere aspirations.

Throughout modern times, the insurance industry periodically has had a plague visited upon it known as the underwriting cycle. The cycle works like this. As competition heats up, especially in commercial coverage, insurers cut their premiums (the price of their services) to maintain or increase market share. Inevitably, it seems, premiums across the industry drop to imprudently low levels, ones insufficient to cover the subsequent claims. When those claims—and losses—materialize, typically from a rash of natural disasters, the freshly scorched insurers jack their prices back up and walk away from business that they fought over the year before. Then, as profits recover, the insurers once again bid premiums down to potentially ruinous levels. Many insurers are

willing to let their income from investing the premiums cover the difference between the premiums and the claims they later have to pay. Not Greenberg and AIG.

Greenberg, who spent his entire career in insurance and understands its economics as well as or better than anyone, knows that success depends absolutely on getting adequate compensation for the potential loss one is underwriting—and preferably getting a premium that is much more than just adequate. AIG always wanted a bigger book of business than its competitors, but not if that meant suffering underwriting losses that ate into the investment returns from its premium income.

One way to reinforce pricing discipline was to eschew the lines of coverage that other insurers were chasing most aggressively. Another was to insure risks that others didn't want, business where the lack of competition enabled AIG to keep premiums quite comfortably high. As a result, AIG became the leading seller of directors and officers liability coverage, which insures corporate officers and directors against claims for personal malfeasance. Few companies actually file claims under the coverage, but no prudent executive will accept a board seat without it. AIG also has been the leader in kidnapping and ransom insurance for First World executives posted to Second and Third World operations in places like Colombia, Mexico, and the former Eastern bloc. Greenberg once commented that many executives are kidnapped each year, but many, many more aren't kidnapped but do buy insurance.

While one part of the Greenberg profit formula was to charge high premiums, another was to pay as few claims as possible. To that end, AIG has always had a notoriously tough claims department that is famous for finding reasons to send policyholders away empty-handed. The company was so tough, in fact, that some portfolio managers joked that they loved to buy AIG stock, but they would never consider buying an AIG policy. There is nothing wrong with that approach, of course, provided that it isn't carried to such lengths that it drives business away. Management's first and foremost obligation is to make as much money for its shareholders as it can. Its only real obligation to policyholders is to honor the contract.

Another of Greenberg's signal innovations was in the area of incentive compensation. A congenital quandary in any business is how to

motivate salespeople most effectively. How do you get them to focus on the true profitability of what they sell rather than just top-line sales? Too often, salespeople will give away the store—in the form of price cuts, promises of extra service, or generous payment terms—in order to land the business and collect a commission. The problem is particularly acute in fields like banking and insurance, where the ultimate risks—loan defaults or policy claims—are not truly knowable until long after the sale is made, and often do not happen until the seller has moved on to a new territory or even a new company.

Greenberg's solution was a unique compensation scheme, one that "differentiated AIG from all other companies and created a culture that was unique in corporate America." He rewarded AIG's top producers with interests in two outside companies called C.V. Starr and Starr International (SICO), both named after Cornelius Vander Starr. (It was their papers that AIG would not let Greenberg remove from his office.) The two entities owned significant blocks of AIG stock and C.V. Starr did lucrative business with the company, but they were technically independent of AIG. Participation in SICO for good performers, and in C.V. Starr for the company stars, acted as both a long-term incentive and a highly contingent form of deferred compensation. The power of these incentives to feed the bottom line of AIG hinged in part on the fact that SICO and C.V. Starr prospered only so long as AIG prospered as well. The participants got some current cash from the entities, but the real payoff came from the appreciation in the companies' holdings of AIG stock. If AIG did not do well, neither did the participants.

The myth of AIG with its founding in China, the belief in its uniqueness and the thought that it could never fail created a cadre of true believers. They believed in the company, were assured it would always be a success and had confidence they would be well taken care of as a result. And many were for a long time. But AIG's near collapse in September 2008 was a stunning blow to many.

One was Jack Lancaster, a charming, brilliant Bermuda custom officer who rose to the Presidency of AIU and whose son is married to Norman Mailer's daughter. Jack is not despondent, but he will never have the wealth he had before. One of many believers in the company knocked for a loop.

That was just one of the wrinkles in Greenberg's system. Another was that the actual ownership of interests in the two entities did not vest until an executive reached the age of 65. Anyone who departed before then forfeited his or her interest, leaving more money in the pot for those who stayed. What's more, the participations were not fixed. If the business a person wrote ultimately went sour, or if profitability faltered in one's division, Greenberg could, and did, adjust the participation downward. The system forced managers to focus on sustained, long-term performance and provided ample motivation to deliver the "three 15s" that Hank demanded—15 percent revenue growth, 15 percent profit growth, and 15 percent return on equity. And the costs of the compensation didn't show up on AIG's income statement. The rewards for those who delivered year after year were truly enormous: Many in the C.V. Starr club became centi-millionaires, and one in addition to Greenberg reportedly is a billionaire. Indeed, C.V. Starr was known within AIG as the billionaires club (although as several current AIG executives pointed out to me, more money could be made out of SICO). When it came to everyone else, though, Greenberg was a classic skinflint. AIG was famous for paying its rank and file substantially less than the norm at other large insurers. Even basic pay for its executives was low. They made up for it with stock options and participation in the private incentive plans.

AIG's famous aggressiveness as a competitor has been matched by an equally aggressive approach to government and politics. Few industries are as regulated as insurance. Each of the 50 states has its own insurance department, with its own rules governing companies doing business in its territory. More important, AIG also had to deal with governments and regulators in more than 100 countries around the globe. Its middle initial, after all, stands for International, and AIG's roots are abroad. The company started not in the United States, but in Shanghai in 1919, and virtually all its operations were outside the United States for the first 30 years of its existence. One senior AIG executive insists that Greenberg was a liberal Democrat until McGovern was nominated. Then he became a conservative Republican. Hard to believe.

From its inception, AIG had to court regulators and politicians to win permission to do business in their countries. Even when it succeeded, it still had to wrangle again and again over specific business practices, over moving profits out of the country, and at times over

attempts to expropriate its businesses. As the company grew, it developed a highly evolved culture of political exploitation. Step one, wherever possible, was to cultivate critically important relationships with political leaders. Step two was to fortify its influence abroad by cultivating even stronger relations with the U.S. foreign policy establishment. One manifestation of that was Greenberg's leadership role with the Council on Foreign Relations in New York. His interest in foreign affairs plainly is genuine; the head of a company as far-flung as AIG has to care deeply about world affairs. Fortunately, his very active role happens to be one that served the interests of AIG as well.

The tight relations with U.S. policymakers gave AIG the genuine clout to pursue a take-no-prisoners policy when cajolery failed to get what it wanted. If a country threatened to seize AIG's assets, as various nations did over the years, AIG could credibly respond with a counterthreat of U.S. trade sanctions against the country. All this was done quietly, of course, but quite effectively. AIG even secured legislation in Washington that could cut off a country's textile exports to the United States if it denied insurance licenses to U.S. companies. AIG played hardball at home as well. One famous case involved the Delaware Insurance Department, which in the mid-1990s was investigating whether a supposedly independent Caribbean reinsurance company was actually controlled by AIG and should be consolidated on its books (a question very similar to ones Spitzer was asking in 2005). AIG responded by having private investigators snoop on the snoopers in Delaware.

**A** real asset in advancing AIG interests abroad was Hank Greenberg himself. His contacts around the world are legendary and are sorely missed by the new AIG management team. Whenever he went to the Philippines in the 1970s and early 1980s, he dined with President Marcos and then was debriefed by the CIA, part of the continuing symbiotic relationship with the intelligence community that started with Starr and continued with Youngman, Tweedy, Greenberg, and others. The *New York Times* magazine once ran an interview with CIA Director Bill Casey in which he commented on the few individuals outside government he tapped most often for advice. One was former Nevada Senator Paul Laxalt. Another was Hank Greenberg, who, needless to say, was absolutely

furious over the article. “How in the hell,” he asked me, “can you possibly conduct covert operations when you end up in the *New York Times*?”

One consequence of AIG’s intense political involvement, and of having to live in a world defined by myriad rules, was an odd sense of entitlement. When possible, AIG shaped the rules to its interests; when not, it bent them to its purposes. On occasion, it flouted the rules. In many cases, it operated as close to the edge as it had to in order to achieve its business goals. Given that mind-set, it hardly is surprising that Greenberg may have pushed the envelope on finite insurance contracts or stretched accounting principles to report the earnings he wanted. If someone did object, the company could defend, rationalize, or explain away just about any action. Greenberg would make his stock reply to almost every criticism (“You don’t understand insurance”), and then the lawyers and lobbyists would make the problem go away.

Whatever the case, the actions in question cost Greenberg dearly, and not just at AIG. The scandal compelled him to give up his leadership positions at some of the nonprofit institutions that are an integral part of the New York power structure and had been an important source of prestige and influence for both Greenberg and AIG, but where he would now have to deal with some of the same directors who forced him out of his own company. He quit the board of the American Museum of Natural History, an organization to which the Starr Foundation, which he chairs, gave \$35 million and whose president, Ellen Futter, is on AIG’s board. He also resigned from the board of the Asia Society. Hank used to head that board, but it now is chaired by former U.N. Ambassador Richard Holbrooke, another AIG director.

One board seat Greenberg did not relinquish was at the Council on Foreign Relations, the old-line bastion of the foreign policy establishment. Greenberg served as its vice chairman for many years, and was elected an honorary vice chairman when his last term ended. When the scandal broke, the council quickly amended the Greenberg biography on its website, euphemistically describing him as the “retired” chairman and CEO of AIG. Less kindly, the council quietly removed the flattering portrait of Greenberg from the gallery of current and past leaders in the Rockefeller Room of its East 68th Street headquarters.

Something I had never noticed was pointed out to me by a high-powered member. All the other portraits—from David Rockefeller to John J. McCloy—show conservatively suited dignitaries seated in a library or what looks like a library, while Greenberg is standing outside on the top balcony of his headquarters at 70 Pine Street with a view of Manhattan behind him. It not so subtly conveys his powerful role in the business capital of the world—a striking contrast to the other leaders in the room. He looks dynamic, attractive. The woman who pointed this difference out to me claimed she heard Greenberg had demanded this distinctive portrait. Did he really demand this painting? Les Gelb, president emeritus of the council, says absolutely not. He explained that when a picture is commissioned, the honoree is given several artists to work with. Greenberg picked one he liked and delivered this picture. It is certainly in stark contrast to every other painting in the David Rockefeller Room, and it is the only portrait of a vice chairman hung in the room. The rest are chairmen and presidents of the council. But, as Gelb points out, there are also portraits of lesser than vice chairmen in this room—such as past directors of the council.

When I told Les why Attorney General Spitzer considered “Greenberg the most powerful businessman in the world and his Council involvement was one reason,” Les was quiet for a minute then said, “I am blushing.” Spitzer had said, “The AIG CEO has relationships with leaders around the world that surpass relations any other CEO has. He was at the vortex of where many different streams merged. A very significant player with the Council on Foreign Relations and others.”

Regarding his portrait at the council—it has been rehung. Les advised me to ask his successor, Richard Haass, how it came to be removed. Les said he asked and was told the Rockefeller Room was being shown to prospective renters of the room and it was decided there were too many pictures, which would discourage those who wanted to use it for events. Therefore, several were temporarily removed. Some speculate that the council precipitously removed it in the embarrassing heat of the Greenberg scandal, got considerable grief from those who felt Greenberg had done a great deal and been very generous to the council, and quietly rehung it. Haass’s office told me

he was uncomfortable about discussing council board members and could not meet with me.

He subsequently called and we met but the book was already at the printer. I promised to include the results of our interview in the paperback.

Haass described Hank as a model director who cares about the council, is interested in foreign policy, knows a great deal about Asia, and is generous with his time and resources. I learned from Les Gelb that the Starr Foundation, which Greenberg chairs, has given over \$15 million to the council.

Regarding the photos, Haass stated strongly that for events like weddings, since the Greenberg photo was at that time on one wall overlooking 68th Street, it was removed for picture taking. (The picture is now on the opposite wall.) He said paintings only come down because of events where the council rents space or for physical protection if the room is too crowded.

As to whether it was rare for a vice chairman, as opposed to chairmen and presidents, to have their photo in the David Rockefeller room, Haass pointed out that for a number of years Greenberg was a close partner with Pete Peterson, then chairman of the Blackstone Group, who served as council chairman for some 15 years. They worked together in leading the council, so it was natural that Hank's picture would be hung in recognition.

We talked about the sensitivity of Hank being a director and working alongside Richard Holbrooke, Martin Feldstein, and Carla Hills, directors of AIG, which had ousted him. Greenberg is especially angry at Holbrooke and allegedly says he will give no money to the Asia Society, which Holbrooke chairs, until he leaves. Haass said that directors compartmentalize very well. They come to the council for council business and he has never seen their other agendas intrude on the council.

I noted a senior office of the council told me that whereas Gelb got on famously with Greenberg, Haass does not. Haass disputed this, noting they first met in the 1990s, when the council had a task force on U.S. intelligence policy, which Hank chaired and which Haass served as executive director. They have known each other since and

work together well. He described Hank as a strong personality who talks very directly, something he (Haass) is comfortable with.

He summed up by noting the AIG story was one of the great American business stories of the second half of the twentieth century.

The great irony in the AIG affair is the apparently modest degree of accounting chicanery. In the other great scandals of recent years, companies manufactured profits out of thin air to hide reversals that effectively doomed the enterprises. Enron leveraged itself into extinction while pretending to be a money spinner. WorldCom and Adelphia were forced into bankruptcy reorganization and ultimately sold for just a few percent of their former values.

The AIG numbers sound almost as big. The board's report at the beginning of May said that reversing improper accounting entries since 2000 would knock \$2.7 billion off the company's net worth. That sounds like a lot, but not if you consider how enormous AIG is. The figure comes to only 3 percent of the company's equity capital, and substantially less than a single year's earnings. What's more, corrections of other accounting errors in those same years would add back \$2.4 billion, so that the net change came to just \$300 million. The net figure is chump change for AIG. Even the bigger \$2.7 billion number is not large enough, by itself, to have a material impact on the value of the business.

Legal or not, Greenberg's actions were nothing like those of the other boardroom bad guys, who tried to fool investors by grossly distorting their numbers. Instead, if Greenberg did anything, he was simply injecting a little Botox into the balance sheet and fine-tuning the earnings reports to maintain the image he found so supremely important. Not so long ago, that kind of earnings "management" rarely brought more than a modest reprimand. The rules changed after Enron, of course, but Hank must have assumed that the changes, like so many other regulatory annoyances, weren't really relevant, or if they did apply to him, he could bluff his way through them as he had so often in the past.

**T**he bottom line is that Hank Greenberg was forced out of a great company, one of a kind—a company with a dramatic and unusual history, very different management practices, an innovative offering of

products, traditions unlike those in other businesses, and an extraordinary system of compensation.

The company was founded on a shoestring in Shanghai, China, before American businessmen really thought of going abroad, by an unusual entrepreneur, C.V. Starr, a young man who had very limited insurance experience but a great deal of self-confidence, moxie, and affection for the Chinese people. Starr's operating philosophy was not that you needed to know insurance. In fact, that was the least of his concerns. What you did need was to be ambitious, hungry, hardworking, creative, and dedicated to his company. Thus early on he attracted a group of talented people who knew nothing about the business. Among the founding fathers were Russian refugees and Chinese scholars. They would have to learn the business as they went—and they did.

True winners in the Starr companies were the real risk takers. Not only risk takers on what they insured, but risk takers in their other business decisions as well. Starr constantly took risks as he expanded his companies across Asia. Greenberg is the risk taker par excellence right up to the present by bringing lawsuits against AIG to recover \$15 million in lost property and to protect \$20 billion in stock owned by one of the AIG-related entities he still chairs and whose stock AIG claims rightfully belongs to it.

The company has always held great allure. It was swashbuckling and entrepreneurial, headquartered in Shanghai. Legends and stories naturally grew up around the company and soon were accepted as absolute truths. I get to the bottom of many of these legends in this book—some were bunk, some were partially true, others were absolutely true. Starr eventually had offices in Mexico City, Havana, Hanoi, and Paris and everywhere else exotic, but not in the insurance capital of America—Hartford. The company offered unlimited opportunity. It could grow and expand all over Asia (and later everywhere else). One lived in an exotic locale, places where anyone with even a modest income by U.S. standards could live like a king with a huge home full of servants, club memberships, and other perks of living abroad. Upper middle managers enjoyed a life reserved for only those at the very top of the wealth chain back home.

While insurance seems inherently dull from the outside (and generally is), this was insurance in the developing world, where nothing is routine or cut-and-dried. The company reinvented insurance in these countries. It came up with new coverages, operating without loss experience, without actuarial tables. It made insurance a very interesting business. Some would argue that if this disproves the allegation that insurance is dull, it suggests instead it is simplistic. The examples in this book of the kinds of previously unheard-of insurance coverages provided by American International, like expropriation insurance, refute this assertion.

A number of children of managers joined the company, making it one of those rare places where the second generation of management really was the second generation. The one glaring exception was Starr himself, who had no children. Perhaps the one thing drawing children of executives into the company was the very fact that there was no second-generation Starr to inherit the top spot. Even if they didn't get the very top job, at least they could have hope that their ultimate new boss would be someone who earned it instead of inheriting it. Or maybe the children were simply attracted by all the company's allure. Or it could be they saw the company as an "extended family enterprise."

Over time, the compensation paid to the top managers was phenomenal. Many millionaires and a few billionaires were created through a combination of stock options, involvement in Starr International (a Panamanian corporation that puts away AIG stock for participants), and becoming a shareholder of C.V. Starr, the owner of a number of insurance agencies.

In the end, AIG became the world's largest insurance company, the first reverse U.S. multinational, a company founded abroad by Americans that came to the United States only later in its corporate life, and the owner of numerous other businesses such as International Lease Finance Corporation, the world's largest airline leasing company.

There is no way to understand AIG today, and the trouble that Greenberg and the company got in, without understanding its beginnings and development over 90 years. It is an atypical history peppered with a cast of colorful characters of many nationalities that could be a lively movie instead of the story of an insurance company.