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Attorney General Martha Coakley Reaches Agreement with Insurance Brokerage Firm Marsh and McLennan

Massachusetts Receives \$1 Million in Nine-State Settlement

BOSTON - Attorney General Martha Coakley's Office, along with eight other states, has reached a settlement with New York-based insurance broker Marsh, Inc., Marsh & McLennan Companies, Inc., and their subsidiaries and affiliates ("Marsh") resolving a four-year investigation by the states into Marsh's role in a nationwide bid rigging scheme. Marsh allegedly made collusive arrangements whereby brokers entered into agreements with insurers to receive undisclosed compensation and engaged in anticompetitive conduct in the market for commercial liability insurance. Under the settlement, the States were paid \$7 million by Marsh, of which Massachusetts received \$1 million. Clients have already been offered restitution based on previous agreements with relevant insurance companies and via the State of New York's prior settlement with Marsh & McLennan Companies.

"Marsh's conduct underscores the need for strong enforcement and deterrence in the insurance arena," said Attorney General Coakley. "Customers need to know they can trust their brokers and that their insurance brokers are working with the customer's interests at heart. We will continue to closely monitor the marketplace in order to protect insurance customers against unfair and deceptive conduct."

The intricate bid rigging scheme allowed Marsh to designate which insurance company's bid would "win" a particular account. To create the appearance of a competitive bidding process, Marsh would instruct certain insurers to submit inflated, intentionally uncompetitive bids. These schemes gave commercial policyholders the impression that they were receiving the most competitive commercial premiums available, when they were actually being overcharged. Additionally, Marsh was involved with a "pay-to-play" arrangement centered on its receipt of contingent commissions, in addition to standard commissions and fees, from certain insurance companies. Contingent commissions, also known as profit sharing commissions, are controversial incentive-based compensation programs offered to brokers by insurance companies. These arrangements were often undisclosed to consumers, and provided an incentive for brokers to steer business to the insurer who offered the most lucrative contingent commissions, often in violation of their clients' interests.

The Massachusetts Attorney General's Office has brought several enforcement actions against insurance companies for their involvement in the Marsh bid rigging scheme:

- In December 2006, the office reached a settlement with and recovered \$2.77 million from Illinois-based Zurich American Insurance Company regarding an alleged arrangement it had with Marsh to place insurance accounts with them in return for lucrative contingent commissions.
- In October 2007, the office obtained a consent judgment and recovered \$680,000 from Pennsylvania-based ACE Group Holdings, Inc. over an alleged arrangement it had with Marsh to place insurance accounts with them in return for lucrative contingent commissions.
- In December 2007, the office obtained a consent judgment and recovered \$1.3 million dollars from Minnesota-based Travelers Insurance Company over an alleged arrangement it had with Marsh to place insurance accounts with them in return for lucrative contingent commissions.
- In January 2008, the office reached a \$1.3 settlement agreement with New York-based AIG Insurance Company over an alleged arrangement it had with Marsh to place insurance accounts with them in return for lucrative contingent commissions.
- Most recently, in August 2008, Suffolk Superior Court denied a Motion to Dismiss a lawsuit brought by the Attorney General against Ohio-based insurer Great American. The Attorney General filed suit in 2004 alleging that the insurer submitted false bids with the intent of creating an uncompetitive bidding process and paid Marsh to steer insurance placements to them.

Under the terms of the states' agreement, Marsh must disclose to its clients all compensation received from insurance companies in connection with the placement of an insurance policy, obtain the client's written consent to the compensation, and disclose at the end of each year annual totals of compensation received in connection with a client's policy.

The Attorneys General of Florida, Hawaii, Maryland, Michigan, Oregon, Texas, West Virginia and Pennsylvania joined Massachusetts in the settlement. The Florida Department of Financial Services and the Florida Office of Insurance Regulation also joined the states in the settlement.

This case was handled by Attorney General Coakley's Insurance and Financial Services Division.

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