New York State
Insurance Department

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For immediate release:
January 31, 2005

INSURANCE BROKER AGREES TO SWEEPING REFORMS
Marsh to Pay $850 Million in Restitution and Ban Contingent Commissions

Attorney General Eliot Spitzer and Acting Insurance Superintendent Howard Mills today announced a landmark agreement with the nation's leading insurance brokerage firm to resolve allegations of fraud and anti-competitive practices.

Under the agreement, the Marsh & McLennan Companies, Inc. (Marsh) will provide $850 million in restitution to its policyholders who were harmed by its actions and adopt a new business model designed to avoid conflicts of interest.

Marsh also issued a public statement in which it apologizes for "unlawful"and "shameful" conduct, and promises to adopt reforms.

“To its credit, Marsh is not disputing the problems identified in our original complaint," Spitzer said. "Instead, the company has embraced restitution and reform as a way of making a clean break from the practices that misled and harmed its clients in the past."

Acting Superintendent Mills said: “The settlement agreement restores confidence to the marketplace by requiring restitution to Marsh’s aggrieved clients, establishing model business practices Marsh will employ going forward, and instituting a system of full disclosure that enables all parties to know who is paying what, and to whom, when purchasing insurance.”

The agreement comes after the Attorney General's office filed a complaint and the Insurance Department filed citations in October alleging that Marsh steered its clients to insurers with which it had lucrative payoff agreements, and that the firm solicited rigged bids for insurance contracts.

In the last three months, six insurance executives from three companies have plead guilty to criminal charges related to the scheme. The joint investigation by Attorney General’s office and Insurance Department is continuing.

Under the settlement agreement, Marsh will pay $850 million over four years into a fund from which clients will be compensated. The company will work with the Attorney General's office and the Insurance Department to encourage clients to participate in the fund and to administer it nationwide.

In addition, the company will adopt dramatic new reforms, including an agreement to limit its insurance brokerage compensation to a single fee or commission at the time of placement, a ban on contingent commissions, and a requirement that all forms of compensation will be disclosed to and approved by Marsh’s clients.

“These landmark reforms will help protect against conflicts of interest and help restore the integrity of the entire insurance industry, if followed by other firms,” Spitzer said, noting that the reforms go beyond the model guidelines issued recently by the National Association of Insurance Commissioners.

According to Spitzer’s original complaint, Marsh collected approximately $800 million in contingent commissions in 2003. The complaint alleged that those commissions were tainted by conflicts that harmed Marsh's customers -- large corporations, small and mid-size businesses, municipal governments, school districts and some individuals.

The investigation underlying today’s agreement has been spearheaded by the Attorney General’s Public Advocacy and Criminal Divisions.

Audrey Samers, Deputy Superintendent and General Counsel of the New York State Insurance Department, has led the Department’s investigation.

* Agreement
* Marsh Exhibit #1