

Ace settles bid-rigging probe by 3 states

By MICHAEL GORMLEY, ASSOCIATED PRESS WRITER

ALBANY, N.Y. – Insurance company Ace Ltd. on Wednesday settled a bid-rigging investigation by New York, Illinois and Connecticut for \$80 million in restitution and penalties, New York Attorney General Eliot Spitzer said.

Ace, a holding company based in Bermuda, and its subsidiaries were accused of bid rigging and improper transactions in so-called finite insurance and reinsurance contracts. Reinsurance is taken out by insurance companies to protect them from the risk they assume when they write traditional insurance policies such as those for homeowners and business owners. Finite-risk insurance is a type of reinsurance.

Ace agreed to reform its practices and issued an apology, Spitzer said.

A company spokesman declined comment.

"We continue to clean up the insurance industry," Spitzer said. "Ace is also adopting re-

forms designed to address the problems created by the use of contingent commissions and finite insurance." Contingent commissions, also known as incentive fees, are fees that are above ordinary commissions which brokers legally receive from insurance companies.

Half the settlement will go to policy holders who were victims, said Illinois Attorney General Lisa Madigan. The other half will go to the states in penalties.

"Because of this illegal conduct, policyholders did not get the impartial recommendations they deserved to get and they ended up paying more for their insurance," Madigan said.

The Ace case stems from a massive regulatory settlement in the industry. In January 2005, Marsh & McLennan Cos. Inc. paid \$850 million to settle Spitzer's case into claims of bid rigging, price fixing and the use of hidden incentive fees. In its latest earnings report released in February, Marsh showed improved profits, but the nation's largest insurance brokerage was still struggling after the massive regulatory settlement.

Spitzer had accused Ace of being "a full participant in a scheme to fix insurance prices," according to spokesman Marc Violette. The case included an e-mail from a senior Ace executive that said Ace would provide an

intentionally losing bid on a business-insurance contract offer in order to create the appearance of a competitive bidding process. Spitzer offered it as evidence there was collusion that hurt the business client seeking the insurance policy.

Seventeen executives in five companies - including eight former Marsh employees - pleaded guilty to criminal charges in the insurance investigation.

Shares of Ace Ltd. rose \$1.45, or 2.7 percent, to close at \$54.45 on the New York Stock Exchange.