



AIG backs off joining suit against U.S. Bailout • Fearing backlash, firm leaves ex-CEO to pursue legal action alone.

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Afraid of looking like a world-class ingrate, AIG on Wednesday decided against suing the federal government over the \$182 billion bailout that saved the giant insurance company from collapse.

American International Group Inc. was put in the awkward position of having to consider joining a lawsuit brought against Uncle Sam by its former CEO, Maurice “Hank” Greenberg.

The suit claims that the terms of the taxpayer-funded bailout were too onerous. The government received a huge stake in AIG when it bailed the company out at the height of the 2008 financial crisis. AIG has since paid all the money back and notes that the government made a profit of \$22.7 billion.

The timing could hardly have been worse for AIG. The company is in the midst of a “Thank You, America” ad campaign to show its gratitude for being rescued from the brink of collapse.

The prospect of the insurer joining the lawsuit had already triggered outrage. A congressman from Vermont issued a statement telling AIG: “Don’t even think about it.” Comedian Andy Borowitz likened the insurer to somebody suing a fireman for ripping a designer jacket after rescuing them from a burning building.

AIG, which was legally obligated to consider joining the lawsuit, demurred. The company said it would not join Greenberg’s lawsuit and wouldn’t permit Greenberg to pursue his claims in AIG’s name.

“The majority of directors decided that the reputational damage was greater than the possibility on a long-shot lawsuit,” said John Coffee, a professor at Columbia Law School who specializes in corporate and securities law.

AIG's CEO Bob Benmosche told CNBC in a televised interview that the company would be better off in the long run without the "headwinds" of the lawsuit and should look forward, rather than focusing on the past.

David Boies, an attorney who represents Greenberg's company, Starr International, said in a statement that AIG's attempt to prevent Starr from pursuing its claim was against the interest of the company's shareholders.

The insurer nearly imploded after making huge bets on mortgage investments that later went wrong. Regulators were concerned that if it were allowed to fail it would send shock waves through the financial system, which was already reeling as Lehman Brothers collapsed.

The company became a symbol for excessive risk on Wall Street and a touchstone of public anger. It was criticized by some members of Congress for spending \$440,000 on spa treatments for executives only days after it was bailed out and for the millions of dollars in bonuses it paid to executives.

Since the financial meltdown, AIG has undergone a restructuring that has halved the size of the company, with the twin aims of focusing on its core insurance operations and repaying the government's bailout cash.

AIG stock closed up 11 cents, or 0.3 percent, to \$35.76 in Wall Street trading Wednesday. The stock has gained more than sixfold since bottoming out at \$5.86 in March 2009.

The insurer spun off Asian life insurer AIA Group in Hong Kong's biggest initial public offering in 2010, raising \$20 billion, which was used to pay bailout debt. AIG also said last month that it would sell 90 percent of its airplane leasing unit, International Lease Finance Corp., to a Chinese investor group for \$5.3 billion.

A federal judge has already dismissed one \$25 billion lawsuit brought by Greenberg's Starr in November 2011.

Mark Calabria, a former senior Republican aide on the Senate banking committee, said that although AIG had a duty to listen to its shareholders, the board must have weighed the potential bludgeoning it would have endured from regulators, lawmakers and taxpayers alike, had it decided to sue the government.

"The Treasury Department announced last month that it sold all of its remaining shares of AIG after conducting six public offerings of the insurer's stock over 19 months. At the start of the sales, Treasury had owned 92 percent of AIG's outstanding common stock.

The Treasury said Wednesday that the lawsuit was "without merit" and welcomed AIG's decision not to support it.

In November, AIG reported a third-quarter profit of nearly \$2 billion thanks to strength in its insurance operations and investment returns. In the same period a year earlier it lost \$4 billion.