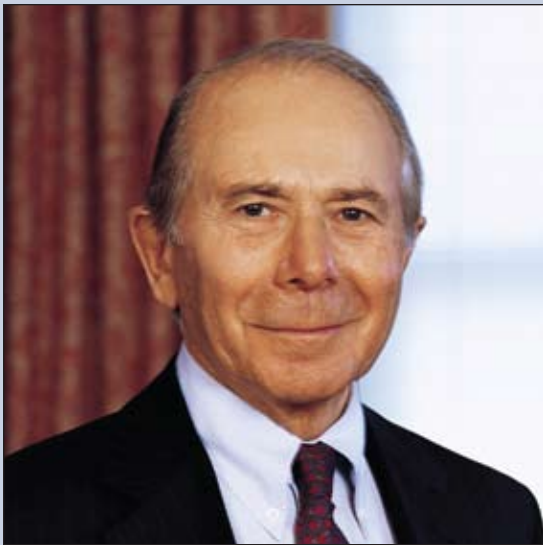


Greenberg's Outlook for Growth

An Interview with Maurice R. Greenberg,
Chairman and Chief Executive Officer, C. V. Starr & Co., Inc.



Maurice R. Greenberg

EDITORS' NOTE Maurice "Hank" Greenberg served as Chairman and CEO of American International Group, Inc. (AIG), from 1967 to 2005, during which time AIG grew from a \$300 million company to a \$180 billion company. At that time, he concurrently served as the Chairman of C. V. Starr & Co., Inc., a title he retains today, while also serving as the company's CEO. A veteran of the U.S. Army, he currently serves as Chairman of The Starr Foundation, Chairman Emeritus of the New York-Presbyterian Hospital and the New York-Presbyterian Hospital Foundation, Vice Chairman Emeritus of the Council on Foreign Relations (currently a board member), and a member of the board of overseers of the Weill Medical College of Cornell University. His own charitable enterprise, the Greenberg Foundation, focuses on education, medical research, human needs, and culture.

COMPANY BRIEF New York-based C. V. Starr & Co., Inc. (www.cvstarrco.com), is a privately-owned holding company with insurance agencies and a portfolio of global investments. The company has its origin in enterprises founded by Cornelius Vander Starr in 1919. In 1970, C. V. Starr sold the bulk of its assets to AIG in exchange for AIG common stock, retaining several small domestic agencies, along with certain real estate properties and other investments.

What are the main strengths of the different agencies within C. V. Starr? Are you happy with the growth that you've seen within each agency?

Yes, I'm very pleased with the growth of the agencies, because they went through a very difficult time after the transition from AIG. That type of thing is always disruptive. But that's well behind us now, and they've grown well, not just in business, but in stature and in confidence. I'm very pleased with the agencies. They haven't just expanded in the United States; they've also expanded internationally. The London operations are doing very well. The Asian operations are growing very nicely. Moreover, the people the agencies are acquiring as they expand are all professionals. Many of them had been associated with us before in one way or another. We're like a magnet: we attract very good people.

Do you foresee your current portfolio of agencies remaining consistent, or do you expect it to expand at some point?

The scope of the agencies is broadening. We have a focus on energy and have gotten into the offshore business and also property facilities. We'll continue to add products consistently, along the surplus lines and those kinds of areas. Starr Marine has broadened too. There are tremendous skill sets in all the agencies. In claims handling, they attract exceptional people and exceptional clients, and their engineering capabilities are terrific.

Is it challenging to differentiate among your competitors within those segments?

It's not what you say, it's what you do. We're getting business that comes from other companies, because other companies' rhetoric doesn't reflect reality.

Has the investment side of the business been strong? What is your outlook for growth in that area?

We've made a lot of investments throughout the world, in China and the United States – in many different sectors – and we have a new venture in Russia. I'm very confident, because we're investing not only through ourselves, but also through a number of private equity firms that we've had long-standing relationships with. Portfolio investments are suffering, but I have not lost faith in the U.S. economy. We are going through some turmoil, not only in the housing market, but with inflationary pressures on food. Plus, because oil prices are coming way down, there's not as much speculation in the energy

sector as there once was. We will do more drilling, both onshore and offshore, and we will be spending money on alternatives. There are many things we can do to become energy independent, and that's a sector we're investing in. So I'm relatively pleased with where we are on the investment side of the business.

Throughout your long career, you've seen many economic ups and downs. However, many leaders say this time it is different. Does the current state of things surprise you, or should we have seen it coming?

It didn't get there all of a sudden. Unfortunately, it's never just one thing that leads to the kind of downturn we are experiencing. Interest rates were so low and credit was so easy, and that led to exuberance that didn't justify the activity. House prices rose. People would buy houses then flip them a week or two weeks later, with no down payment. It was a bubble. The private equity firms were leveraging 10 to 15 times what the equity investment was. So the risk management was not as good as it should have been, and we're now paying the price for that. It will take some time to work its way through the system. I personally do not believe that housing will ever recover. But forever is a long time. There will be write-offs, and we'll continue to do write-offs. On the other hand, it's good that energy prices are coming down. We should not use agriculture crops for all alternative fuels, because all that's doing is raising food prices, and that's not very smart. But we'll work our way through this. Some common sense policies will make a difference.

Has the United States lost some of its competitive edge?

Periodically, we go through cycles like this in our country. We got overzealous about some regulatory aspects, which drove listings to London and Hong Kong. You need regulations, but they've got to be reasonable regulations, but they've got to be consistent regulations, and they must not be applied retroactively. You can't implement a set of regulations today and then apply it to things that happened three to five years ago, when the regulatory environment was different. That's unfair and unwise.

Across the spectrum, we are facing more competition than we ever have before. The global energy issues have made some countries far wealthier than they've been previously, and as a result, they have money to invest.

The sovereign wealth funds are going to play a more important role in the world. Capital is in different pockets, and it's going to have to be invested. China and India, as an example, are going to be more competitive in many areas, and that's good. If somebody can produce something cheaper than we can, that's good for us. It helps families to buy certain things that they otherwise would not be able to buy. But our strength has always been in creating new products and, therefore, new opportunities, and that's what we've got to continue to do. This means our education system has got to be maintained at the highest levels, and we need a regulatory environment that doesn't stifle the kind of growth that we need to achieve. All of this sounds easy, but in the real world it doesn't get implemented as evenly as it should.

You mentioned the need for our education system to be maintained at a high standard. Many talk about the challenges facing the U.S. education system. Are we on the right track?

It's a terribly large issue. Our universities are probably top in the world; our problem is the primary schools. We've got to have teachers who are trained in what they're teaching, and we've got to pay them a wage that is going to attract new talent. Plus, we need a system where principals know what they're doing and are properly trained to do that job, which is a managerial role. [New York City Schools Chancellor] Joel Klein is doing a good job trying to innovate in New York, but it's a countrywide problem. We must conquer that problem.

Does it require a public/private partnership? Is there a role for the private sector in this?

Yes, there's certainly a role for the private sector. There's a role for foundations. In fact, our foundation has been active in this area. My wife, for example, is very active in bringing arts to schools, which helps kids with learning. We've also got to get families involved. Kids can't just run loose after school and do nothing. We've got to get discipline ingrained in our society.

C. V. Starr was one of the first U.S. companies to go into China. Although the potential of China is often noted, many people talk about the challenges of actually making money there. What has contributed to your success there?

You can make money in China; it just depends on the business. In some countries, we've had companies compete with us for a short while, then pack up and go home. You've got to have a commitment to the country in question. You have to understand the culture of the country. You can't just take what you're selling here and think that everybody around the world will want your product that way. You've got to package it to fit the local community.

Is the potential for growth mainly in the BRIC countries [Brazil, Russia, India, and China], or are you focused on other markets and regions?

Opportunities are almost universal. When we invest, our job is to be innovative and produce new products that meet the new needs

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My job is to make people stretch themselves and to make them perform the best that they know how to.

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of a growing society. There are new things happening all the time that you can address. For example, we were the first to go into Iraq, where we provided coverage for contractors. They're in a hostile environment, but if you're in insurance, you're in a risk business. You have to understand risk, and you have to price it and manage it properly. So no matter where in the world they are, if new sources of energy are going to be developed, there will be new insurance opportunities. So the world is constantly developing new opportunities.

Do you ever worry that the reliance on technology we see today will detract from the people side of the business?

What technology does is create more opportunity, both from a marketing and from a communications perspective, and also for claims handling. It should make your business more effective and efficient than it was previously. If you're doing your job right, you'll have a better expense ratio, which gives you more flexibility to do other things. I never fear that technology is going to make us obsolete. If anything, it will make us more stable. If we stay on top of it, it will keep us on top of the heap.

Have you been happy with the team you've been able to put in place at C. V. Starr? Do people understand what a career in this industry can offer?

Yes. We're like a magnet for good people. We give them opportunities to grow, to use their own talents, to develop, and to sharpen their skills. They may not find that elsewhere. So I'm very pleased with the team we've assembled. You don't need an army, but you do need very good people.

How engaged are you in each of the agencies? Is it hard sometimes to step back?

I have a briefcase I take home every night. I don't have time to read everything during the day. But these are subsidiaries of the company, so I want to know what's going on. Sometimes I can spot something that can help one of the

agencies that they may have overlooked. I just want to be sure that they know that I know. If something doesn't look right, I talk to them. Or if it does look right, I want to be able to tell them they're doing a great job.

Is there close coordination between the different agencies?

Yes. They talk to each other all the time and work very closely. It's a very close-knit group of people, and the people like it that way. That's very important.

What does it take to be an effective and successful leader today?

The basic qualities haven't changed. Leadership requires a number of different things. You've got to have courage. You've got to have vision. You have to know where you want to take your organization. You have to convince the people who work with you that your vision is the right vision, and you've got to be loyal to your people. Those are the qualities that you really need.

How important is it to look for risk and to be willing to take a risk?

That's the basic business of being an insurer. There isn't a market in the world, including the United States, where the rates are so soft that you can't find opportunity.

Are you ever affected by what has been said about you and your particular management style?

No. I am what I am. I don't think I've changed very much over the years. Maybe I'm more mellow now than I was before. It's important to encourage people to perform as best they can. People should be stretched. It's for their own benefit. How do you grow unless you maximize your effort? My job is to make people stretch themselves and to make them perform the best that they know how to. Ultimately, if you can do that better than anybody else can, then you're getting far more from your organization than other people could. ●