

RETURN DATE: JANUARY 9, 2007

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STATE OF CONNECTICUT :

Plaintiff, :

v. :

ACORDIA, INC. :

Defendant. :

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SUPERIOR COURT

JUDICIAL DISTRICT OF HARTFORD

DECEMBER 19, 2006

COMPLAINT

I. SUMMARY OF THE CASE

This action seeks redress for Acordia's scheme to secretly and systematically steer consumers to selected insurers in return for undisclosed commission payments. By limiting the number of insurers Acordia steered its clients to, Acordia increased the amount of premium it placed with those insurers and thereby increased the amount of Acordia's hidden commission payments. To achieve this goal, Acordia signed secret "millennium partnership" and "strategic share shift plan" agreements with insurers. Acordia never disclosed these hidden "partnerships" to its customers. These agreements created an inherent conflict of interest for Acordia between its clients, to whom Acordia owes a fiduciary duty of loyalty, and the insurers, who eventually paid Acordia nearly \$200 million in secret fees. Acordia's clients mistakenly believed Acordia's representations that it recommended insurance products because they offered the best coverage for the best price for the customer. Acordia's clients did not know that Acordia frequently recommended insurance to maximize Acordia's hidden fees. Acordia's business practices

harmred not only those consumers who had their insurance improperly steered or premium prices raised to pay for Acordia's secret commissions, but also the many insurers, including those in Connecticut, who were not part of Acordia's preferred stable of carriers.

In pursuing these and other corrupt business practices, Acordia violated the Connecticut Unfair Trade Practices Act, and its fiduciary duties of loyalty and fair dealing to its clients. Pursuant to Conn. Gen. Stat. § 42-110m, the Connecticut Attorney General, in the name of the State of Connecticut, seeks restitution, disgorgement, and civil penalties for the injuries suffered by Connecticut consumers, as well as other injunctive and equitable relief to prevent these corrupt business practices from happening again.

II. PARTIES

1. Plaintiff State of Connecticut, represented by Richard Blumenthal, Attorney General of the State of Connecticut, brings this action pursuant to Conn. Gen. Stat. § 42-110m at the request of Edwin R. Rodriguez, Commissioner of the Department of Consumer Protection for the State of Connecticut.

2. Defendant Acordia, Inc. ("Acordia") is an insurance brokerage firm with headquarters in Chicago, Illinois. Acordia is a wholly owned subsidiary of financial services giant Wells Fargo & Company ("Wells Fargo"), the fifth largest bank in the United States. In 2005, Acordia placed more than \$8.5 billion in insurance premium for its clients and had revenues of approximately \$940 million. Acordia has some 4,000 employees in 176 offices in 38 states and is the fifth largest insurance broker in the United States.

3. Acordia sells a variety of insurance products to both individuals and businesses in the property and casualty, employee benefits, professional liability, and other specialized insurance markets. At all times relevant to this Complaint, Acordia transacted business in the State of Connecticut through its solicitation and sale of insurance to Connecticut consumers and its business agreements with Connecticut insurers.

4. Whenever reference is made in this Complaint to any representation, act or transaction of Acordia, such allegation shall be deemed to mean that the principals, officers, directors, employees, agents or representatives while actively engaged in the course and scope of their employment, did or authorized such representations, acts, or transactions on behalf of Acordia.

III. HOW THE INSURANCE INDUSTRY WORKS

5. There are three primary actors in the insurance industry: consumers, brokers and agents (sometimes called producers), and insurance companies.

6. Consumers are (a) private and public employers who must purchase insurance to operate their businesses, and (b) individuals who must purchase insurance to drive their cars or own a home. To purchase insurance, consumers hire brokers or agents.

7. Brokers and agents hold themselves out as having both an in-depth knowledge of the varied and sometimes complex insurance needs of consumers and how the many different insurance carriers might meet those needs. A broker or agent's job is to solicit quotes for insurance coverage from insurers, present the insurers' proposals to the client, recommend the

best proposal for the client's particular needs, and represent the client in any negotiations with the insurer. Brokers and agents have a fiduciary duty to act exclusively in their clients' best interests.

8. Insurance companies (sometimes referred to by brokers and agents as "markets") rarely sell insurance directly to commercial consumers. Instead, insurers typically sell commercial insurance through brokers or agents. Many insurers also only sell insurance to individuals through brokers and agents. Thus, brokers and agents occupy a critical position in the marketplace between the consumers needing to purchase insurance and the insurance companies wanting to sell insurance.

9. As a general rule, a broker or agent's compensation for consulting and brokerage services generally derives from: (a) a flat fee set forth in a formal client agreement, or (b) commissions representing a percentage of the premiums paid by its client.

IV. ACORDIA MISPRESENTS ITS ROLE AS AN INDEPENDENT ADVISOR

10. Acordia promises its customers that "Acordia's core values center around doing what is ethical and what is right for the customer. If it is right for the customer it is right for Acordia. . . . We maintain the highest standards with our customers and believe in taking the steps to follow these values: Do what's right for the customer; Talk and act with the customer in mind; exceed the expectations of customers."

11. Acordia also promises that "[t]he perfect example of how we do what is right by our customers is our policy on full disclosure" and that one of the principles that guides

Acordia's actions for responsible disclosure is "making insurance placements in the best interest of our customers."

12. These weren't always Acordia's core values. Before 2005, Acordia did not disclose a series of secret, back-door agreements it had with insurance companies that paid Acordia millions of dollars annually for the insurance Acordia recommended to its clients. Indeed, many of these agreements included provisions specifically prohibiting disclosure of their terms to anyone. In many cases the commissions paid under these agreements were on top of both the normal sales commission Acordia received for each policy it sold and the more standard contingent sales incentives and profit sharing incentives that insurers offer to most brokers and agents who sell their products. As one carrier put it, Acordia had a "VERY LUCRATIVE plan!" (emphasis in the original).

13. These arrangements – variously known as "Contingent Commission Point Program Agreement," "High Performance Agency Additional Compensation," "Strategic Partnership Agreements," "Strategic Alliance Agreements," "National Override Agreements," "Commission Override Agreements," "Commission and Growth Incentive Agreements," and "Production Incentive Bonus Agreements" – are known commonly as "overrides," or "contingent commissions." In many cases, the payments under these agreements operated as nothing more than kickbacks for steering business to a particular insurer.

14. Acordia relied heavily on these hidden commission arrangements because they were a significant source of income. From 2000 through 2005, Acordia made approximately

\$200 million in undisclosed contingent commissions. All of this revenue from hidden agreements was essentially profit flowing right to Acordia's bottom line.

15. The clear purpose and effect of Acordia's hidden commission agreements was to secretly and improperly shift Acordia's loyalty from its clients to the insurer, or even to Acordia itself, in the pursuit of more and more hidden commission revenue. Thus, instead of recommending the insurance that was best for its client, Acordia frequently recommended the insurance policy that brought Acordia the biggest override payment. What was best for Acordia's client was incidental, or ignored altogether.

V. ACORDIA PARTNERED WITH INSURERS AGAINST ITS CLIENTS

A. The Millennium Agency System Partnership Plan

16. In January 1999, Acordia initiated the Millennium Agency System Partnership Plan in an effort to pay for Acordia's new agency management system called "AMS Segetta." Under the Millennium Plan, Acordia sought "to enlist the financial and technical aid of Acordia's key market providers The objective is to obtain financial support over a three-year period to offset the costs associated with [the AMS Segetta] project in recognition of our current relationship as well as our commitment to facilitate interface on a priority basis." The AMS Segetta system would directly link all Acordia offices with a few participating "partner" insurers through a dedicated internet browser interface, thereby giving those preferred markets "the inside track for future business development" with Acordia.

17. To be its Millennium Partners, Acordia solicited insurers with whom it had a significant amount of existing business. Acordia offered its Millennium Partners five methods to meet its financial objectives: (1) a grant to Acordia based on current writings; (2) an override incentive over and above standard contingent sales bonuses, such as 1% of gross written premium (“GWP”); (3) a loan arrangement similar to an override incentive, but with a payback provision; (4) a loan guarantee; and (5) a purchase/lease agreement. Ultimately, Acordia requested its partners provide a 1% of GWP override

18. By August of 1999, insurers Atlantic Mutual, Chubb, The Hartford, Travelers, and Royal SunAlliance had agreed to participate in Acordia’s Millennium Partnership Plan. Acordia was thrilled. “Since these markets have agreed to a 1% override on GWP over the next three (3) years, they need to be given priority in our marketing plans. . . this could pay for all of our AMS Segetta costs!” To “incent the proper national and local commitment to the program,” Travelers even advanced Acordia \$158,000 in 1999 and \$100,000 in 2000 against Acordia’s expected 1999 and 2000 Millennium bonus payments. For its part, The Hartford advanced Acordia \$330,000 in 1999.

19. To be a “priority” carrier with Acordia, insurers not only had to pay Acordia additional overrides, but they also had to do so on Acordia’s terms. On September 7, 1999, Acordia’s Senior Vice President and Chief Marketing Officer Charles Ruoff wrote to Acordia staff, “CNA and Fireman’s Fund have declined to support our financial plan without profitability stipulations. We are therefore not inclined to support any business growth with them at the

determent [sic] to our priority Millennium Partners. . . . Please be guided accordingly in the future business plans within your region. I will shortly be sending you a summary of the plan(s) negotiated with our priority markets along with a projection of anticipated supplemental revenue that could be generated at various growth in GWP figures. Most of these markets have requested that the terms of these arrangements be kept confidential for competitive reason (ie other markets and brokers). Please caution your colleagues accordingly but they need to know that significant revenue and strategic partnerships are at stake.”

20. Acordia also made sure the insurers were aware of the consequences of not participating in the Millennium Partnership. Acordia’s Ruoff wrote to Kemper Insurance that he had the opportunity to present a detailed description of the insurers that had responded positively to Acordia’s Millennium Plan at Acordia’s Annual General Management Meeting: “While noting that your company has elected not to participate at the time, I remained hopeful that you might still do so in the very near future. The emphasis on the Millennium partners as our priority markets for the remainder of this year and into 2000 was a key objective of this meeting. We would still like to find an appropriate position for your company but need to keep it within the context of those markets that have stepped forward to our initial invitation. Please let me know if we can find a solution before our marketing plans for the next 18 months exclude you from growth potential.”

21. The Millennium Partners participating in Acordia’s plans viewed their override payments as just another way to get money into Acordia’s pockets as an incentive to write more

business for the Partners. Wrote one Travelers employee to several Travelers Select insurance Regional Vice Presidents, Travelers agreed to a “1% override on all Select GWP – not contingent on any performance goals. This was done under the guise the Agency is looking to implement an Agency Management System across all their offices.”

22. Acordia’s senior management strongly supported the Millennium Partnership Plan because it meant increased revenue to Acordia. Wrote Acordia’s Ruoff to Royal SunAlliance about Acordia’s 1999 Annual General Management Meeting: “The strong support of senior management to the priority position of our Millennium markets was endorsed by the regional and office colleagues in attendance. They strongly support our efforts to grow the relationship and the financial benefits to do so are so obvious, as all of the revenue will be provided to them at year-end based on their relative support.” Further, in an August 1999 letter to Atlantic Mutual thanking it for its first Millennium Partnership check of \$35,000, Mr. Ruoff wrote, “The additional incentives for growth of our business are appreciated and will be pursued as aggressively as possible. I would like to meet again to speak on how we actually will implement the initiatives and who within our companies need to be charged with taking them forward.”

23. Although their objectives were the same, the specific terms of the various Millennium Partnership Agreements varied somewhat. For example, whereas the agreements with Chubb, Atlantic Mutual and Royal SunAlliance called for a 1% override on the entire book of business Acordia placed, including all lines of commercial and personal insurance, the agreements with The Hartford and Travelers limited the override to only small business

insurance (known as “Select” insurance) and personal lines. Further, the Atlantic Mutual, The Hartford and Travelers agreements allowed Acordia to earn as much as an additional 7% contingent commission if Acordia steered enough new business to those carriers, i.e., a growth bonus.

24. Regardless of their terms, each of the Millennium Partnership agreements was designed to incent Acordia to steer business to the paying carrier. Wrote Hartford’s Director of Broker Strategy & Management to Acordia, “we are very excited about the opportunity to participate in your Millennium Project, as we strive to further fortify and solidify our relationships throughout your organization as a key strategic partner. We believe that we have developed the most comprehensive Small Business Solution and are committed to growing our marketshare geographically throughout the country. . . . [W]e have found that strong management direction has been critical to the success of these strategies and we look forward to working with you and your management team to develop this strategy and becoming the carrier of choice for your small accounts.”

25. Travelers also sought priority status with Acordia through its Millennium Partnership agreement: “Our Millennium proposal is based on the belief that while our relationship has been mutually beneficial, superior compensation demands outstanding performance. This Millennium proposal centers on your commitment to significantly increase your policies in force with [Travelers] Select in 2001.”

26. Acordia understood exactly what Travelers was asking for. An Acordia memo updating the Millennium Partners' status states that Travelers "needs to be moved to primary list as initiative and supplemental incentives similar to Hartford on Select Account and Personal Lines." An April 2001 Acordia e-mail from one of its Executive Marketing Group executives explained that Acordia was "look[ing] forward to implementing plans to sweep more business to Travelers"

27. To "sweep" more business to Travelers, Acordia agreed that it would "present [Travelers] Select with new book consolidation opportunities targeted at meeting the highest levels of the Policies In-Force Override bands." Each Acordia agency location was required to provide Acordia headquarters with a business plan outlining their strategy to achieve premium growth with Travelers, to hold weekly teleconferences with Travelers personnel updating them on Acordia's progress toward "sweeping" business to Travelers, and to meet face-to-face with Travelers personnel to smooth out any problems encountered in the process.

28. Acordia's plans were largely successful. By February 2002, Acordia's Chief Marketing Officer reported internally that it had increased written premiums with Travelers Select by 9%.

29. Moving business to meet Acordia's production obligations to its "priority" insurance partners was frequently not in the best interest of Acordia's clients. For example, a producer in Acordia's Atlanta office wrote, "I never had Travelers until the Millenium [sic] deal was instituted and had to politically explain to CNA (at the time!) why I would be moving some

accounts from them.” In discussing homeowners’ policies for affluent clientele, the Acordia producer also made clear there were important differences in the coverage offered by Travelers and other insurers. The Acordia producer then concluded, “plus, I think Travelers just can’t respond from a claims philosophy standpoint (ie – agreed value settlement on property). We clearly need the market and may eventually move all the Encompass [Insurance] to Travelers but there are coverage disadvantages in doing so. . . .” Acordia did not disclose the terms of the Millennium Agreements or the payments made thereunder, to any of its clients.

B. Service Centers

30. In addition to agreements designed to pay Acordia for the overall premium placed with The Hartford and Travelers, Acordia also had agreements designed to encourage Acordia to steer clients into customer service centers run by The Hartford and Travelers. Under these agreements, personal lines and small business customers steered to The Hartford and Travelers did not have their accounts serviced by Acordia employees, as many consumers expected. Instead, unknown to many Acordia customers, their policies were serviced by a Hartford or Travelers’ service center.

31. Acordia benefited from these service center agreements because they reduced Acordia’s internal costs and freed up their sales staff to focus on selling more insurance, not answering clients’ questions. To encourage Acordia’s use of the service centers, The Hartford and Travelers offered Acordia several incentives. First, while Travelers and Hartford could charge Acordia a fee to use the insurer service centers, that fee was cut in half or even waived

entirely if Acordia swept at least 75% of its Hartford and Travelers business into the service centers.

32. Second, the insurers in some cases allowed Acordia more flexible underwriting criteria so that more accounts could be steered to the service centers. More accounts of course provided “compelling financial incentives” to place increasing amounts of premium with The Hartford and Travelers, even when that was not in the best interest of the customer. Because service center clients had over a 90% renewal and retention rate, Acordia could be certain to earn more on its Millennium Agreement with Travelers and Hartford. As an internal Acordia e-mail explained, the service center for small business is “essentially another consolidation play.”

C. Chubb Terminates its Millennium Agreement

33. Although Chubb was the first insurer to agree to a Millennium Partnership, it was also the first to terminate its agreement. In December 2001, Chubb and Acordia met in New Jersey to discuss their Millennium Partnership. Acordia characterized their relationship as excellent. After all, Chubb represented about 40% of Acordia’s Millennium revenue. Nevertheless, in April 2002, Chubb notified Acordia that it would no longer participate in the Millennium Partnership. Chubb stated that it was discontinuing all national overrides and that in the future all overrides were to be negotiated locally. With Chubb as its most profitable Millennium Partner, Acordia was upset. An e-mail from Frank Witthun, President and CEO of Acordia, to Ruoff states: “if in fact they have stopped all corp. overrides based on rev. to chubb, then my sense is they are canceling out the millennium, and will not renew for 02.! they should

have told us when we were with them in NJ. . . .!!!! . . . the program with us has been great[;] we have grown with them a huge amount and all profitable.. call tom and set up a meeting. . . so you I and Kevin [Conboy] can discuss with them. if tom says no way we can change or continue program, then I don't want to waste our time with a meeting. And we need to find a new way to work chubb going forward.”

34. Kevin Conboy of Acordia had further discussions with Jim Hyatt at Chubb about keeping the Millennium Partnership. Conboy “mentioned that Chubb was the only carrier to terminate their deal with us and that given our long standing relationship; growth and profitability, it was, to say the least, not good for Acordia. . . . Needless to say, the Chubb arrogance came through and he said the local deals would be very good.”

D. Risk Finance Group

35. In 2003, Acordia formed a Risk Finance Group (“RFG”) to place certain product lines through Acordia that were currently being placed through wholesaler brokers. Eliminating wholesalers would give Acordia additional revenue because it would no longer have to split Acordia’s commission with the wholesaler.

36. Insurers gave Acordia the money to start the RFG. The Hartford and Travelers each contributed \$100,000 in exchange for Acordia making good faith and best efforts to promote The Hartford and Travelers’ products through the RFG and to achieve certain production goals. American International Group, Inc. (“AIG”) also supported the RFG with a \$200,000 contribution. Acordia did not have to actually achieve its production goals to earn

these fees. All Acordia had to do to keep the fee was form the RFG and make some effort to promote the contributing carrier's line of business.

37. In addition to the start-up fee, The Hartford also agreed to pay Acordia a base commission, an override, and a "Bonus Kicker" of \$100,000 if certain production goals were met. The agreement provided that it and its terms be kept confidential by Acordia, and not be disclosed to any third party without The Hartford's advance written consent. Acordia did not disclose the agreement or any of the payments to its clients.

38. The payments made to Acordia to set up its RFG division were nothing more than kickbacks designed to get Acordia to steer more business to the paying carriers.

E. Share Shift Opportunity

39. In 2003, Acordia began discussions with The Hartford about a new contingent commission program known as the "Share Shift Opportunity." Similar to The Hartford's Millennium agreements, the objective of Share Shift was to double the amount of The Hartford's business with Acordia in three years by transferring to The Hartford large numbers of Select and middle market commercial insurance customers currently with "non-partner" insurers. Of course high paying contingent commissions were part of the Share Shift Opportunity and were paid in addition to Te Hartford's already enhanced commission plans, like The Hartford's "VIP" plan. Most of the Share Shift incentive plans prohibited disclosure of their terms to third parties without The Hartford's written consent. Acordia complied and did not disclose these agreements to its clients.

40. One example of how Share Shift worked was the movement of Atlantic Mutual's book of business to The Hartford. When Atlantic Mutual's commercial business was sold to One Beacon Insurance, The Hartford saw this as an opportunity to reinforce the Partner Market strategy. The Hartford told Acordia "[w]e previously had identified Atlantic with you as a 'vulnerable company' for purposes of the consolidation piece of our joint 'share shift' plan. Now with that business going to a non-Partner Market for Acordia, we're hoping to see Acordia corporate take a proactive stance with local offices in steering that business to [partner markets] like Hartford. What we'd envision is something similar to what we've done successfully with a few other broker partners, where Kevin or Scott sends a communication to top AM offices reinforcing the need to migrate to [partner markets], quantifying the benefit of doing so with the Atlantic book, and directing them to favor Hartford with first and last look." As The Hartford noted, "in the compensation area alone, we're estimating that Acordia offices in the 5 [Atlantic Mutual] regions may earn over \$1 million in additional Hartford incentive dollars as a result of consolidating some of their [Atlantic Mutual] business. . . . This should be a profitable venture for both of us, and thanks for your partnership in working with us on it."

41. Another important part of the Share Shift Opportunity was a plan to cross market The Hartford insurance products through Acordia to customers of Acordia's parent company, Wells Fargo & Company. In 2003, David Zuercher, head of Wells Fargo insurance services and Chairman of the Board at Acordia, wrote that "[t]he insurance brokerage business fits well with Wells Fargo's middle market customers, and Acordia is one of the few companies with the scale

to make this work. Acordia also has the same middle market target customer base. We now need to properly grow Acordia as one of the core pieces of the financial services group. Cross-sell is the best way to integrate the two parts of the business.” At a July 2003 Marketing Committee Meeting, Acordia’s CEO stated that “[t]he Bank has put a tremendous amount of resources behind the Acordia-to-bank cross-sell. They have an incredible amount of data and have put a good amount of time and effort into the technology. We have had some pretty good hits so far- \$700 million in annual commission on the cross-sell side.

42. In fact, Acordia called the cross sell program the “Wells Fargo Cross-Sell Sales Pipe” and diagrammed it as a “sales funnel” starting with 1,400 Wells clients in 4 target industries at the large end of the funnel. After the prospects are screened for scoring, size and state, they are referred by Wells Fargo’s relationship managers to Acordia. It was expected that 50% of the referrals would get to the quote stage and that all would be referred to The Hartford for quotes. The Hartford’s objective, which is shown at the small end of the funnel, was to write 50% of the business quoted which was estimated to be 160 accounts with \$20 million in premium.

43. Like the Millennium Partnership, the Share Shift Plan was designed to incent Acordia to steer business to a preferred carrier, The Hartford, regardless of whether that carrier offered the best combination of price and coverage for the individual customer. Also, like the Millennium Partnership, the terms and purposes of the Share Shift Plan were never disclosed to

clients.

VI. Non-Disclosure

44. As overrides and other “bonus” programs grew in revenue, and thus, importance, brokers became concerned that their clients would learn about the back door payments. Insurers benefited significantly from their secret payments to brokers and thus worked with brokers to conceal the payments from their mutual clients. Insurers concealed information regarding broker payments from mandatory public filings and evaded, obfuscated and, in some cases concealed these payments when clients inquired about the sources of their brokers’ compensation. The insurers knew that cooperating with brokers like Acordia to conceal these side arrangements was the “quid pro quo” for obtaining business.

45. Federal law requires that private employers disclose compensation paid to brokers in connection with those employers’ purchase of benefit insurance for their employees. This information must be reported on the Form 5500 filed by the employer with the United States Department of Labor. The employer may not know the amount and types of compensation (*i.e.*, commission, consulting payment, override, communication fees) the insurer has paid to the broker. As a result, the insurer usually prepares a schedule for the form 5500 (“Schedule A”) on behalf of the employer. In the absence of disclosure of a broker’s compensation elsewhere, Schedule A provides an opportunity for employers and their employees to learn the total compensation the broker has received from an insurer. If overrides, communication fees, and

other contingent payments are not disclosed on Schedule A, the employer and its employees may not learn of their existence.

46. Brokers like Acordia pushed to have non-reported contingent commissions so Acordia's customers would not know what it was really getting paid. For example, Acordia's Commission Override Agreement with Blue Cross of California provided that the payout/commission override is "non-5500 income for broker."

47. After hidden contingent commission agreements became the subject of regulatory investigations in 2004, Acordia reconsidered its contingent commission and disclosure practices. "The contingent issue is serious. Any inquiries are to be referred to Acordia corporate. A Q&A document is being prepared to help answer questions. The issue will be how many other attorneys general will take up the issue."

48. After considerable discussion, Acordia decided it would still accept contingent commissions provided that any contingent commission agreement included a loss ratio or profitability component and was disclosed to the client. Unfortunately, Acordia adopted a disclosure that was misleading and unclear to consumers. Moreover, even with profitability and loss ratio components, the same improper incentives to steer business to the insurer paying the most were present in Acordia's contingent commission agreements. Acordia did continue to steer business to favored insurers.

49. Life and benefits insurance were particularly problematic. "The life and benefits side will be questionable since those agreements are structured as pure contingents [with no loss

ratios]. We are working with those companies to see if we can earn the incentive in a different fashion. . . . On the P&C side, producers don't see the contingents, but on the benefits side we have to explain contingents to clients.”

50. Still Acordia tried to hide the true nature and purpose of contingent commissions by trying to convince their customers that Acordia performed real services in exchange for the payments. “We need an explanation of our value proposition. This will be a challenge for low-touch, high margin business. The challenge will be coming up with a list of services that we provide for the client and making them aware of the services. We could potentially lose revenue if we don't explain well.”

VII. CAUSE OF ACTION

Breach of the Connecticut Unfair Trade Practices Act (Conn. Gen. Stat. § 42-110a et seq.)

1-50. Paragraphs 1 through 50 of the Complaint are hereby repeated and realleged as Paragraphs 1 through 50 of this Count as if fully set forth herein.

51. At all times relevant to this Complaint Acordia was engaged in the trade or commerce of an insurance producer and broker within the State of Connecticut.

52. By engaging in the acts and practices alleged herein, Acordia made or caused to be made to Connecticut consumers, directly or indirectly, explicitly or by implication, representations which are material, reasonably interpreted, false and likely to mislead, including, but not limited to, the following:

- a. that Acordia offered its clients a wide range of insurance carriers from which to purchase their insurance when, in fact, Acordia did not;
- b. that switching Acordia clients' insurance to Partner Market carriers and other insurance carriers was in the best interest of Acordia clients when, in fact, it was not;
- c. that Acordia personnel would answer questions from Acordia clients calling The Hartford or Travelers' client service centers when, in fact, Acordia would not;
- d. that Acordia would act in the best interest of its clients in placing their insurance when, in fact, Acordia did not;
- e. that Acordia was not motivated by higher and higher contingent commission revenue when deciding what insurance to recommend to Acordia's clients when, in fact, Acordia was so motivated; and
- f. that Acordia had disclosed all material terms to their clients regarding the placement of their insurance and Acordia's compensation for the same when, in fact, Acordia hid those material terms.

53. By engaging in the acts and practices alleged herein, Acordia made omissions to Connecticut consumers that they had a duty to disclose by virtue of Acordia's fiduciary and/or contractual obligation to Connecticut consumers and their statements to Connecticut consumers.

54. Acordia's acts and practices regarding their clients and Connecticut consumers as alleged herein are oppressive or unscrupulous and violated the public policy of the State of Connecticut, including, but not limited to the public policy against:

- a. violations of the trust, confidence, and duties owed within a fiduciary relationship;
- b. misrepresentations of the terms of insurance and omissions and/or false statements in the course of the sale of insurance products as embodied in Conn. Gen. Stat. §§ 38a-815 et seq.;
- c. the receipt or payment of any special favor or other valuable consideration not specifically stated in the policy as an inducement to purchase insurance as embodied in Conn. Gen. Stat. § 38a-825;
- d. steering clients to favored insurance carriers to qualify for larger bonuses and contingent commissions;
- e. moving blocks of clients to favored insurers to qualify for larger bonuses and contingent commissions;
- f. implementing a "carrier consolidation" program expressly designed to steer clients to a select group of insurers to qualify for larger bonuses and contingent commissions;
- g. entering into undisclosed fee arrangements whereby insurers paid undisclosed compensation to Acordia for the placement of insurance; and

h. providing preferred insurers with first looks on books of business
Acordia wished to move to preferred carriers in order to increase Acordia's bonus
and contingent compensation.

55. Acordia's acts and practices as alleged herein have been and are unethical,
oppressive and unscrupulous, and cause substantial injury.

56. Acordia knew or should have known that their conduct alleged herein violated
Conn. Gen. Stat. § 42-110b.

57. Acordia's acts or practices alleged herein violate § 42-110b-18(e) of the
Regulations of Connecticut State Agencies, because they misrepresented the nature,
characteristics, benefits and qualities of the services provided by Acordia.

58. Acordia's acts or practices alleged herein constitute unfair or deceptive acts or
practices in violation of Conn. Gen. Stat. § 42-110b.

PRAYER FOR RELIEF

WHEREFORE, the State of Connecticut requests the following relief:

1. A finding that by the acts alleged herein, Acordia engaged in unfair and deceptive acts and practices in the course of trade or commerce of an insurance producer within the State of Connecticut in violation of the Connecticut Unfair Trade Practices Act;
2. An injunction pursuant to Conn. Gen. Stat. § 42-110m enjoining Acordia from engaging in any acts that violate the Connecticut Unfair Trade Practices Act, including, but not limited to, the unfair and deceptive acts and practices acts alleged herein;
3. An order pursuant to Conn. Gen. Stat. § 42-110m requiring that Acordia submit to an accounting to determine:
 - a. the amount of improper bonuses and commissions paid to Acordia;
 - b. the amount Acordia improperly inflated insurance premium charges to its clients.
4. An order pursuant to Conn. Gen. Stat. § 42-110o directing Acordia to pay a civil penalty of \$5,000 for each and every willful violation of the Connecticut Unfair Trade Practices Act;
5. An order pursuant to Conn. Gen. Stat. § 42-110m directing Acordia to pay restitution;

6. An order pursuant to Conn. Gen. Stat. § 42-110m directing Acordia to disgorge all revenues, profits, and gains achieved in whole or in part through the unfair and/or deceptive acts or practices complained of herein;

7. An order pursuant to Conn. Gen. Stat. § 42-110m directing Acordia to pay reasonable attorneys' fees to the State;

8. Costs of suit; and

9. Such other relief as this Court deems just and equitable.

Plaintiff State of Connecticut hereby demands a trial by jury on all issues and causes of action so triable.

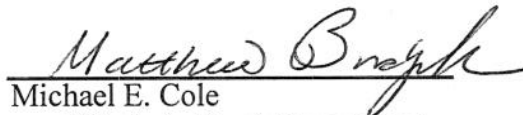
Dated at Hartford, Connecticut, this 19th day of December, 2006.

PLAINTIFF
STATE OF CONNECTICUT



RICHARD BLUMENTHAL
ATTORNEY GENERAL

By:



Michael E. Cole
Chief, Antitrust Department

Matthew J. Budzik

Dinah J. Bee

Assistant Attorneys General

Antitrust Department

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Tel: (860) 808-5040

Fax: (860) 808-5033

RETURN DATE: JANUARY 9, 2007

-----X

STATE OF CONNECTICUT :

Plaintiff, :

v. :

ACORDIA, INC. :

Defendant. :

-----X

SUPERIOR COURT

JUDICIAL DISTRICT OF HARTFORD

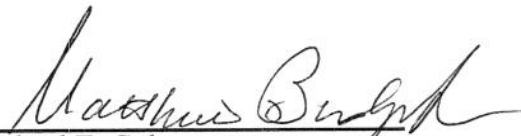
DECEMBER 19, 2006

AMOUNT IN DEMAND

The amount, legal interest or property in demand is \$15,000.00 or more, exclusive of interest and costs.

**PLAINTIFF
STATE OF CONNECTICUT**

BY:



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