

Contingent Commissions and Broker Compensation: What to Do

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Since New York Attorney General Eliot Spitzer sued Marsh & McLennan on October 14, 2004, alleging that it had engaged in bid rigging and otherwise obtained improper compensation from insurers, at least 30 states have commenced active investigations, and a multitude of insurers have acknowledged receiving subpoenas or requests for information from various state attorneys general and insurance regulators. Subpoenas and requests for information are going not only to property/casualty insurers, but also to life/health insurers.

Whether these investigations will spread to envelop the entire industry remains to be seen; however, in anticipation of promised new producer compensation disclosure requirements, all insurers are well advised to review their current producer compensation arrangements and oversight procedures to confirm both that such arrangements are appropriate and that the company's systems are such that any inappropriate producer compensation activity would be immediately detected and terminated.

For an in-depth look at what insurers should do during a review, view "Contingent Commissions and Broker Compensation: What to Do."

For more information, please contact us at 202.719.7130.