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The American International Group (AIG), a Study in "Too Big to Fail"

American International Group, known as AIG, is an American multinational insurance corporation. As a large quoted company, AIG's main goal is to make profits and maximize its shareholders wealth. However, that does not prevent AIG from having other reasons to exist, beyond the pursuit of earnings for the shareholders. In fact, such companies have generally an enduring business culture that combines their specific values, vision and mission. These are usually defined by an explicit slogan, used typically in commercials to advertise who the firm is, how it acts, and why. This is not the case with AIG. AIG's dramatic default, and consequent bailout during the financial crisis of 2008, was caused by several different factors. Two of them presented preeminent threats to the company's survival: the involvement of its Financial Products division with Credit Default Swaps (CDS) and the unregulated activity of its securities lending program. The collapse of the housing market in 2006-2009 precipitated a collapse of the mortgage-backed securities (MBS) market, which led to a collapse of AIG's CDS holdings because they were written on MBS's. AIG's risk exposure was significant in this investment arena and the events of the financial crisis pushed AIG from a profitable company to the brink of bankruptcy. Ultimately, the Federal Reserve and US Treasury determined that AIG was "too big to fail" and provided a $182 billion bailout of the company.