

New AIG head to get at least \$7 million annually

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In a regulatory filing Monday, American International Group (AIG) disclosed that it would pay its new CEO, Robert H. Benmosche, at least \$7 million a year. The 65-year-old former head of the giant insurance and investment firm MetLife will get \$3 million in cash and \$4 million in stock annually, and be eligible for another \$3.5 million in stock as part of an incentive plan.

According to the filing with the Security and Exchange Commission (SEC), the pay package has already received “approval in principle” from Kenneth Feinberg, the Obama administration official who oversees compensation for executives at seven large financial concerns bailed out by the government. AIG received more than \$180 billion in taxpayer-funded support—the largest of all the Wall Street bailouts.

Benmosche took over AIG on August 10, replacing Edward Liddy, a member of the board of directors of Goldman Sachs and former head of Allstate. Liddy was appointed by President Bush’s treasury secretary, Henry Paulson, the former CEO of Goldman Sachs, to pay off AIG’s debts and restructure the company.

Of the \$180 billion in government aid provided to AIG, at least \$13 billion found its way to Goldman Sachs, which held credit default swaps with AIG to insure it against the gambling losses the politically connected Wall Street firm suffered on the subprime mortgage market.

In March 2009, public outrage erupted over Liddy’s decision to pay up to \$165 million in executive bonuses, including retention bonuses to the London-based financial unit that was involved in the credit default swaps that bankrupted the company. In response Liddy gave up his bonus and announced he would work for a dollar a year as a “public service.” However, he retained at least \$3 million in stocks from Goldman

Sachs and was paid nearly half a million in compensation for air travel, housing and other expenses.

Despite the populist posturing by Democratic and Republican politicians, including President Obama, the AIG bonuses went through. It was later revealed that the head of the Senate Banking Committee, Connecticut Democrat Christopher Dodd—who first denied, then admitted to amending earlier legislation to allow the AIG bonuses—had received \$160,000 in campaign contributions from employees of AIG.

At the time, White House economic advisor Lawrence Summers insisted that the government, its 80 percent ownership of AIG notwithstanding, could do nothing about the bonuses. “We are a country of law,” he proclaimed. “These are contracts. The government cannot just abrogate contracts.”

Summers and other Obama administration officials had no problem, however, in abrogating the contracts of tens of thousands of auto workers who saw their wages, health care and pension benefits slashed as a result of the White House’s forced bankruptcies of General Motors and Chrysler.

Before leaving, Liddy said AIG would need to pay his successor significantly more in order to retain a “well-qualified individual.” CNNMoney.com reported, “Rep. Elijah Cummings, D-Maryland, who has been outspoken about his criticism of AIG’s bonus payments, has said AIG should be led by an executive paid a competitive salary who can help ensure the company pays back its sizeable debt to taxpayers.”

In addition to his compensation from AIG, Benmosche will retain 500,000 shares and 2.1 million options in his former company MetLife—estimated to be worth \$94 million at current share prices. Because of this, he will not receive any bonuses in connection with

any deals between MetLife and AIG, the company said in its filing.

Earlier this month, AIG reported second-quarter net income of \$1.8 billion, or \$2.30 a share, after six losing quarters in a row. A year ago, the company lost \$5.4 billion, or \$41.13 a share. Like the rest of the Wall Street banks, AIG's first quarterly profit since late 2007 is the result of the massive government bailout and the resumption of much of the reckless speculation that precipitated the crisis. AIG shares rose almost 22 percent after the earnings report.

While tens of millions of workers continue to lose their jobs, homes and see public services slashed to pay for the multi-trillion dollar Wall Street bailout, the huge payout to AIG's new CEO, along with the record bonuses going to banking and other corporate executives is an indication of who will benefit from the "economic recovery" the Obama administration has pronounced.



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