



**For Immediate Release**

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**MADIGAN: SETTLEMENT REACHED WITH CHUBB CORPORATION; COMPANY TO CEASE ALL CONTINGENT COMMISSION PAYMENTS ON ITS INSURANCE PRODUCTS**

Chicago – Illinois Attorney General Lisa Madigan, New York Attorney General Eliot Spitzer and Connecticut Attorney General Richard Blumenthal today announced a settlement agreement with one of the nation’s largest property casualty insurers over charges of customer steering, improper finite reinsurance transactions and possible participation in a bid-rigging scheme led by brokerage subsidiaries of Marsh & McLennan Companies, Inc.

The agreement requires Chubb, a major provider of homeowners insurance for individuals, commercial insurance, and directors and officers insurance for businesses, to pay back \$15 million to policyholders impacted by Chubb’s activities in the excess casualty insurance market. The amount that Illinois policyholders will receive has not yet been determined. Under the agreement, Chubb also will pay \$2 million in costs to the three states, including \$400,000 to Illinois.

Additionally, the agreement requires Chubb to adopt a series of critical business reforms. Most importantly, Chubb will cease its use of “contingent commissions,” paying no contingent commissions on any of its insurance products beginning January 1, 2007. 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 when not in the clients’ best interest.

Chubb also has agreed to support legislation banning contingent commissions and requiring greater disclosure of compensation to brokers and agents. As part of the settlement, Chubb also agreed to provide new disclosures about ranges of compensation paid to brokers and agents by insurance products which will be accessible via the Internet later this year.

“Our investigation revealed a number of undisclosed business practices through which Chubb actively induced brokers to steer profitable business to Chubb. Businesses and consumers who purchase insurance deserve to have the advice of an unbiased broker whose views are not tainted by secret

payments from insurance carriers designed to reward the broker for steering profitable business to them,” Madigan said. “We are pleased that Chubb is taking the lead in adopting reforms to restore integrity to the insurance industry. Chubb’s agreement to end contingent commission payments sends a message to all insurance carriers that they must compete based on the quality and price of their products and services, and not by making undisclosed payments to induce brokers to steer business to them.”

This settlement is a part of Madigan’s office’s 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, an \$80 million settlement with ACE in April 2006 and a \$77 million settlement with St. Paul Travelers in August 2006. Those settlements, which also included the New York and Connecticut Attorneys General, similarly dealt with bid rigging, contingent commissions and improper steering.

As a result of the earlier settlements, the Attorney General recently notified Zurich, ACE and St. Paul Travelers that they must stop paying contingent commissions on January 1, 2007 in certain insurance lines 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. The insurance lines on which those carriers may no longer pay contingent commissions include homeowners, personal automobile, boiler and machinery, and financial guaranty, in addition to excess casualty insurance.

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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