
Director's Office, 350 Winter St. NE, Room 200, Salem, Oregon 97301-3878

For immediate release:
November 15, 2005

For more information:
Steve Corson, 503-947-7868
Steven.J.Corson@state.or.us

State fines Marsh USA \$75,000 for over billing public clients

(Salem) The Oregon Department of Consumer and Business Services (DCBS) today announced that it has fined insurance broker Marsh USA, Inc., \$75,000 for overcharging 22 public entities in Oregon and for failing to retain insurance records.

Marsh last fall voluntarily returned \$1.2 million in commissions to six Oregon school districts and a community college. But an investigation by the DCBS Insurance Division found that additional public sector clients had been over billed more than \$260,000.

“We hold the insurance industry to high standards of trust and require careful record keeping,” said DCBS Director Cory Streisinger. “Policyholders and clients have a right to expect their broker or agent to handle accounts honestly and fulfill their commitments, and we will not accept industry practices that fall short of that expectation.”

Marsh's over billing occurred from 1999 to 2004 and involved accounts in which the company contracted to provide insurance brokerage services for an agreed-upon fee. In the 22 cases, Marsh also collected commissions in violation of its contracts with the public entities. The commissions were not readily apparent because they were included in premium charges on Marsh's billing statements.

“These violations victimized not only Marsh's clients, but also the Oregonians who rely on those public entities to provide services effectively with limited taxpayer dollars,” Streisinger said.

Following an internal audit in 2004, Marsh told the Insurance Division that it found commission revenues from the seven public entities had been improperly retained. Marsh paid or credited the money in November 2004, then notified the Insurance Division of its remedial actions.

Although Marsh said the over billing was limited to the seven entities, the Insurance Division required the company to examine additional public and private sector fee-based accounts and document that they had been handled properly.

As a result, Marsh reported to the Insurance Division this year that 15 additional Oregon public entities had been overcharged. They include four counties, four community colleges, three cities, one school district, and three other public agencies. The largest overcharges among this group were paid by Marion County, which was over billed \$31,497, and Clackamas County, which was over billed \$28,982. The City of Salem and Portland Community College were also over billed by more than \$20,000 each. Marsh has since returned or credited the money. No discrepancies were found in the company's private sector accounts.

(more)

State fines Marsh USA

November 15, 2005

Page two.

“Our investigation showed Marsh’s problems with fee-based accounts were broader than the company initially admitted,” said Insurance Administrator Joel Ario. “We wanted to make sure that each client received full restitution and that something like this doesn’t happen again.”

Marsh said it has instituted reforms to ensure insurance contracts are properly documented and followed, and to ensure full disclosure of all compensation it receives.

Marsh also notified DCBS in 2004 that it had terminated Robert Lilly, a senior vice president at the company, and said that he was responsible for the over billed accounts identified at that time. The Insurance Division investigated Mr. Lilly’s conduct and is moving to revoke his license to act as an insurance broker.

Marsh notified DCBS this month that it has now terminated two additional vice presidents, Debora Leopold Hutchins and Patsy G. Hanson, in connection with the recently discovered violations. The Insurance Division is investigating the conduct of these two individuals.

#####