



Interview with AIG President & CEO

Brian Duperreault

One of the most respected leaders in global insurance shares insights from over four decades in the industry with José Manuel Fonseca and Jamie Crystal

Brian Duperreault A forty-year career in insurance

Brian Duperreault is President, Chief Executive Officer and a member of the Board of Directors of American International Group, Inc. (AIG). Prior to assuming this role, he served as Chairman and Chief Executive Officer of Hamilton Insurance Group (Hamilton) from 2013 to 2017. Hamilton is a Bermuda-based holding company of property and casualty insurance and reinsurance operations in Bermuda, the U.S. and the UK.

Mr. Duperreault served as President and Chief Executive Officer of Marsh & McLennan Companies (MMC) from 2008 to 2012. Before joining MMC, he served for two years as non-executive Chairman of ACE Limited, an insurance and reinsurance company, and as CEO of ACE from 1994 through 2004. Prior to joining ACE, Mr. Duperreault held various senior executive positions with AIG and its affiliates from 1973, when he first joined the business, to 1994.

Mr. Duperreault is a member of the Boards of the Bermuda Institute of Ocean Sciences (BIOS), Johnson Controls, Partnership for New York City, the Geneva Association and Saint Joseph's University.

He is the former Chairman of the Board of Overseers of the School of Risk Management of St. John's University, New York and Chairman Emeritus of Blue Marble Microinsurance.

Mr. Duperreault holds a bachelor's degree in Mathematics from St. Joseph's University. He was born in Bermuda and is married with three sons.



Jamie Crystal (Alliant), Brian Duperreault (AIG), José Manuel Fonseca (MDS Group), Ralph Mucerino (AIG) @ AIG New York Headquarters

In May 2017, AIG announced the appointment of its new President and Chief Executive Officer. The role is probably one of the most prestigious, demanding and rewarding there is in the global insurance industry, so it would need an exceptional talent to take it on. The new incumbent already had a long history with the company, although he had spent two decades away from it. In fact, it had given him his first break in insurance. When Brian Duperreault was revealed as the firm's new leader, there was a positive response right across the insurance industry. The rest, as they say, is history. In AIG's centennial year, Mr. Duperreault spoke to José Manuel Fonseca, Chairman of Brokerslink and MDS Group CEO, and Jamie Crystal, Executive Vice President of Alliant Insurance Services, about getting the right mix of people and structure to secure AIG's future, the importance of the broker relationship and putting AIG's regional businesses back on track. He also shared some of the lessons he has learned from 40 plus years in the insurance industry.

AIG's historically wholly-owned global network was legendary. This has been impacted by recent divestitures, in particular in Latin America (in 2016 AIG agreed to sell some of its Latin American and European property-and-casualty insurance operations to Fairfax Financial). Do you plan to rebuild the network with wholly-owned subsidiaries or will you also consider MGA representatives?

We prefer wholly-owned operations as you can better control their quality and activity. This kind of global network is great for multinational business. They are responsive and can deliver a consistent product around the world. Having them as part of your company on a wholly-controlled basis is ideal.

One of the great strengths of AIG is its network and you shouldn't dismantle this lightly, without real thought. These businesses took generations to establish and I would love to get them back but that might also take generations to achieve.

It is important to remember that AIG traces its roots back to Asia. We had an international presence long before we came to the U.S. In fact, we were in Argentina and Brazil before we were in America. During the Second World War, when it was very difficult to transact business in Asia and across Europe, the Latin American countries were especially

important to AIG. During that period, Argentina kept this company alive and when the war ended, it remained a very strong country for us. Perhaps our name should have been the International American Group instead!

The global network remains a strong and important part of who we are and what we do, and if this could be made up of more wholly-owned businesses, I'd do it in a heartbeat. But we do not have operations in every country, so have always had partnerships with companies in some countries and we continue to have these. The network's service quality and delivery through these partners is still high and we have made further improvements in how we do that and how we deliver the product.

Let me say, we have no current plans to divest from anything!

AIG and Brokerslink have a long-term partnership. How important is it for insurers and brokers to work together to achieve both local and global goals?

I know that it is part of Brokerslink's DNA to have strong local brokers whose core business is to understand and service their local market. That local presence means everything. You have someone there who understands what you need to do, to basically satisfy how



Cornelius Vander Starr, who founded companies that became AIG, and a potential customer outside of Shanghai, China, 1922.

business is done and the requirements of local regulation, or the particular needs of the insured in that location.

The broker relationship is the most important partnership we have. We understand the broker is representing the buyer of our product and recognise there is a process across the table, but we need each other, too. There is a partnership even in that context. We both recognise that and, if done right, and I think we are pretty good at it, there is an efficiency of interaction that takes place. But you still need to understand who's on the other side of that table. What are they telling you? Can you trust them? And that goes both ways.

By dealing with each other day after day, you cut out a lot of the inefficiencies. Different risks and different problems, solving them together and helping the client. One of the main reasons why AIG has been so successful is that we embrace the relationship with the broker; we don't want to supplant them or go in a different direction. We recognise their value and that goes way, way back. That was true then and is even truer today.

Are there areas where the broker can up their game? Technology is one. If we are going to tackle some of the inefficiencies, we cannot do that alone. It is in both our interests to do that.

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What was the rationale behind creating the new business units of General Insurance, Life & Retirement and Blackboard Insurance in September 2017? Is this to do with your ethos of having the right foundations to enable the business to grow?

We were organised along a Personal Lines and Life & Retirement business (which is predominately in the U.S.) versus Commercial and that made no sense to me. The Personal Lines, General and Commercial businesses shared balance sheets, offices, facilities and capabilities and yet they somehow were divided. I believe General Insurance should be General Insurance and Life & Retirement should be Life & Retirement. Both are very important component parts of the company, but they should be managed as unique entities. That was the primary reason for restructuring. The overall structure of these units is a natural division of how the company should be organised.

And it has helped us further organise our specialty capabilities, whether that is globally or by the kind of business we do. AIG has always been noted for its specialisation. Because of the efficiencies we can achieve and because of our size, we could put specialists together that had enormous capabilities on a global scale. Some companies want to be specialist, but they can never really scale up enough to truly deliver a specialty product. Historically, AIG had a whole portfolio of these products, but we got a little too general and blended that all together, and I didn't think this was the best way to operate.

We are now back to standing up units that are specialised, whether it's in high excess, Directors & Officers or Accident & Health: each unit has its own characteristics. We are putting the skillsets together that know the risks so well so that when a broker turns up with a problem, we know how to handle it. The broker may not have seen the problem before, but we have. That's why we started with changing the organisational structure and have then filtered the principles and beliefs down to the units. That's the game plan and, by the way, that was also the plan when I was cutting my teeth in this company in the 1970s. It's getting back to what made us great.

Can you explain more about the driver behind AIG's investments in Blackboard and Attune?

Attune and, particularly, Blackboard Insurance, are exciting initiatives in the digital and technical space. We have lots of business,



particularly in the U.S., which is focused on large, complex commercial risks. We haven't had as much success in the smaller, less complicated risk space. The idea was to look at how we address opportunities in that area. I had had this idea when I was running Hamilton Insurance Group and developed it in partnership with AIG.

Why did I want to bring it to AIG? Well, it started with a company called Two Sigma Investments, a firm that does quant investing using data and analytics to make very efficient decisions on some very complicated things. They are sourcing vast amounts of data and developing algorithms to enable them to take different views. This is exactly what we do as underwriters and insurers: we pull in lots of data from different sources to get a view of risk. Because of this similarity – albeit they are doing it to a much more sophisticated level – I wanted to partner with them to bring this whole world of data science, analytics and decision making and apply it to the insurance space. It has been a labour of love to set the technology up, but we are on our way.

The challenges of servicing these smaller businesses with high frictional costs are shared

by brokers and insurers. Most brokers have a minimum premium to address these frictional costs, and the actual loss component of the cost is relevantly small. If the broker is taking in minimum premiums and not making money, they are not happy. If you can squeeze out the frictional components, then everyone is happy.

But by using data and analytics, you can get to a straight-through processing model where you can serve small business more cost effectively. These businesses then benefit from having access to more complex insurance solutions that were not available to them before. Taking advantage of this developing science means you can not only make more effective decisions, but you can make better ones. More effective and efficient decisions – now you are twice blessed.

We are not talking about the machines taking over. But if you have a small and uncomplex risk that can be analysed and a decision made just on the data, without human intervention, then that is fine. However, as soon as you get into the complex world, and of course, SMEs can have some complexity and something different about them, you must have a person

involved because it's a harder decision. The machine cannot make the decisions, the technology has to enable humans to make better decisions.

In terms of Blackboard Insurance, we believe that 90% of the business can be triaged with technology assessing and pricing the risk. It then presents the 10% that needs people to deal with. Currently, 100% of these risks are getting the attention of the underwriter and that's inefficient. By marrying the process with data science, you create an efficiency so the underwriter can apply their genius where it's appropriate and not waste their time. We call it the '10x factor'; we want to make them 10 times more efficient.

You have talked about 'having the right people in the right roles pursuing the right strategy'. Since May 2017, AIG has made 30 senior appointments, internal promotions and hires across the company, including attracting back some former employees. What has driven these developments?

The company had lost a lot of talent over the years. But, just to qualify that, there is a lot of talent in AIG. When I came in, I was afraid we didn't have the talent we needed, but, in fact, we had plenty of it. However, we had thinned out the talent base; you could say we had used up 'our bench'.

I also knew we needed to bring in additional talent; people from other places who had seen things done differently and who could share that experience and help create a proper blend of knowledge and expertise, with cultural and institutional knowledge.

I knew why I came and I knew why some people had stayed; we all love the company. However, I wasn't sure if I could convey that level of appreciation to others and I worried about whether this talent would come to AIG.

But there is an amazing energy around this company about what we are doing, and we have attracted a lot of great people. Some had worked here before and wanted to come back because they had the same feelings about the place as I do. Others were saying "what's going on over there? That sounds like a place I want to be." This energy and the interesting group of people we have, makes this a mission worthy of the taking. It really was a very pleasant surprise to see the attraction of AIG to these people.

In terms of what we look for in our people, first and foremost, the skillsets need to fit the job. There is a culture in AIG which we do not want to lose. It is about being hard working,

being entrepreneurial, solving problems, being experts and service-orientated. I'm delighted to say the new people we have seen coming into the company very much fit that. As we look at what is needed going forward, I think we can bring in a lot more.



Offices at 17 The Bund, Shanghai, China, 1934

After 21 years at AIG, you left to pursue other senior roles. What attracted you back to AIG in 2017?

I was gone for about 22 years and during that time I did wrestle with the question, what would I do if I was asked, would I agree to come back? And then I was.

The decision was a head versus heart question. My head said, "don't do it". Now, that's not because I shrank from the work. I had a great job at Hamilton Insurance Group. We were innovative, and I was surrounded by very creative people and we were trying to do something different. It was fun going to work every day and I was having a great time. My head said, "you should just do that,

why would you want to lose this for something else?” But my heart was saying, “you can’t turn this down!” How could I turn down the company that gave me my start? I still had friends there and it needed me, so how can I say no? So, my heart won. If I look at all the decisions I have made in life, the best ones were from the heart, not the head.

When I first joined AIG in 1973 there was American International Underwriters (AIU) and the general insurance operation in the U.S. AIU had long-serving staff. I recall regularly attending 50th and 60th year work anniversaries. But the U.S. operation was still a young business, only having really got going in the late 1960s. It was a melting pot of activity; everyone in the business had come from somewhere else. In fact, I was one of the first trainees. That energy was what created our great domestic operations and it is still one of the strongest assets in the company today.

The cross pollination between the institutional, long-serving and the energy of the new worked. The blending of the energy of the domestic business and the continuity and history of the international business – which I experienced for myself – worked at AIG and made for a great company.



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You’ve been in the insurance sector for over 40 years, what are the most significant changes you’ve witnessed over this time?

Technology must be the major change. The insurance industry is far more sophisticated in terms of how we use data and modelling than when I first joined the business.

But perhaps the biggest change I have seen is around market sophistication. When I started, the U.S. was a kind of “Wild West”. Regulation was just starting but people were used to cartel-like approaches where the rates were fixed, and the only competition was who could get the broker to give them the business. And then deregulation hit the country. The lack of sophistication meant people were not prepared. There were a couple of big crises and for some, the pricing got so bad that companies were starting to fail. As a result of this cauldron of competitive activity, the ones that survived ended up being very sophisticated.

Then this all went global. Up to that point, most markets globally were not as competitive or as sophisticated as the U.S. Today, their sophistication is global: how business is done, the kind of skillsets you need to bring, and innovation is truly global.

The industry’s reputation in some sectors remains an issue to be tackled. We are in a business where most of the time, personal lines and small commercial customers pay us money and they get protection. When the year is over and nothing has happened, they ask “did I make a good trade there, did I actually get a good deal?”. The only time they might feel they get a ‘good deal’ is when they have a loss and a claim is paid, but they experienced the loss and that is not a good day! So, it is hard to get a warm and fuzzy feeling about your insurance policy and your insurance company. It’s probably different for the broker – they are the client’s best friend.



Jamie Crystal (Alliant), Brian Duperreault (AIG), José Manuel Fonseca (MDS Group), Ralph Mucerino (AIG)

We, in the risk-taking business, are always at a too large disadvantage when it comes to how people perceive us. It has been the same since I started in the industry and there hasn't been any solution to it yet.

However, in the larger and more sophisticated buying community, it is a different story entirely. One of the big questions I had when I walked back in the door here was, "what is the relationship with the risk management community like today compared to when I left"? The answer was it remains strong. We have great relationships with this community, and I was so happy with the reception I received from the buying community when I came back to AIG.

What advice would you give to someone starting out in the insurance sector?

First, there's advice I'd give to anyone going into any business sector. Do something you love and do it with people you feel comfortable around. If neither of those things are there,

then don't do it and go somewhere else.

For someone considering a career in insurance, I'd say I cannot think of a more interesting way to make a living. It's fascinating and we touch every element of society.

The skillsets required are quite diverse so we welcome all. If you have interest in anything from history to technology or pretty much anything in between, there's a job for you in the company.

The insurance industry does good for society. We put lives back together, we help companies, we take risk off the shoulders of our clients. The world is running away from risk, but we are the ones saying we'll step in for you. We do it in a very interesting way, the intellectual challenge is huge, and we have fun! You can't find that anywhere else.

Like many of us in the industry, I kind of tripped into insurance and I am so glad I did. I didn't realise what I was getting into. But if I'd known then what I know now, I wouldn't have hesitated.

Who in the industry influenced you the most and who do you particularly admire for their contribution?

This is an industry that attracts good people and there have been a lot of wonderful people I have met and known over the years. But at the top of the list is Hank Greenberg. No one else comes close. He's an amazing man and still going strong at 93 (He turns 94 in May 2019). How do you describe Hank? He's a force of nature and incredibly smart. There is a palpable charisma about him; very few people have this. When he walks in to the room, the atmosphere changes.

He was frightening but not because of his will. He starts asking you questions, and it doesn't matter whether you're the actuary, the accountant, underwriter, claims person or technologist, he will know the subject matter better than you do!

He has a drive for excellence, doing it right and, if there was a problem, fixing it before it became one. He was instrumental in creating this place (AIG) and the knowledge base. We learned from him and he made us all better at what we do.

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How is AIG celebrating its 100th birthday?

As a truly international business, AIG will mark its centennial this year on a truly global scale. We will be marking this very special milestone with a whole series of events and activities across the world involving our businesses, operations, staff, brokers and clients.

At the heart of the celebrations will be our people: they are our greatest strength and none of this would have been possible without them. We will focus on recognising how our employees, past and present, have delivered for our clients and served our communities. We will be sharing their stories, successes and the many contributions they make each day, excelling at risk, living up to their promises, and helping to make a better world.

The list of “firsts” that have been achieved since Cornelius Vander Starr founded the companies that eventually became AIG opened his is long. It includes becoming the first foreign company licensed in Japan after World War II, the first foreign insurer to open a representative office in Beijing since the Communist Revolution and to gain licenses from former USSR countries after the fall of the Soviet Union. AIG has also had pioneering roles in launching numerous insurance coverages, such as D&O, environmental impairment liability and cyber risk coverage.

The insurance industry will no doubt look vastly different in the future so this anniversary is also an opportunity to consider how we will position the company as a growing, profitable leader for the next century.

There is a dedicated website sharing our centennial stories and celebrations – www.100.aig – which I hope the FULLCOVER readers will find interesting. •

AIG in numbers

Building on 100 years of experience, today AIG member companies provide a wide range of property casualty insurance, life insurance, retirement products, and other financial services to customers in more than

80 countries and jurisdictions. These diverse offerings include products and services that help businesses and individuals protect their assets, manage risks and provide for retirement security.



25 Noteworthy Companies for Diversity list (third consecutive year), DiversityInc



100% Corporate Equality Index (seventh consecutive year); Human Rights Campaign

\$49.5

Billion

2017 Total Revenues

Nearly 50,000

Employees

at December 31, 2017

\$498.3

Billion

2017 Total Assets

Breadth of Customers Serving

88%

of Fortune Global 500 Companies

Global Footprint

80+

countries and jurisdictions serving AIG customers

Balance Sheet Quality and Strength

\$65+

billion in shareholders' equity

83%

of the Forbes 2000 at November 1, 2017

\$11.8

billion

in AIG Parent liquidity sources at December 31, 2017

Operating from ~160 offices in the U.S. and ~380 offices internationally

\$25.43 billion
2017 General Insurance Net Premiums Written

\$27.45 billion
2017 Life and Retirement Premiums and Deposits

Listed in Forbes Magazine's "America's Best Employers for New Graduates" for 2018

General Insurance

General Insurance is a leading provider of insurance products and services for commercial and personal insurance customers. It includes one of the world's most far-reaching property casualty networks. General Insurance offers a broad range of products to customers through a diversified, multichannel distribution network.

- Liability
- Financial Lines
- Property
- Special Risks
- Personal Lines
- Accident & Health

Life and Retirement

Life and Retirement is a unique franchise that brings together a broad portfolio of life insurance, retirement and institutional products offered through an extensive, multichannel distribution network. It holds longstanding, leading market positions in many of the markets it serves in the U.S.

- Individual Retirement
- Group Retirement
- Life Insurance
- Institutional Markets

Blackboard Insurance

A start-up backed by the resources of AIG, Blackboard Insurance is a data enabled, digital subsidiary that provides the commercial insurance industry with alternative solutions using digital technology, data analytics and automation.

Diversified Mix of Business (dollars in millions)

64%

General Insurance

31% North America
33% International

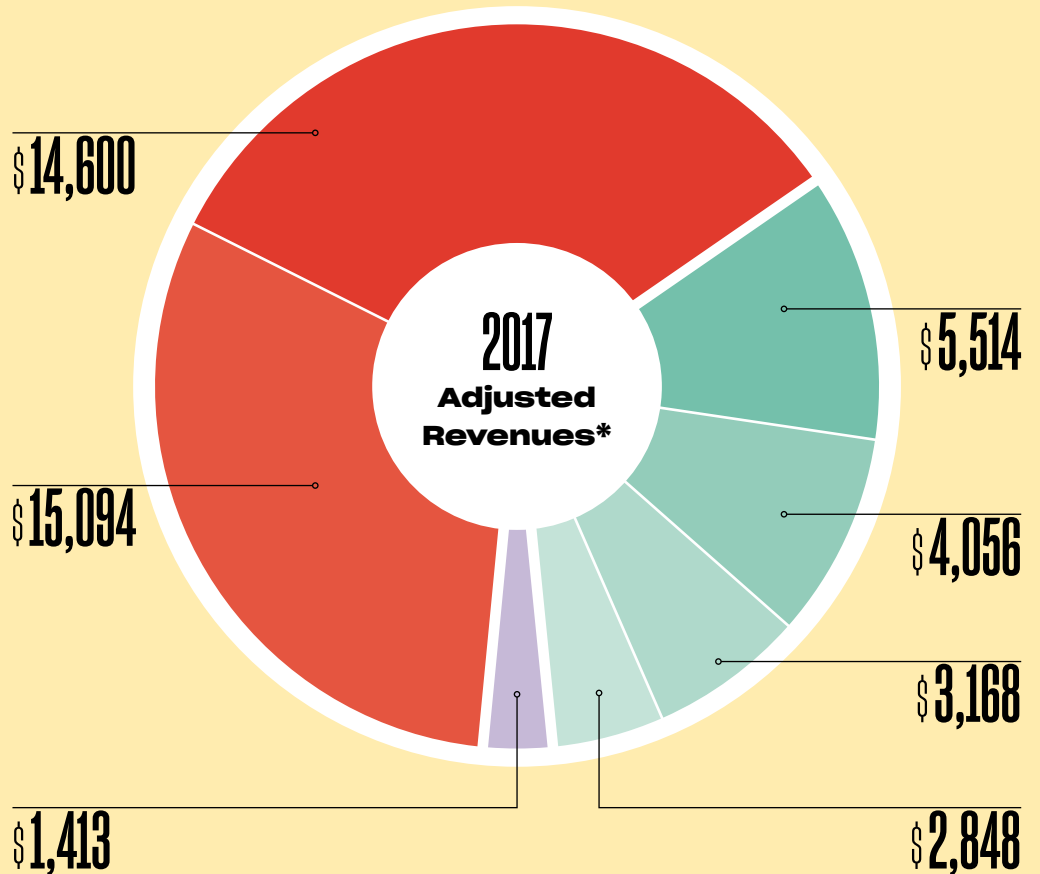
33%

Life and Retirement

12% Individual Retirement
9% Life Insurance
7% Institutional Markets
5% Group Retirement

3%

Other Operations



*Represents Adjusted revenues excluding revenues from AIG's Legacy Portfolio operations of \$4.4 billion. Consolidated International Adjusted revenues of \$15.1 billion consists of Adjusted revenues from our General Insurance International operating segment. Consolidated North America Adjusted revenues of \$31.6 billion consists of Adjusted revenues from AIG's General Insurance North America operating segment and Life and Retirement and Other Operations reportable segments.

A long-standing relationship

FULLCOVER visited the leaders of AIG operations in Iberia and Brazil, markets where MDS has also a strong presence.

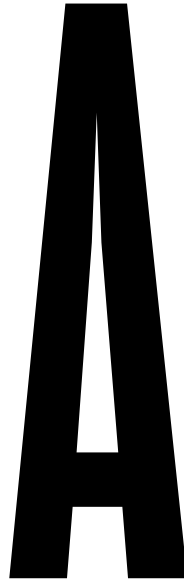


Benedetta Cossarini
General manager, AIG Iberia



Fabio Oliveira
CEO, AIG Brazil

Iberia



AIG has a strong history in Iberia – it's been present in Spain since 1954 and in Portugal for over 30 years. Almost 200 professionals service clients throughout the region, working from main offices in Madrid and Lisbon and local operations in Barcelona, Bilbao, Oporto, Sevilla and Valencia.

Through its innovative products and outstanding claims, underwriting and engineering expertise, AIG's developed a strong market presence in Iberia. Globally, AIG has a vast network and supports Spanish and Portuguese clients who

expand into numerous continents, from Latin America to Africa.

AIG has more than 20,000 clients in Iberia, from large corporations to small enterprises and individuals, and its portfolio is split 70% commercial insurance and 30% personal products. The company's a market leader for most specialist products such as D&O, cyber and environmental liability and it has strong products for liabilities, trade credit, personal accident, M&A, property and marine.

AIG's main focus is to build valuable partnerships with brokers and the firm has a long history with Brokerslink. Here MDS has been crucial to developing business over the years.

In Iberia, AIG is committed to its diversity & inclusion initiatives; it was given a Best Practice award, for integrating different generations into the workplace, by the Generations Observatory.

As of 1 December, the company started a new journey, as AIG Europe SA – a new entity based in Luxembourg. This is an important milestone, and under the new structure, AIG can guarantee contract certainty for clients, partners and colleagues, regardless of the UK's future relationship with the European Union.

Brazil

2019 is a special year for AIG, both globally and in Brazil. Not only is it celebrating 100 years in business (since first launching in Shanghai), but also a 70-year presence in Brazil. AIG Brazil employs more than 250 professionals across the country, working from their main office in São Paulo and five branches strategically located in Rio de Janeiro, Belo Horizonte, Curitiba, Porto Alegre and Campinas. They serve over 18,000 customers and provide insurance for leading national and international credit card brands, reaching approximately 100 million eligible credit card customers.

Alongside its MDS & Brokerslink partners, AIG has, over this period of time, experienced many phases of Brazilian history. The company's evolved and grown, specialised, innovated and introduced to the country insurance packages like M&A, D&O, environmental, cyber risk and others. Each year, AIG's been rewarded for its performance and in the last two years it received the Cobertura, Segnews, Segurador Brasil and the Gaivota de Ouro awards for work in the D&O, marine, civil liability, environmental and trade credit areas. In addition there was the Amiga do Seguro Award, for AIG's apprenticeship support.

AIG Brazil also leads the way in the insurance sector for its diversity initiatives and work to include and promote women and LGBT groups of people.

AIG's partnership with MDS & Brokerslink in 2018 enabled it to support almost 100 customers across varying lines, particularly in finance, property and liability. Every day, the broker's helped AIG put its mission into practice; to use AIG's professionalism and experience to help people and companies understand the risks they face and make informed decisions that enhance their security. •