

PRESS RELEASE



For Immediate Release

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**MADIGAN: SETTLEMENT REACHED WITH INSURANCE
COMPANY ACE; INVESTIGATION UNCOVERED UNLAWFUL BID-
RIGGING SCHEME**

ILLINOIS TO RECEIVE \$8 MILLION PAYMENT

Chicago — Illinois Attorney General Lisa Madigan, New York Attorney General Eliot Spitzer and Connecticut Attorney General Richard Blumenthal today announced an \$80 million settlement agreement with Bermuda-based holding company ACE, Limited, and its U.S.-based insurance subsidiaries over charges that the insurance giant engaged in bid-rigging, steering of insurance business and accounting misconduct.

The agreement requires ACE to pay back \$40 million to policyholders, including Illinois policyholders, who were the victims of ACE's scheme to rig bids on excess casualty insurance policies. The amount that Illinois policyholders 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, ACE also will pay \$40 million in penalties and payments to the three states, including \$8 million to Illinois.

Additionally, the agreement requires ACE to reform critical business practices. Under the agreement, ACE is required to 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, ACE 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, ACE has agreed to provide new disclosures about ranges of compensation paid to brokers and agents by insurance products on a special Web site later this year.

The Division of Insurance within the Illinois Department of Financial and Professional Regulation, along with the New York Insurance Department and

the Connecticut Insurance Department, will monitor ACE's compliance with these new business reforms.

“Our investigation revealed that ACE secretly agreed with insurance brokers and other insurers to rig bids for insurance policies. Because of this illegal conduct, policyholders did not get the impartial recommendations they deserved to get and they ended up paying more for their insurance,” Madigan said. “ACE also paid contingent commissions to brokers in exchange for the brokers steering business to ACE, again without the policyholders' knowledge or consent. This settlement, along with other recent similar settlements, will help restore integrity to the insurance markets.”

Today's settlement is a product of a wider ongoing probe of misconduct in the insurance industry. That investigation previously resulted in Madigan's \$153 million settlement with Chicago-based insurer Zurich in March 2006 and Madigan's \$190 million settlement with Chicago-based insurance brokerage firm Aon in March 2005. Those settlements, which also included the New York and Connecticut Attorneys General, similarly dealt with bid rigging, contingent commissions and improper steering.

Madigan's investigation was conducted in cooperation with the IDFPR's investigation of ACE'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.