Connecticut Files Antitrust Suit Against Reinsurance Broker

Illegal actions inflated consumers' premiums by 40%, state chargesConnecticut Attorney General Richard Blumenthal has filed an antitrust lawsuit against one of the world's largest reinsurance brokers for anticompetitive practices that he says illegally inflated insurance costs for insurance companies and consumers nationwide.

"Thousands of consumers in Connecticut and many more in most states across the country paid premiums up to 40 percent higher, costing them potentially hundreds of millions of dollars," Blumenthal said."We are drawing back the cloak of secrecy on industry practices that inflated prices and profits at the expense of 170 insurance companies and their customers. Our investigation is active and ongoing."Blumenthal's lawsuit reveals a series of alleged conspiracies within the reinsurance industry, principally led by defendant broker Guy Carpenter & Company, LLC, an international reinsurance broker based in New York.Guy Carpenter essentially created markets that - in its own words - were "insulated from competition."Conspiring with numerous reinsurers to exploit its position as a dominant reinsurance broker, Guy Carpenter fixed prices, shut out competitors, manipulated the markets and substantially increased profits in the lucrative reinsurance market, Blumenthal charged.The lawsuit also names reinsurer Excess Reinsurance Company, a company that Guy Carpenter funneled business to, despite its ownership interest in the company. It names nine other coconspirators."Guy Carpenter served as ringleader in choreographing the reinsurance market to fix prices, stifle competitors and collect excessive profits at the expense of an entire industry," Blumenthal said. "My antitrust investigation has revealed an industry plagued by pervasive anticompetitive and anti-consumer practices. Guy Carpenter's schemes were enabled by a shifting coterie of more than 20 coconspirators - reinsurers willing to play Guy Carpenter's game of deceit, and damage consumers."This company and its coconspirators created an illusion of competition - a faux functioning market. They raised costs for insurance companies, which ultimately were paid by businesses, homeowners and taxpayers - almost anyone or any entity that buys insurance."We began an aggressive investigation after insurers in Connecticut and nationwide sought to impose unconscionable and unacceptable burdens on consumers, particularly along coastal areas. Our investigation has revealed a system of cascading costs resulting from illegal price fixing arrangements in the reinsurance industry that created a complete vacuum of competition."Reinsurance is essentially a completely unregulated business, where backroom deals abound. Guy Carpenter's illegal agreements are akin to the illegal trusts that existed over 100 years ago - spurring enactment of our nation's antitrust laws. We will fight vigorously for both court remedies and reforms in industry practices that have harmed consumers at every level."Guy Carpenter allegedly funneled lucrative business to select inner circles of reinsurers - or "facilities" - in exchange for excessive fees and other benefits from these reinsurers.Reinsurers included in these facilities agreed not to compete against the prices and terms set by Guy Carpenter or another "lead reinsurer" and instead agreed to be bound by the same prices and terms as the other participants.If a reinsurer was unwilling to "play ball," as Guy Carpenter put it, that reinsurer was foreclosed access to potential reinsurance business that it was otherwise willing to compete for and write.Because of the unregulated nature of the reinsurance industry, Guy Carpenter's dominant position in the market and the inertia inherent in the industry, Guy Carpenter maintained these conspiracies virtually undetected for almost 50 years, Blumenthal said.

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