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**Spitzer Sued For Libel Over Insurance Bid-Rigging Scandal Column**

August 23, 2011

(Reuters) - Former New York Governor Eliot Spitzer was hit with two libel lawsuits seeking $90 million by former Marsh & McLennan Cos executives over a column posted on Slate.com about an insurance bid-rigging scandal.

The lawsuits arose from Spitzer's August 22, 2010, column, "They Still Don't Get It," advocating prosecution of corporate wrongdoers and defending his own enforcement activity against Marsh and insurer American International Group Inc.

William Gilman, a former Marsh executive marketing director, and Edward McNenney, a former Marsh global placement director, contended that they were defamed by the column, which appeared thee months after a judge threw out their convictions on felony antitrust charges. Neither is named in the column.

Slate.com is owned by Washington Post Co, and its parent Slate Group LLC is a defendant in both cases.

Gilman filed his $60 million lawsuit in the U.S. District Court in Manhattan, while McNenney filed papers seeking $30 million with the New York State Supreme Court in Manhattan. Both cases were filed on Friday and made public on Monday.

Spitzer, in a phone interview, declined to comment after the first of the lawsuits, Gilman's, became public. Rima Calderon, a Washington Post spokeswoman, declined to comment.

Gilman had worked at Marsh for 28 years and McNenney for 14 years when Spitzer, then New York's attorney general, in 2004 opened a probe into the company's practices -- including alleged kickbacks for steering of clients to favored insurers.

Marsh, then the largest U.S. insurance broker, agreed in January 2005 to pay $850 million in a civil settlement with Spitzer, and eight insurance executives including Gilman and McNenney were indicted eight months later in the probe.

Both men were found guilty in February 2008, but the presiding judge threw out that conviction in July 2010, citing new evidence. That case was dismissed in January. The other indicted executives either were acquitted or had their cases dismissed. Twenty-one others pleaded guilty.

"SCAPEGOATS"

In his complaint, Gilman said Spitzer defamed him in writing, stating that "Marsh's behavior was a blatant abuse of law and market power: price-fixing, bid-rigging and kickbacks all designed to harm their customers and the market while Marsh and its employees pocketed the increased fees and kickbacks."

Gilman also said Spitzer defamed him in writing by stating that "many employees of Marsh" have been "convicted and sentenced to jail terms," when none had.

Spitzer had written the column shortly after an editorial critical of him in The Wall Street Journal.

"While Mr. Spitzer's statements do not refer to Mr. Gilman by name," Gilman's complaint said, "Mr. Gilman is readily identifiable as the subject of the defamatory comments."

"Mr. Spitzer was well aware of his own allegations as attorney general and the resolution of those allegations in favor of Mr. Gilman and yet, recklessly disregarded these facts," the complaint said.

Punitive damages account for half the amounts sought in each lawsuit. "I don't know what possessed him to make the statements that he made," Jeffrey Liddle, a lawyer for Gilman and McNenney, said in an interview, referring to Spitzer.

In June, Gilman and McNenney accused Marsh in a separate lawsuit of colluding with Spitzer to make them "scapegoats" and avert potential criminal charges against the company. That case seeks to recover unpaid compensation and other damages.

Last month, Time Warner Inc's CNN canceled Spitzer's low-rated television talk show "In the Arena," after less than one year on the air. [ID:nN1E7651A4] Spitzer resigned as New York's governor in March 2008 after a scandal in which it was revealed that he had hired a high-priced prostitute.

The cases are Gilman v. Spitzer et al, U.S. District Court, Southern District of New York, No. 11-05843; and McNenney v. Spitzer et al, New York State Supreme Court, New York County, No. 109628/2011. The earlier lawsuit is Gilman et al v. Marsh & McLennan Cos et al, U.S. District Court, Southern District of New York, No. 10-08158.

(Reporting by Jonathan Stempel; Editing by Gerald E. McCormick, Dave Zimmerman and Matthew Lewis)

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## They Still Don't Get It

# Some people on Wall Street, and at the Wall Street Journal, speak as if the financial crisis never happened.

By Eliot Spitzer Posted Sunday, Aug. 22, 2010, at 7:03 AM ET

Blackstone Group CEO Stephen SchwarzmanThe art of the "big lie" is to repeat something often enough, and with a powerful enough megaphone, such that your distortions are not challenged. So it is with the Wall Street Journal's obsession with attacking and misrepresenting the multiple cases that I brought against both AIG and its former chairman and CEO, Hank Greenberg.

At stake is much more than the particular cases at issue. By trying to rewrite the narrative of the economic cataclysm we have lived through, the deniers are attempting to challenge the common-sense conclusions that flow from an accurate understanding of history. They are desperately trying to protect a particularly rabid, and ultimately damaging, anti-regulatory philosophy that has dominated the past 30 years. They are trying to protect a broken and misguided understanding of how markets really function, a view now openly rejected even by such staunch free-market advocates as Judge Richard Posner and former Fed Chairman Alan Greenspan. Acknowledging the propriety of any government prosecutions of corporate wrongdoing would make impossible their current effort to push back against even the government's minimal responses to the financial crisis.

So, in view of [the Journal's recent editorial](http://online.wsj.com/article/NA_WSJ_PUB%3ASB10001424052748704388504575419561693584800.html), a few facts are in order: Greenberg was removed as CEO of AIG by his own board—of its own volition—after his refusal to answer questions about his involvement in fraudulent reinsurance contracts that his company had created. [Five people were convicted by a jury](http://www.reuters.com/article/idUSN2525608120080226) in Connecticut in 2008 for their role in these frauds. The federal prosecutor, in his summation, called Greenberg an unindicted co-conspirator in the scheme. In New York, the judge who will hear the case based on these facts, brought by the state when I was attorney general, [called the case "devastating"](http://www.nytimes.com/2010/04/21/business/21aig.html) and referred to AIG as a "criminal enterprise." AIG as a corporate entity settled the case with my office in 2006 by restating its financial results and paying a fine of $1.6 billion. Shareholders are now awaiting judicial approval of an additional $750 million settlement to compensate them for damages they suffered from these accounting frauds.

Contrary to the claims of the Journal's editorial, the cases against Greenberg and AIG have been both proper and successful. More to the point, perhaps, they have been necessary to the vindication of justice and ethics in the marketplace.

The Journal's editorial also seeks to disparage the cases my office brought against Marsh & McLennan for a range of financial and business crimes. The editorial notes that two of the cases against employees of the company were dismissed after the defendants had been convicted. The judge found that certain evidence that should have been turned over to the defense was not. (The cases were tried after my tenure as attorney general.) Unfortunately for the credibility of the Journal, the editorial fails to note the many employees of Marsh who have been convicted and sentenced to jail terms, or that Marsh's behavior was a blatant abuse of law and market power: price-fixing, bid-rigging, and kickbacks all designed to harm their customers and the market while Marsh and its employees pocketed the increased fees and kickbacks. Marsh as a company paid an $850 million fine to resolve the claims and brought in new leadership. At the time of the criminal conduct, Jeff Greenberg, Hank Greenberg's son, was the CEO of Marsh. He was forced to resign.

What does it mean that supposedly thoughtful voices in the corporate world continue to deny the simple fact that irresponsible behavior should be addressed head on, and the rules of conduct altered sufficiently to permit a sound foundation for future economic growth?

I fear that we have still not constructed a social contract or general understanding of the role of government in the marketplace that will bring things into balance—in terms of both individual behavior and collective responsibility. Maybe we are still living in the remaining hours of a fading regime, still addled by the warped perspective of too many who have done perhaps too well over the past decade or two. A case in point is Steve Schwarzman, the founder and CEO of Blackstone, a private equity firm. Schwarzman recently compared the attempt to tax the often astronomical fees earned by private equity managers as ordinary income—as they should be—to [Hitler's invasion of Poland](http://www.newsweek.com/2010/08/15/schwarzman-it-s-a-war-between-obama-wall-st.html). This horrific statement, from [someone who spent millions of dollars on his own birthday party](http://dealbook.blogs.nytimes.com/2007/02/14/inside-stephen-schwarzmans-birthday-bash/), is an unfortunate reminder of the mind-set of at least some pockets of our corporate leadership. It is time for more enlightened voices in the corporate world to use their own megaphones.

For years, he was the scourge of the Masters of the Universe and the Sheriff of Wall Street.

Now he’s a joke.

Legions of Wall Street’s bankers, traders and investors relished the dark clouds enveloping New York Gov. Eliot Spitzer, who on Monday informed his most senior administration officials that he had been tied to a prostitution ring, the New York Times reported.

“He made a lot of enemies,” said Angel Mata, managing director of listed equity trading at Stifel Nicolaus Capital Markets in Baltimore.

Spitzer, with his wife by his side and facing a room packed with reporters, camera crews and aides, apologized to his family and the public for a “private matter.” But he made no reference to The New York Times report.

The Times reported that Spitzer was caught on a federal wiretap arranging to meet with a $1,000-an-hour prostitute at a Washington hotel last month.

Spitzer, a Democrat, rose to political stardom while state attorney general through high-profile investigations into improper business practices by major Wall Street firms.

Though his signature issue was pursuing Wall Street’s misdeeds, as attorney general Spitzer also prosecuted at least two prostitution rings when he ran the state’s organized crime task force, the New York Times said.

The paper said Spitzer “spoke with revulsion and anger” in 2004 after announcing the arrest of 16 people for running what the paper termed a high-end prostitution ring in Staten Island.

Spitzer, who is the father of three children, was extolled for his virtues and unyielding focus on corporate malfeasance.

Time magazine anointed him “Crusader of the Year 2002″ when he was attorney general for his landmark settlement with 10 of the nation’s largest securities firms over charges of misleading investors.

He took down some of Wall Street’s giants — from Maurice “Hank” Greenberg, the former chairman and CEO of American International Group , who was forced to resign under pressure from Spitzer — to Richard Grasso, the former New York Stock Exchange CEO. In 2004, Spitzer sued to have Grasso return the bulk of his nearly $140 million pay package.

Everything changed on Monday. And Wall Street, already shattered by a financial crisis, took a moment to savor it.

“Get ready for a schadenfreude festival on Wall Street,” said Barry Ritholtz, director of equity research at Fusion IQ in New York.

Schadenfreude is a German word that means deriving joy from the misery of others.

“The guy is a quintessential hypocrite,” said Jeffrey Gundlach, chief investment officer of TCW Group in Los Angeles, which invests $160 billion.

News of Spitzer’s political fall from grace, however, did little to lift the mood on Wall Street.

“I would think the markets would rally off this news as it brings some relief to Spitzer’s dealing with Wall Street and traders,” said Gundlach of TCW.

But the Dow Jones industrial average fell 153.54 points, or 1.29 percent, to end at 11,740.15. The Standard & Poor’s 500 index dropped 20.00 points, or 1.55 percent, to 1,273.37, while the Nasdaq composite index slid 43.15 points, or 1.95 percent, to 2,169.34.

The U.S. stock market was under severe selling pressure all day as investors dumped financial shares on fears of more credit losses, while anxiety intensified that the United States may already be in recession.

“This is a scary market and in a fear market, news like that of Spitzer does not help at all,” said Dan Fuss, vice chairman of investment company Loomis Sayles, which oversees more than $100 billion in fixed-income securities.

Several years ago, tabloids proclaimed Spitzer the new “Eliot Ness.” The reference was a play on Spitzer’s squeaky clean image and his zeal in ferreting out wrongdoing — reminiscent of the original Eliot Ness, the Prohibition-era lawman who led “The Untouchables,” the agents credited with bringing down Chicago mobster and bootlegger Al Capone.

Today it’s a different story.

“Everybody is loving this on Wall Street,” TCW’s Gundlach said, “because he was very aggressive in advancing his career at the expense of Wall Street.” (

Additional reporting by Caroline Valetkevitch and Jennifer Coogan) (Reporting by Jennifer Ablan; Editing by Jan Paschal)

**Marsh Executive Sues Spitzer for $60 Million Over Slate Column**

August 22,2011 by Jonathan Stempel Reuters Insurance Journal Article.

Former New York Governor Eliot Spitzer has been hit with a $60 million libel lawsuit by a former Marsh & McLennan Cos. executive over a column posted on Slate.com concerning an insurance bid-rigging scandal.

William Gilman, a former Marsh executive marketing director, said Spitzer acted with “actual malice” by suggesting in an [Aug. 22, 2010](http://www.slate.com/id/2264632/) column titled “They Still Don’t Get It” that he was guilty of crimes, including crimes he was never accused of, after his conviction had been thrown out the prior month.

Slate.com is owned by Washington Post Co., and its parent Slate Group LLC is a defendant in the case.

Gilman filed his complaint late Friday in the U.S. District Court in Manhattan. A copy was made public on Monday.

Spitzer, in a phone interview, declined to comment. Rima Calderon, a Washington Post spokeswoman, declined to comment.

The complaint was filed late Friday in the U.S. District Court in Manhattan. A copy was made public Monday.

Gilman had been among eight insurance executives indicted in September 2005 as Spitzer, then New York’s attorney general, probed the alleged steering of clients to favored insurers in exchange for kickbacks.

Marsh, the largest U.S. insurance broker at the time, agreed in January 2005 to pay $850 million in a civil settlement with Spitzer.

While Gilman was found guilty in February 2008 on a felony antitrust charge after a bench trial, the presiding judge [threw out that conviction](http://www.insurancejournal.com/news/national/2010/07/07/111381.htm) in July 2010, citing new evidence.

That case was dismissed in January. The other indicted executives either were acquitted or had their cases dismissed. Twenty-one others pleaded guilty.

##### ‘READILY IDENTIFIABLE’

In his complaint, Gilman said Spitzer defamed him in writing that “Marsh’s behavior was a blatant abuse of law and market power: price-fixing, bid-rigging and kickbacks all designed to harm their customers and the market while Marsh and its employees pocketed the increased fees and kickbacks.”

Gilman also said Spitzer defamed him in writing that “many employees of Marsh” have been “convicted and sentenced to jail terms,” when none had. Spitzer had written the column after a recent critical editorial in The Wall Street Journal.

“While Mr. Spitzer’s statements do not refer to Mr. Gilman by name,” the complaint said, “Mr. Gilman is readily identifiable as the subject of the defamatory comments.

“Mr. Spitzer was well aware of his own allegations as attorney general and the resolution of those allegations in favor of Mr. Gilman and yet, recklessly disregarded these facts,” it added.

Gilman is seeking at least $10 million of compensatory damages; $20 million of general damages, including damage to his reputation; and $30 million of punitive damages.

“I don’t know what possessed him to make the statements that he made,” Gilman’s lawyer Jeffrey Liddle said in an interview, referring to Spitzer. “My client has been through the meat grinder of press coverage for many years.”

In June, Gilman and McNenney accused Marsh in a separate lawsuit of colluding with Spitzer to make them “scapegoats” and avert potential criminal charges against the company. That case seeks to recover unpaid compensation and other damages.

Last month, Time Warner Inc.’s CNN canceled Spitzer’s low-rated television talk show “In the Arena,” after less than one year on the air.

Spitzer resigned as New York’s governor in March 2008 after being [linked to a prostitution ring](http://www.insurancejournal.com/news/national/2008/03/10/88085.htm).

The cases are Gilman v. Spitzer et al, U.S. District Court, Southern District of New York, No. 11-05843; and McNenney v. Spitzer et al, New York State Supreme Court, New York County, No. 109628/2011. The earlier lawsuit is Gilman et al v. Marsh & McLennan Cos. et al, U.S. District Court, Southern District of New York, No. 10-08158.

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