



For Immediate Release

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**MADIGAN: SETTLEMENT AGREEMENT CALLS FOR CERTAIN
CONTINGENT INSURANCE COMMISSIONS TO
CEASE JANUARY 1, 2007**

Chicago - Attorney General Lisa Madigan today announced that her office, under agreements reached earlier this year, has notified three of the nation's largest insurance companies that beginning January 1, 2007, they can no longer pay contingent commissions to agents and brokers that sell certain types of insurance to consumers.

Madigan's office is sending notices to Zurich American Insurance Company, ACE and St. Paul Travelers, each of which settled with Madigan and the Attorneys General of New York and Connecticut earlier this year. The settlements resolved the states' investigations into bid-rigging and the steering of insurance business by insurance brokers and resulted in combined restitution and penalty payments of \$310 million.

The investigations specifically targeted the insurers' practice of paying contingent commissions, which are additional commissions based on the brokers attaining volume, renewal and profitability benchmarks. The investigations found that contingent commissions encouraged brokers to steer business to the insurers paying the largest contingent commissions, even if it was not in the best interests of the brokers' clients.

"Through aggressive investigations and settlements, we are making sure that insurance customers are not subject to unfair practices," Madigan said.

The notices sent today were triggered by a provision in the settlement agreements with Zurich, ACE and St. Paul Travelers. The agreements provide that those insurers must stop paying contingent commissions in any line of insurance where the insurers that write 65 percent of the gross premium for that line of insurance do not pay, or have agreed to stop paying, contingent commissions. Based on these three settlements, and New York's separate settlement with AIG, the 65 percent "tipping point" has been reached for the following insurance lines: Homeowners Multi Peril; Private Passenger Automobile Physical Damage; Private Passenger Automobile No-Fault; Other Private Passenger Automobile Liability; Boiler and Machinery; and Financial Guaranty. As a result, under the agreement, Zurich, ACE and St. Paul Travelers must discontinue certain contingent commissions on January 1, 2007.

The Attorneys General of New York and Connecticut also are sending notice letters today to the same insurers.

Deputy Chief Brent Stratton is handling these cases for Madigan's Public Interest Division.

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