

Aon Inquiry Suggests Problems in Home and Auto Insurance by Joseph B. Treaster, NY Times

Documents released Friday related to the insurance broker [Aon](#) provide details of what investigators say were improprieties in the sale of insurance on homes and automobiles. Until now, a series of inquiries in the insurance industry has focused on commercial insurance.

For years, Aon channeled home and personal auto coverage for wealthy Americans to two big insurers, which paid Aon bonuses and helped pay the salaries of some of its brokers, according to the documents. The arrangement often led to higher prices for Aon's customers.

The situation was disclosed as part of Aon's \$190 million settlement with attorneys general in New York, Connecticut and Illinois.

Aon focused its sales of personal auto and home insurance on the highly paid executives and owners of businesses that came to it for commercial coverage. As Aon was arranging the commercial coverage, its brokers also suggested that it find the best personal coverage for the executives at the best prices.

But beginning in 1999, the documents show, Aon steered the purchase of personal auto and home coverage to the [Chubb Corporation](#) and Fireman's Fund, two companies that shared the cost of the salaries of some brokers with Aon and also paid bonuses for increased business.

Patrick G. Ryan, the chief executive and founder of Aon, said on Friday that he disagreed with "a number of interpretations and conclusions" in the documents. He said the company

would not discuss the documents or investigators' assertions.

At the same time, he issued an apology, saying he regretted "that some of our employees have violated our code of conduct." But he added: "We don't believe these allegations are indicative of Aon's practices."

Spokesmen for Aon and for Chubb declined to comment. A spokesman for Fireman's Fund, a division of [Allianz](#), did not return calls seeking comment. The Chubb spokesman said he could not help in trying to reach Dean O'Hare, a former Chubb chief executive who retired in 2002 and was mentioned in some of the documents.

The arrangement with Chubb and Fireman's Fund was part of an overall drive by Aon to increase profits in its major lines of business in exchange for preferential treatment for the highest paying insurance companies, according to letters, e-mail messages and handwritten notes made public by the investigators. Aon also assured its clients that it always acted in their best interests, the documents show.

The documents show that the efforts were planned at the highest levels of Aon. On Sept. 13, 2000, for example, Mr. Ryan discussed the incentive programs with Mr. O'Hare, who was chief executive of Chubb then.

Chubb was concerned that despite the bonuses it was paying, Aon was not steering it as much business as expected. For its part, Aon wanted Chubb to buy some its own coverage known as reinsurance, through Aon's reinsurance subsidiary.

A month after the dinner, according to handwritten notes of a phone conver-

sation between executives of Chubb and another reinsurance broker, "Dean O'Hare has promised Pat Ryan Aon will get the lion's share" of the reinsurance business. The notes said the proposal from Aon on the reinsurance was the "worst" of several offers considered by Chubb and that several Chubb executives had objected to it.

The notes also refer to an offer of a 50 percent discount in Aon's charges for arranging reinsurance for Chubb. Aon hoped to recover the money lost in the discount through bonuses that Chubb would pay as Aon steered it business, investigators said.

This process was known at Aon as a "clawback," Eliot Spitzer, the New York attorney general, said in a legal complaint. Michael O'Halleran, who until September was the president and chief operating officer of Aon, "personally negotiated clawback arrangements," Mr. Spitzer said in the complaint.

Mr. Ryan said in September that he was stepping down as chief executive as soon as a successor could be found. He said that Mr. O'Halleran would not replace him but would remain with the company in a lower-ranking job. Mr. Ryan has maintained that the leadership change was not related to accusations of improper conduct. The Aon spokesman also declined to comment about Mr. O'Halleran.