



For Immediate Release

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August 1, 2006

**MADIGAN: SETTLEMENT REACHED WITH ST. PAUL TRAVELERS
INSURANCE COMPANY; 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 a \$77 million [settlement agreement](#) has been reached with one of the nation’s largest property casualty insurers over charges of bid-rigging, steering of insurance business and accounting misconduct.

The [agreement](#) requires St. Paul Travelers, a major provider of homeowners and automobile insurance for individuals and commercial insurance for businesses of all sizes, to pay back \$37 million to policyholders impacted by St. Paul Travelers’ role in a scheme to rig bids on excess casualty insurance policies. Under this scheme, the company did not disclose to its policyholders that it was colluding with other insurers and brokers to rig bids for excess casualty insurance. The amount that Illinois policyholders will receive has not yet been determined. Under the [agreement](#), St. Paul Travelers also will pay \$40 million in penalties and payments to the three states, including \$8 million to Illinois.

Additionally, the [agreement](#) requires St. Paul Travelers to reform critical business practices. Under the [agreement](#), St. Paul Travelers 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 clients to particular insurers, even if that is not in the clients’ best interest.

St. Paul Travelers 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 has agreed to support legislation banning contingent commissions and requiring greater disclosure of compensation to brokers and agents. Under the [agreement](#), St. Paul Travelers also 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.

“Our investigation revealed that St. Paul Travelers was another insurance carrier that 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 and they ended up paying more for insurance,” Madigan said. “St. Paul Travelers also paid contingent commissions to brokers in exchange for the brokers steering business to St. Paul Travelers, again without the policyholders’ knowledge or consent. This settlement, along with other recent similar settlements, will help restore integrity to the insurance markets, both for businesses and individual consumers.”

The settlement is a product of a wider, ongoing probe of misconduct in the insurance industry. Among the recent settlements are a \$153 million settlement with Chicago-based insurer Zurich in March 2006 and an \$80 million settlement with ACE in April 2006. Those settlements, which also included the New York and Connecticut Attorneys General, similarly dealt with bid rigging, contingent commissions and improper steering.

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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