

Finding New AIG CEO Won't Be Easy, Say Consultants - May 26, 2009

Who would apply for a job that requires regular coach flights to Washington to be abused by Congress on international television, to run a company that in many ways symbolizes the financial crisis? And oh by the way, the person who formerly held this job earned \$1 a year. American International Group, Inc. (AIG), the once-proud insurance giant that now owes taxpayers \$85 billion, is about to find out who, if anyone, wants to fill the shoes of Edward Liddy.

The 63-year-old Liddy last Thursday announced plans to step down after a short, tumultuous reign as chairman and chief executive.

Consultants and experts said someone with political savvy, even an outright politician, might be best-suited for the job, given that the U.S. government owns nearly 80 percent of the giant insurer, and that billions in public funds are on the line. The government named Liddy CEO of AIG in September, just after it rescued the crippled insurer. It has since made some \$180 billion available to keep it afloat and, with Liddy heading for the door, now needs a replacement for a job that now pays a \$1 salary. But Liddy's short tenure as CEO is marked by the public scolding he received at the hands of lawmakers over bonuses paid to AIG's financial product unit, whose bad bets on mortgage-backed securities brought the giant firm to its knees last year.

That scolding may have satisfied the need for a scapegoat, but it also thins the ranks of job candidates.

"Congress acted grossly unprofessional, vindictive, and there are ramifications," said Johnson. "The next guy doesn't have to take this job, we're not going to get as good a person, and the American people will probably lose additional billions of dollars because of it."

Liddy, a former Allstate executive who was retired but took the AIG job largely in the name of public service, said he expects his successor to be paid a much higher salary than he accepted. But Americans, prompted in part by their president, attacked Wall Street compensation as galling and excessive as the country tumbled last year into a severe recession blamed heavily on banks and others in the previously high-flying financial sector.

"They narrow the pool substantially and increase the chances of making a bad pick if they get too chintzy" with compensation, said Bert Ely, political policy consultant at Ely & Co. in Alexandria, Va. "Given how poorly the government has conducted itself over the last six to eight months, it cannot make a convincing argument that the person they pick will not be a political punching bag," he said. The administration has no power over Congress, which is free to question the state-controlled company as it pleases. Liddy said Thursday he had no regrets but acknowledged it was not easy being the target of public fury. AIG, which now owes taxpayers more than \$85 billion, could take several years to restructure, sell off assets, and repay its obligations.

Liddy, who replaced Robert Willumstad, suggested the next CEO would come from inside the firm. But Gustavo Dolfino, president of New York-based headhunter WhiteRock Group, said the candidate should at least know how to steer a distressed vessel. "The right person is likely going to come from a portfolio company owned by a large private equity firm that put them there to turn it around and make it more profitable," Dolfino said.

Liddy said Thursday those leading the search for his successor will be announced next week, and that the process would not take more than a few months. (Reporting by Jonathan Spicer, editing by Matthew Lewis)