

EXCLUSIVE: WHY I DESERVE MY BONUS March 18, 2009

In the wake of the financial meltdown of 2008, the general public was appalled to learn that some executives got fat bonuses even after their companies tanked. In fairness to these grossly maligned men (they were all male, I believe), I let one of them—a former VP of the insurance giant AIG-- have his say here.

OK, so I bagged a chunk of change: \$4,605, 321. 54, to be exact. But I'm here to tell you that I earned every penny of it before leaving AIG and I'm fed up with hearing everyone—*everyone*—whining about the bonuses paid to me and the 417 other members of the Financial Products division who worked so hard to shipwreck the firm. All these people screaming about the bonuses—from the big O and Tim and Barney right on down to Monsieur Etienne Colbert (and that's really getting down there)—need to hear from at least one of the decent, dedicated, hard-working men and women who got us into this mess. So here are my answers to the questions most commonly asked about the bonuses—mine in particular.

1. How can you leave the firm if this is supposed to be a retention bonus?

Easy. I left as a public service to the firm and to the nation, which now owns about 80 percent of the firm. Now that the firm has paid me over four million bucks, it **WILL NOT HAVE TO PAY ME ANY MORE**. Think of what that alone will save the American taxpayer.

2. Since your Financial Products division drove AIG so deeply into debt that it could not survive without massive federal help, how can you claim a bonus for such an abysmal performance?

Most people don't realize the amount of work it takes to build over one hundred billion dollars of high-risk exposure for a firm such as AIG. You have to be constantly on the watch against low-risk securities creeping onto the books because with them you'll get low-balled into cut-rate premiums that will slice into the firm's bottom line. Day by day, week by week, month by month, you've got to weed them out, and this takes constant vigilance and extraordinary self-discipline, because in the insurance business the temptation to write low-risk coverage—especially for solid securities based on document-backed mortgages that have been steadily performing without default for years—can be almost irresistible. It's the first thing I have to teach newcomers. **WATCH OUT FOR SAFE SECURITIES.** They're a lousy bet. They'll cut into our profits. They'll cut into our bottom line. And worst of all, they'll cut into your bonuses.

3. But how can you justify the gigantic risks you took?

That's what everyone keeps asking. Why should we have bet billions and billions on securities propped up by mortgages issued without any documentation on the borrower's ability to pay, and without any hard evidence of what the mortgaged properties were worth? Sounds like a great question but it's really a dumb one. Look. Let's face a basic fact: Americans are **RISK TAKERS**. We prize daring. We reward audacity. That's why we put Obama in the White House. Without a willingness to take risks, would we ever have invaded Iraq? Or chosen Bush and Cheney to lead us?

And one more thing: we backed those mortgages because we believed—we sincerely believed—that they rested on something far more valuable than documents, would-be “proof” of the borrower's ability to pay back a loan. The mortgages we insured rested on the American dream: home ownership. Who in good conscience could spit on that dream? How could anyone tell the young couple making \$850 a week stocking shelves at Wal-Mart

and waiting tables at the Pizza Hut that they couldn't afford to pay \$750,000 for a three bedroom split-level? Who wouldn't want to do everything possible to nurture their dream? Yes, I've been a risk taker, and I've been a dream maker. And my aim in life is to go on making dreams come true.

4. But since the top 25 executives of AIG have cut their own salaries to one dollar until the firm is solvent again, shouldn't you follow their example? Even though you're contractually entitled to it, shouldn't you give back your bonus—or at least half of it, as CEO Edward Liddy has asked?

Are you nuts? First of all I earned every penny of my bonus, as I've just explained. Secondly I NEED every penny of it. People who cry about losing just ONE house have no idea what it feels like to face the prospect of losing half a dozen. Look: I owe eight grand a month on the Park Avenue condo alone. 3500 a month on the weekend house in Southampton—and you wouldn't believe what's happened to its selling price since I bought it. Then there's the villa in San Tropez (it's only a LITTLE villa, for Chrissake), the pied a terre in Mayfair, the Newport cottage, the Palm Beach condo, the Aspen chalet—all mortgaged to the hilt, all sinking in value, all bleeding me white from one month to the next. And what if I couldn't make the payments? Foreclosure of course, but also further meltdown of the securitized mortgages backing up those properties. Further drain on AIG. The point is, we're all in this together. I've got to do my part to keep us from melting down completely. I've got to make those payments.

5. Since you clearly believe that you've earned all your bonus and since you're obviously proud of the work you've done for AIG, will you tell us who you are?

You know, I really wish I could. But I'm contractually forbidden to do so.

