



DEPARTMENT OF THE ATTORNEY GENERAL

News Release

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LAWSUIT FILED TO IMPLEMENT INSURANCE SETTLEMENT

(Honolulu) Attorney General Mark Bennett today announced that Hawaii and ten other states initiated court proceedings to implement a settlement reached with one of the world's largest insurers, Zurich American Insurance Co. The requested court order will pave the way for the implementation of a variety of business reforms as part of a multi-state antitrust settlement reached in March 2006.

Today's state court filing, naming Zurich and its U.S. subsidiaries ("Zurich insurers"), alleged that these insurers participated in bid-rigging, price-fixing and customer allocation schemes in the commercial insurance market. A stipulated injunction also submitted today resolves those allegations as to the Zurich insurers.

The stipulation includes comprehensive injunctive provisions that will prevent future recurrence of marketplace abuses by the Zurich Insurers. The insurers will be prohibited from engaging in any of the practices that resulted in the violations at issue for a period of ten years, subject to court supervision and enforcement by the State. Additionally, the insurers will provide the investigating states with payments in lieu of civil fines, as well as payments for future attorneys' fees and investigative costs.

In a companion settlement of a class action lawsuit in federal court in New Jersey, the Zurich Insurers will be required to distribute at least \$121.8 million in to commercial policyholders. The New Jersey court preliminarily approved this monetary payout last November. Based on a very preliminary estimate, approximately 5,000 commercial policyholders in Hawaii may be eligible to receive a payment.

"We are pleased that we will be able to bring greater transparency and fairness to the commercial insurance markets in Hawaii as a result of the reforms agreed to by the Zurich Insurers," stated Attorney General Mark Bennett.

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The states' probes revealed that the Zurich Insurers failed to disclose it paid secret "contingent commissions" to insurance brokers, and conspired with brokers at the center of the conspiracy in a "pay-to-play" scheme to overcharge commercial policyholders for their insurance policies. The injunction entered today eliminates all that. All such compensation paid to commercial brokers and agents must be disclosed to the customer. The compensation disclosure includes both standard insurance commissions paid by policyholders and any form of commission paid by the Zurich Insurers to brokers for placing the policyholders' business. Policyholders may find that information helpful in making a decision to place or renew insurance coverage with the Zurich Insurers.

The bid-rigging scheme affected companies, nonprofit organizations, and government offices that purchased commercial lines of insurance from Zurich.

In addition to Hawaii, the multi-state coalition included California, Florida, Maryland, Massachusetts, Michigan, Oregon, Pennsylvania, Texas, Virginia, and West Virginia.

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