

CT Attorney General

Connecticut Attorney General's Office

Press Release

Attorney General Announces \$2.4 Million Settlement With Marsh & McLennan For Bid Rigging, Steering Insurance Consumers

May 6, 2009

Attorney General Richard Blumenthal today announced a \$2.4 million settlement with Marsh & McLennan Companies, Inc. for alleged bid rigging, price fixing and illegally steering Connecticut businesses and consumers to favored insurers in exchange for millions of dollars in undisclosed kickbacks.

Blumenthal sued Marsh in January 2005 as part of a wide-ranging investigation into insurance industry abuses that has resulted in 12 settlements with insurers and brokers and \$539.68 million in restitution to consumers and taxpayers nationwide, and \$35.09 million in civil penalties to the State of Connecticut.

"This settlement -- long sought and hard fought -- provides money to Connecticut taxpayers for a pervasive scheme that raised insurance prices," Blumenthal said. "Marsh masterminded a pay-to-play conspiracy of kickbacks and bid rigging that inflated insurance costs for consumers and injured competition.

"Marsh exploited its massive market muscle in the insurance industry, coercing insurers into secret payments for access to insurance placements. The kickback costs were surreptitiously baked into insurance premiums -- unknown to consumers who suffered higher insurance costs.

"These practices broke Marsh's promise to its clients. Marsh was hired to find the best insurance coverage for its clients, but instead steered them to insurers who paid kickbacks.

"These practices corrupted a wide swath of the insurance industry, cost consumers, and created a mirage of competition. Marsh enlisted in its scheme ACE, Zurich, Travelers, AIG and Liberty Mutual.

"My office has vigorously investigated these practices -- suing and settling with brokers and insurers across the industry. These settlements have provided hundreds of millions of dollars in restitution and penalties to taxpayers and consumers, as well as consumers across the country.

"More than the money, this insurance corruption crackdown has provided powerful reforms in the insurance industry -- resulting in greater transparency, and consumer choice. Our long-running battle against brokers, insurers and reinsurers will continue with ongoing investigations, court action and vigilance."

Blumenthal initially sued Marsh and insurance provider ACE Financial Solutions, Inc., for a scheme in which ACE secretly paid Marsh a \$50,000 commission to steer an \$80 million state contract to the broker.

Marsh never told the Department of Administrative Services (DAS) -- which paid the broker \$100,000 to act as its advisor on the contract -- about the \$50,000 or any additional payments. Marsh solicited and accepted the \$50,000 commission.

Blumenthal later expanded his lawsuit against Marsh after his investigation revealed bid rigging, price fixing and illegal insurance contract steering that harmed public, private and non-profit entities throughout Connecticut.

Blumenthal's lawsuit alleged that, when Marsh customers wanted to purchase insurance or renew insurance it already had, Marsh brokers frequently decided which insurer should be given the business and at what price. Marsh's quote for insurance was typically a substantial increase -- as much as 15 to 20 percent -- over the previous year's price.

Several major Connecticut businesses were harmed by Marsh's bid-rigging and price-fixing schemes, including Hubbell, Inc., Kaman Corp., Hexcel Corp., and Bridgeport Hospital.

The company's state and municipal clients include the Connecticut Department of Administrative Services (DAS), and the cities and towns of Hartford, New Haven, Stamford, Manchester, West Hartford, and West Haven. Marsh was also the insurance broker for several large, publicly supported state construction projects, including Adriaen's Landing.

Marsh's nonprofit clients have included Yale University, Mystic Seaport and Save the Children Federation.

Blumenthal thanked those in his office who worked on the Marsh case, including Assistant Attorneys General Matthew Budzik, Robert Snook, Rachel Davis, Kirsten Rigney, Antonia Conti and Paralegals Holly MacDonald and Lori Measer, under the direction of Assistant Attorney General Michael Cole, Chief of the Attorney General's Antitrust Department.

View the [Marsh & McLennan settlement](#) - (PDF-444KB)

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