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Press Release

Attorney General Announces Landmark \$1.3 Million Reinsurance Price Fixing Settlement With The Hartford

October 22, 2009

Attorney General Richard Blumenthal today announced a \$1.3 million settlement with The Hartford Financial Services Group, Inc., resolving claims that it participated in several anticompetitive schemes that illegally inflated insurance and reinsurance costs nationwide.

This settlement -- going to Connecticut's General Fund -- is the first antitrust settlement of its kind in the reinsurance industry.

The Hartford settlement stems from Blumenthal's ongoing litigation against Guy Carpenter & Company, LLC, one of the world's largest reinsurance brokers. The litigation and investigation concerns unlawful practices like pay-to-play and price collusion in the reinsurance industry -- which insures or indemnifies insurance companies for extraordinary losses.

"The Hartford is making history by this first-in-the-nation settlement -- and drawing back the cloak of secrecy on a series of illegal price-fixing conspiracies that inflated insurance costs by hundreds of millions of dollars nationwide at the expense of 170 insurance companies and their customers," Blumenthal said.

"The Hartford is cooperating to pursue money back from conspirators who raised premiums by up to 40 percent for thousands of consumers in Connecticut and nationwide. The Hartford's settlement advances our action against the ringleader, Guy Carpenter, that masterminded and orchestrated a shifty coterie of more than 20 coconspirator companies in illegal price fixing."

In 2007, Blumenthal sued Guy Carpenter for orchestrating a series of alleged conspiracies with dozens of reinsurers that illegally inflated costs for insurance companies and consumers nationwide, in some cases by 10 to 40 percent, over the course of several decades. The Hartford participated, as a reinsurer, through its subdivision, Hart Re Company, in several of the conspiracies beginning in 1986 until 2001. It ceased offering reinsurance in 2003.

The Hartford, which is no longer involved in the reinsurance market, cooperated with Blumenthal's investigation from the beginning and, as part of the settlement, provided critical information that has supported the action against Guy Carpenter, including evidence that has allowed Blumenthal's office to expand the allegations against Guy Carpenter in an amended complaint filed this week.

"More than money, The Hartford has provided my office with critical cooperation and information necessary to stop a culture of collusion in the multi-billion dollar reinsurance industry," Blumenthal said. "The Hartford has cooperated with my industry-wide reinsurance investigation -- particularly involving Guy

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Carpenter, one of the world's largest reinsurance brokers and the ring leader of pervasive price-fixing schemes for approximately 50 years.

"My office will continue to pursue Guy Carpenter in court, now armed with the cooperation and assistance of one of Guy Carpenter's former coconspirators, The Hartford, which has courageously chosen to step up and speak out against one of the most powerful reinsurance brokers in the world.

"Guy Carpenter enlisted The Hartford and countless other coconspirators to participate in pay-to-play schemes in which Guy Carpenter allegedly funneled lucrative business to select inner circles of reinsurers in exchange for excessive fees and other benefits from these reinsurers. Participating reinsurers agreed not to compete against the prices and terms set by Guy Carpenter in exchange for highly profitable business. Reinsurers unwilling to 'play ball,' as Guy Carpenter put it, were foreclosed access to potential business that they were otherwise willing to compete for and write."

Blumenthal said Guy Carpenter and the reinsurers knew that their illegal schemes increased reinsurance costs for Guy Carpenter's own clients. For example, when The Hartford offered on one occasion to separately compete for a book of business that Guy Carpenter had determined would be placed into one of the "facilities" in which The Hartford was a participant, a Guy Carpenter representative told an employee of The Hartford that it "did not make sense to compete internally [and] push prices down further."

The Hartford knew that, due to its higher fees and commissions, Guy Carpenter had a "sweeter deal" through that facility and "would obviously like to funnel more premium through it." Consequently, The Hartford was forced to accept Guy Carpenter's anticompetitive terms in order to have any access to the business.

Blumenthal said, "Bolstered by backroom deals, insurance industry inertia and an unregulated market, Guy Carpenter's conspiracies continued undetected for almost 50 years. The Hartford helped Guy Carpenter create an illusion of competition, but now has helped my investigation to break apart business practices that have inflated costs for consumers by as much as 40 percent."

Attorney General Richard Blumenthal thanked those in his office who worked on the investigation -- Assistant Attorneys General Joseph Nielsen and Gary Becker, and paralegal Holly MacDonald, under the direction of Assistant Attorney General Michael Cole, Chief of the Attorney General's Antitrust Department.

View the entire [Reinsurance Settlement](#) - (PDF-251KB)

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