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'Steady hand' Liddy picked to head AIG

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September 18, 2008

When the U.S. government on Tuesday arranged an $85 billion bailout plan for American International Group Inc., Treasury Secretary Henry Paulson didn't have to look long and hard for a new chief executive to run the troubled insurer.

In a time of economic crisis, Paulson, who headed Goldman Sachs Group Inc. from 1999 to 2006, turned to Edward Liddy, the retired Allstate Corp. CEO who has been on Goldman's board since 2003. Liddy, 62, will succeed Robert Willumstad, who is leaving after the government took control of the troubled insurer.

Liddy's experience at some major Chicago-area corporations undergoing restructurings is expected to serve him well as he oversees a company struggling with billions of dollars in subprime-mortgage write-downs. New York-based AIG, with $1 trillion in assets, lost $18 billion in recent quarters.

He served as chief financial officer of Hoffman Estates-based Sears, Roebuck and Co. and of Skokie-based G.D. Searle & Co., where he worked under former Secretary of Defense Donald Rumsfeld. Liddy led Northbrook-based Allstate's initial public offering and 1995 spinoff from Sears. He also was instrumental in the divestiture of such Sears assets as Coldwell Banker.

The government's pick hadn't been made official as of late Wednesday, but one major AIG customer applauded the expected move, saying Liddy will help foster confidence in a company teetering on the edge of collapse.

"If ever there was a steady hand who will bring calm and insights and solutions to AIG, it will be Ed Liddy," said Greg Case, CEO of Chicago-based insurance brokerage Aon Corp. and a 20-year acquaintance of Liddy's.

Aon places a significant amount of business with AIG on behalf of clients. The home page of Aon's Web site features a link to the latest news on AIG, a major underwriter for Aon.

"He led Allstate through challenging times and has a record of distinction and sustained performance, which is rare," Case said.

Despite the accolades, Case and others acknowledge that Liddy, who could not be reached for comment, faces daunting challenges at AIG.

"He's coming into a very fluid situation that will evolve in the coming days and weeks for a firm that has played a central role in insurance globally," Case said.

Peter Crist, chairman of executive search firm Crist Kolder, said, "He's capable of moving a large enterprise through a complicated period," But, he added, "What is being owned by the government mean? What is the ultimate goal here? To create value? To protect certain interests?"

Liddy retired as Allstate CEO in December 2006 and as chairman of the nation's biggest publicly traded home and auto insurer this year. He joined buyout firm Clayton, Dubilier & Rice. Besides being on the Goldman board, he is a director of 3M Co. and Boeing Co.

On Jan. 1, 1999, Allstate stock was trading at $38.50. Later that year, it announced 4,000 job cuts and a reorganization plan to convert agents from company employees to contractors, which provoked an outcry among a group of Allstate agents.

On Liddy's last day as CEO on Dec. 31, 2006, Allstate stock was around $61 a share. It closed Wednesday at $42.85.

As part of the Federal Reserve's $85 billion bailout, AIG gives up an 80 percent equity stake, pledges assets to the government and agrees to sell businesses to repay it.

Peter Debreceny, who spent nine years as Allstate's vice president of corporate relations before leaving the company in March 2007, said Liddy will be a "fabulous" choice for AIG.

At Allstate, Liddy beefed up the financial-services unit while improving the performance of its automotive and home insurance businesses by lessening bureaucracy and cutting layers of decision-making, Debreceny said.

"What's needed now are cool heads, and Ed has proven in variety of positions that he is smart, strategic and able to manage through complex situations successfully," he said.

Allstate's move to reorganize its agent workforce also paid off, Debreceny said.

"It was clear that those agents who had their own business were doing much better than those who were still employees," he said. "It was a tough choice he had to make and not a popular one, but it was one he persevered in and was proven to be correct. Sales went up, and costs went down."

Talk to people who know both Liddy and his successor at Allstate, Tom Wilson, and they will tell you that Liddy tended to take greater pains to consider different viewpoints and build a consensus before reaching a decision.

Liddy also was considered more likely to second-guess a course of action. He was considered a tad quieter than Wilson and more comfortable in lower-key settings.

"Brilliant, strong leader, unwaveringly ethical, Ed is the right person to lead AIG through these difficult times," Wilson, who worked with Liddy for 15 years, said in a statement. Liddy's "track record of success with corporate restructuring, including the restructuring of Sears, which led to the successful spinoff of Allstate, will serve AIG well."

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