



ATTORNEY GENERAL GEORGE JEPSEN

LANDMARK ANTITRUST LITIGATION RESULTS IN A \$4.25 MILLION SETTLEMENT

For Immediate Release

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HARTFORD – Attorney General George Jepsen today announced a \$4.25 million settlement with one of the world’s largest reinsurance brokers, Guy Carpenter & Company, LLC, and Excess Reinsurance Company, ending a landmark antitrust case that began in October 2007.

The settlement resolves claims that Guy Carpenter orchestrated a series of conspiracies in the reinsurance industry that illegally inflated insurance and reinsurance costs nationwide. Under terms of the agreement, Guy Carpenter and Excess Reinsurance deny all liability, but will pay the state \$4.25 million to settle the lawsuit. In addition, Guy Carpenter will undertake significant nationwide business reforms, including enhanced disclosure and a formalized system for obtaining competitive quotes to ensure its clients receive the best rates and terms for insurance.

“Like the lawsuit, this settlement is ground-breaking in that it requires Guy Carpenter and a number of reinsurers to change the way they conduct business – not just in Connecticut, but on a nationwide basis,” Jepsen said. “As a result of the business reforms that Guy Carpenter has agreed to, the market for reinsurance will be more transparent, more competitive and, ultimately, may lead to lower prices for insurance.”

Jepsen said the settlement was the result of exemplary work by Assistant Attorneys General Joseph Nielsen, Gary Becker and paralegal Holly MacDonald who investigated and litigated the case under the direction of Assistant Attorney General Michael Cole, chief of the Antitrust Department. By law, the Attorney General is the chief civil enforcer of Connecticut’s antitrust laws. “They have protected the interests of not only Connecticut’s citizens, but those in need of reinsurance nationwide,” Jepsen said of the team.

The litigation against the two companies was the first of its kind brought by an antitrust enforcement agency – state or federal—in the reinsurance industry, and previously resulted in a \$1.3 million settlement with The Hartford Financial Services Group in October 2009. Terms of the latest settlement remain in effect for five years.

Reinsurance is purchased by insurance companies to cover exposure to claims on the policies they write. Because the cost of reinsurance is typically passed on to consumers, anti-competitive practices by reinsurers drive up prices to individuals and businesses purchasing the coverage. Anti-competitive practices can also hurt other reinsurance companies seeking to compete for the business in an open market.

Jepsen commended Guy Carpenter and Excess Reinsurance for agreeing to the settlement. “Guy Carpenter has chosen to make significant changes to the way it does business. These changes will not only benefit its clients, but the reinsurance industry in general,” Jepsen said.

The state sued Guy Carpenter in 2007 for allegedly orchestrating a series of conspiracies with dozens of reinsurers, including Excess Re in which Guy Carpenter was a part owner, which illegally inflated costs for insurance companies and consumers nationwide over several decades.

According to the allegations in the complaint, Guy Carpenter created select groups of reinsurers, which it called “facilities,” and funneled lucrative reinsurance business to those co-conspirators for undisclosed commissions and other benefits. The reinsurers in the groups agreed not to compete against the prices or terms set by Guy Carpenter for the business. The practice

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essentially created a closed market that Guy Carpenter said was “insulated from competition” or any market forces. The state’s investigation showed the practice pushed up costs 10 to 40 percent in some cases.

The complaint alleged that the facilities were used to provide reinsurance to Guy Carpenter’s smallest clients, those who were relying on the broker’s expertise to obtain the best coverage at the lowest prices. Guy Carpenter never disclosed its relationship with the other companies in the facilities or that it was often setting the price and terms for reinsurance contracts.

[Guy Carpenter Business Reforms](#) – (PDF – 33KB)

[Guy Carpenter Settlement Agreement](#) – (PDF – 2,319KB)