



For Immediate Release
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**MADIGAN: SETTLEMENT REACHED WITH ILLINOIS INSURANCE
COMPANY ZURICH; INVESTIGATION UNCOVERED UNLAWFUL
BID-RIGGING SCHEME**

Chicago – Illinois Attorney General Lisa Madigan, New York Attorney General Eliot Spitzer and Connecticut Attorney General Richard Blumenthal today announced a \$153 million settlement agreement has been reached with Schaumburg-based Zurich American Insurance Company over charges that the insurance giant engaged in bid-rigging, steering of insurance business and accounting misconduct.

The agreement requires Zurich to pay back \$88 million to policyholders, specifically including Illinois policyholders, who were the victims of Zurich's scheme to rig bids on excess casualty insurance policies. The specific amount each individual policy holder will receive has not yet been determined. The company did not disclose to its policyholders that it was colluding with other insurers and brokers to rig bids for excess casualty insurance. Under the agreement, Zurich also will pay \$65 million in penalties and payments to the three states, including \$13 million to Illinois.

Additionally, the agreement requires Zurich to reform critical business practices. Under the agreement, Zurich will sharply curtail its use of "contingent commissions," paying no contingent commissions on excess casualty insurance placements through 2008. Contingent commissions are payments that insurers pay to brokers and agents in addition to the base commissions. Contingent commission amounts generally are based on the volume and profitability of the business a broker or agent produces for an insurance company. Madigan's investigation found that, because contingent commissions are based on volume and profitability, they encourage brokers and agents to improperly steer their clients to particular insurers, even if that is not in the clients' best interest.

In addition, Zurich has agreed to stop paying such commissions in any line of insurance in which companies with 65 percent of gross written premiums do not do so. The company also has agreed to support legislation banning contingent commissions and requiring greater disclosure of compensation to brokers and agents.

Under the agreement, Zurich also has agreed that later this year it will use a special Web site to provide new disclosures about ranges of compensation paid to brokers and agents by insurance products.

The Division of Insurance within the Illinois Department of Financial and Professional Regulation (IDFPR), along with the New York Insurance Department and the Connecticut Insurance Department, will monitor Zurich's compliance with these new business reforms.

"Our investigation revealed that Zurich schemed with insurance brokers and other insurers to rig bids, behavior that led policyholders to pay more for insurance," Madigan said. "Zurich also secretly paid contingent commissions to brokers in exchange for the brokers steering business to Zurich. This settlement, along with other recent similar settlements, will go a long way toward ensuring transparency and fairness in this industry."

"Zurich's willingness to acknowledge problems, adopt reforms and provide appropriate compensation to customers will help the company move forward and will help promote full and fair competition in the insurance industry," Spitzer said.

"Zurich is paying the price for years of unconscionable business practices – showing that greed always comes full circle," Blumenthal said. "This settlement returns millions to policyholders and taxpayers for a scheme that manipulated the market and conned consumers. These bid rigging and kickback schemes harm not only consumers, but honest businesses – and the entire Connecticut economy. Our investigation into the insurance industry is continuing aggressively – changing the way companies like Zurich do business and obliterating a culture of corruption.

Madigan said this settlement is a product of a wider ongoing probe of misconduct in the insurance industry. One of the previous results of the investigation was Madigan's \$190 million settlement with Chicago-based insurance brokerage firm Aon in March 2005. That settlement, which also included the New York and Connecticut Attorneys General, similarly dealt with contingent commissions and improper steering.

Madigan's investigation was conducted in cooperation with the IDFPR's investigation of Zurich's conduct. IDFPR has primary responsibility under Illinois law for regulating the insurance industry.

Public Interest Division Chief Benjamin Weinberg and Public Interest Division Deputy Chief Brent Stratton are handling the case for Madigan's office.

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