RETURN DATE: MAY 30, 2006

STATE OF CONNECTICUT	:	SUPERIOR COURT
	:	JUDICIAL DISTRICT OF HARTFORD
Plaintiff,	:	AT HARTFORD
v.	:	
	:	
LIBERTY MUTUAL HOLDING COMPANY, INC.,	:	
Defendant.	:	MAY 5, 2006

COMPLAINT

I. SUMMARY OF THE CASE

This action seeks redress for Liberty Mutual's participation in a conspiracy to rig bids on insurance contracts purchased in Connecticut and throughout the United States and to illegally steer insurance contracts in return for paying undisclosed kickbacks to insurance brokers. Liberty Mutual secretly conspired with Marsh, Inc. (Marsh), American International Group, Inc. (AIG), ACE Limited (ACE), Zurich American Insurance Company (Zurich), and others to systematically exploit Marsh's position as the largest insurance broker in the world in order to raise insurance premium prices in the lucrative excess casualty insurance market. This far reaching scheme raised premium prices not only for those consumers who had their individual premiums set by rigged bids, but also for all insurance consumers who purchased insurance in a market permeated by the artificially inflated prices made possible by Liberty Mutual's participation in the conspiracy. Liberty Mutual participated in this corrupt scheme by submitting fraudulent bids at Marsh's request. In many cases, this overarching bid rigging conspiracy

participated in by Liberty Mutual raised premium prices in the excess casualty market by as much as 15% to 20%.

To protect Liberty Mutual's access to existing and future clients, Liberty Mutual also made back-door payments to Marsh and other insurance brokers through hidden contingent commission agreements commonly known as Placement Service Agreements (PSAs). Since at least the mid-1990s, Liberty Mutual has paid tens of millions of dollars in so-called contingent commissions to insurance brokers like Marsh, Aon Corporation ("Aon"), Willis Group Holding Ltd. ("Willis"), and Arthur J. Gallagher & Co. ("Gallagher"). Liberty Mutual made these payments with the express intent of inducing these and other brokers to steer insurance contracts to Liberty Mutual. Wrote one Liberty Mutual employee, contingent commissions are an "incentive . . . to encourage your Agency to place an increased amount of profitable business with our company." In many cases, these payments operated as nothing more than undisclosed kickbacks to brokers in return for referring business to Liberty Mutual. Here again, the victims of Liberty Mutual's illegal schemes are all the businesses and individuals whose insurance premiums were artificially inflated to pay for these undisclosed payments.

In pursuing these corrupt and anti-competitive business practices, Liberty Mutual violated the Connecticut Antitrust Act, the Connecticut Unfair Trade Practices Act, and its duties of good faith and fair dealing to its clients. Pursuant to Conn. Gen. Stat. §§ 35-32, 35-34, 35-35, 35-38, 42-110m, and 42-110o, the Connecticut Attorney General, in the name of the State of Connecticut and the People of the State of Connecticut, seek damages, restitution, disgorgement,

and civil penalties for injuries suffered by Connecticut consumers and the general economy of the State of Connecticut, as well as other injunctive and equitable relief to prevent these corrupt and anti-competitive business practices from happening again.

II. PARTIES

1. Plaintiff State of Connecticut, represented by Richard Blumenthal, Attorney General of the State of Connecticut, brings this action pursuant to the Connecticut Antitrust Act, Conn. Gen. Stat. §§ 35-24 et seq., and, at the request of Edwin R. Rodriguez, Commissioner of Consumer Protection for the State of Connecticut, pursuant to Conn. Gen. Stat. § 42-110m of the Connecticut Unfair Trade Practices Act (CUTPA).

2. Defendant Liberty Mutual Holding Company, Inc. ("Liberty Mutual") is an insurance holding company with a principal place of business in Boston, Massachusetts. At all times relevant to this Complaint, Liberty Mutual solicited and transacted business in the State of Connecticut through its various affiliates and subsidiaries providing insurance and insurance related services in Connecticut and to Connecticut businesses and individuals.

3. Liberty Mutual purports to be the sixth largest property and casualty insurer in the United States offering a wide range of insurance products and services. These products and services include auto, homeowners, workers compensation, commercial multiple peril, commercial auto, general liability, global specialty, group disability, assumed reinsurance, fire, and surety insurance.

4. Liberty Mutual consists of a group of mutual insurance companies in which the ownership and control is vested in the policyholders rather than public shareholders. In 2001 and 2002, Liberty Mutual reorganized to form a holding company structure whereby its three principal mutual insurance companies (Liberty Mutual Insurance Company, Liberty Mutual Fire Insurance Company, and Employers Insurance Company of Wausau) each became a separate stock insurance company under the ownership of Liberty Mutual Holding Company, Inc.

5. In 2005, Liberty Mutual had revenues of $21.1 billion and income of $1.13 billion. Liberty Mutual's total assets are valued at $78.2 billion.

6. Non-party Marsh & McLennan Companies, Inc. (MMC) is a $12 billion global business services firm with a principal place of business in New York, New York. Marsh, Inc. (Marsh) is a subsidiary and operating unit of MMC. Marsh claims to be "the world's leading risk and insurance services firm," with 410 offices around the world and clients in more than 100 countries. Marsh's annual revenues were $6.9 billion in 2003 and $7.4 billion in 2004. At all times relevant to this Complaint, Marsh transacted business in the State of Connecticut through its various subsidiaries providing insurance brokerage, consulting and counseling services, including Marsh & McLennan, Inc., and Marsh USA, Inc.

7. Whenever reference is made in this Complaint to any representation, act or transaction of Liberty Mutual or any agent, employee or representative thereof, such allegation shall be deemed to mean that such principals, officers, directors, employees, agents or representatives of Liberty Mutual, while acting within the scope of their actual or apparent

authority, whether they were acting on their own behalf or for their own benefit, did or authorized such representations, acts, or transactions on behalf of Liberty Mutual.

III. HOW THE INSURANCE INDUSTRY WORKS

8. There are three primary actors in the commercial insurance market: consumers, brokers, and insurance companies.

9. Consumers are individuals and small, medium, and large private and public employers who typically must purchase insurance to protect their assets and operate their businesses. To purchase insurance, many consumers hire brokers.

10. Insurance companies seldom sell insurance directly to commercial consumers. Instead, insurers typically sell through brokers.

11. Consumers rely heavily on a broker's expertise when choosing what insurance to buy and how much to pay. Brokers have a specialized knowledge of the insurance industry and the products insurance companies sell. A broker's job is to advise the client on the appropriate insurance coverage for the client's particular risks, solicit quotes for insurance coverage from insurers, present the insurers' proposals to the broker's clients, recommend the best proposal for the client's particular needs, and represent the client's best interests in any negotiations with the insurer.

12. By far the largest insurance broker in the United States is Marsh. Aon, Willis, and Gallagher have large shares of the insurance broker market as well. Under Connecticut law, a broker has a fiduciary duty to the client to work exclusively for the client's best interest.

13. Insurers like Liberty Mutual know that brokers occupy a critical position in the insurance marketplace between the consumers needing to purchase insurance and the insurance companies wanting to sell insurance.

IV. LIBERTY MUTUAL'S CORRUPT BUSINESS SCHEMES

A. Bid Rigging

14. From 2001 through 2004, Liberty Mutual agreed with AIG, ACE, Zurich and other insurers to take full advantage of Marsh's strategic position in the insurance marketplace generally, and the excess casualty insurance market place in particular, to rig bids and raise premium prices on insurance contracts. This overarching and pervasive conspiracy had the effect of raising premium prices throughout the excess casualty insurance market, including premiums in Connecticut. Many Connecticut businesses purchase excess casualty insurance.

15. Liberty Mutual participated in this conspiracy in two ways. First, where Liberty Mutual was the incumbent carrier, Marsh sought to protect Liberty Mutual by seeking out non-competitive bids from other insurers so that Liberty Mutual could keep the business. Second, where Liberty Mutual was not the incumbent carrier, Liberty Mutual agreed to provide non-competitive bids (or decline to bid entirely) in order to protect the other incumbent carriers, on the understanding that Liberty Mutual would receive business and competitive protection on other placements.

16. Thus, when a favored insurer like Liberty Mutual was the incumbent carrier, or was otherwise chosen by Marsh to win a client's business, Marsh set a target price – usually a

large increase over previous years – for the favored insurer to bid. This "target price" was typically embodied in a Marsh authored "broking plan" which included proposed premium and policy terms for the favored insurer's bid. If the favored insurer met this target, Marsh generally rigged any bidding process to make sure the favored insurer won the business, regardless of whether another insurer could have provided a better price or better insurance for the client.

17. Marsh then asked that insurers provide intentionally inferior bids to that provided by the favored insurer. These losing or cover quotes were known as "fake," "backup," "supportive," "protective quotes," "B-quotes," or simply "B's." Once it had secured the fake quotes, Marsh would present them to clients as bids obtained through a competitive process. This pretense of competition was intended to, and did, give clients the impression that the favored insurer's bid was the best available. It also had the effect of directing business to the favored insurer, not at terms best for the client, but rather at terms advantageous to the favored insurer.

18. Liberty Mutual was an active participant in this collusive bid-rigging scheme set up by Marsh. In fact, Kevin Bott, a Liberty Mutual Assistant Vice President Underwriter in the excess casualty division at Liberty International Underwriters pled guilty to criminal charges in New York Supreme Court in connection with his involvement in the scheme. Mr. Bott confessed that "In many instances during this time period, brokers at [M]arsh instructed me to submit protect[ive] quotes on certain pieces of business where Marsh had predetermined which insurance carrier would win the bid. . . . . I understood that such quotes were intended to allow

Marsh to maintain control of the market and to protect the incumbent." At least one of Mr. Bott's supervisors was aware of his bid rigging activities.

19. Mr. Bott also stated that he complied with Marsh's requests for B-quotes and that he "complied with these requests by submitting such quotes, which had the effect of allowing Marsh to obtain property in the form of millions of dollars in commissions and fees from each of numerous policyholders and insurance companies." Mr. Bott stated that he also "understood that Liberty [Mutual] benefited from this scheme when Liberty submitted a 'B quote' on the lead layer of insurance. Marsh often allowed Liberty either to renew its place on the excess layer or to gain new business."

20. Through these corrupt and illegal business practices, Liberty Mutual participated in plan to allocate customers and raise the price of excess casualty insurance for all customers throughout the excess casualty market, including those in Connecticut. In fact, Liberty Mutual was one of the principal insurers Marsh considered for cover or "B-quotes" when it sought to protect an incumbent carrier's Connecticut business. The following are specific examples of Liberty Mutual's participation in the overall bid rigging conspiracy.

Hexcel Corporation:

21. Hexcel Corporation is a leading manufacturer of carbon fiber and structural fabrics, fiberglass electronic materials, and other composite materials. Hexcel is located in Stamford, Connecticut. In 2001, Hexcel hired Marsh to place its umbrella liability insurance.

22. Marsh's original "game plan" called for a 28% increase in premium from $136,500 to $175,00. Then Marsh went about soliciting fraudulent quotes to support the inflated premium. Wrote Marsh employee Joshua Bewlay to fellow Marsh employee Mark Manzi, "Need Chubb to say no thank you on a lead basis and excess basis at the [Marsh decided] numbers immediately…. MARK, will you send me a similar email on behalf of Liberty." (emphasis in original.) Mr. Manzi sought to confirm Mr. Bewlay's instructions and Mr. Bewlay responded: "I need another bad indication from Liberty." Mr. Manzi complied and contacted Liberty Mutual.

23. Just a few hours after Mr. Bewlay's original instruction, Jason Monteforte of Liberty Mutual sent Mr. Manzi the requested quote: "per our telcon this morning we can offer the following quotation" of $275,000, well above what Liberty Mutual knew was the winning bidder's offer. Mr. Manzi dutifully forwarded Liberty Mutual's false quote on to Mr. Bewlay. In the end, Hexcel purchased its primary layer of 2001 umbrella insurance from Zurich for $162,500, a 20% increase over the previous year.

24. On February 15, 2005, Mr. Bewlay plead guilty in New York Supreme Court to one felony count of fraud in his work as a broker with Marsh. Mr. Bewlay told the New York Supreme Court:

> Beginning in approximately 1998 and continuing through approximately 2003, I along with others at Marsh directed the solicitation of losing quotes from various insurance companies for excess liability insurance for Marsh clients. I personally solicited losing quotes on a number of occasions.

> Unknown to Marsh clients I along with others at Marsh and at the various insurance companies who participated in this conduct, shared the common purpose of ensuring that the client would select the carrier, typically the incumbent that Marsh had predetermined should win the business. The B quotes were solicited and obtained related to and as part of this common scheme and the scheme caused more than one client, one Marsh client to obtain more expensive and/or less favorable insurance coverage.

Client A:

25. In March, 2003, Client A was seeking a renewal of its property and casualty insurance including excess casualty through Marsh. AIG was the incumbent insurer on the lead excess layer and Marsh set a target price for AIG of $140,000, or a 20% increase in premium. AIG met Marsh's target, so Marsh sought protective quotes from Liberty Mutual and another insurer.

26. On March 26, 2003, Edward Keane, a senior executive at Marsh, wrote an email to Greg Doherty, the Marsh excess casualty executive on the placement, stating "I need a B quote from Liberty. I finally had AIG agree to write this thing at $140,000. Have Liberty come in around $175,000." That same day, Mr. Doherty forwarded the Keane email to a colleague at Liberty Mutual with the message "see below and I will talk to you later."

27. Finally, on March 28, 2003, Mr. Bott wrote back to Mr. Doherty at Marsh with a "proposal" for $202,500. Client A ultimately paid AIG $140,000 for the coverage.

Client B:

28. In October 2001, another Marsh client, Client B, sought a renewal of its excess casualty coverage for a number of its properties. Marsh and AIG agreed that the premium on the lead layer excess policy would be approximately $80,000.

29. On October 9, 2001, Joshua Bewlay emailed his subordinate: "I need you to email me Type B indications from Liberty and [another carrier] on a lead $25 million. AIG came in at $79,750 . . ." The subordinate then forwarded Bewlay's email to Mr. Bott at Liberty Mutual, stating, "Can you please e-mail me a lead protective quote for the $25MM." In response, Mr. Bott suggested, "How bout you e-mail me a protective quote, at the price desired, I sign it, fax it back, and we're done?" After further discussion about logistics, Mr. Bott ultimately provided a quote "@ $125,000" via email. Marsh was able to procure at least one other protective quote on the Client B account, and AIG was awarded the lead layer excess policy.

Client C:

30. Client C sought excess casualty insurance from Marsh in April 2003. Marsh decided to award a layer of the excess to a particular favored insurer. It then set about getting protective quotes from Liberty Mutual and another insurer.

31. On April 10, 2003, Mr. Keane at Marsh wrote an email to a subordinate: "Per our conversation, I will need B Quotes from Liberty and [another insurer]. [The favored insurer] has quoted . . . $163,000, so please have [the other insurer] and Liberty provide e-mail indications."

The subordinate then wrote to Mr. Bott at Liberty Mutual: "I truly just need to get your indication for the [layer at issue] – [the favored insurer] quoted it for $163,000." The next day Mr. Bott provided a protective quote of $195,000, and Marsh ultimately awarded the business to the favored insurer.

Client D:

32. Client D approached Marsh in September 2003 for a property and casualty insurance program. In the course of putting the program together, Marsh determined that a favored insurer should get the layer of insurance providing $40 million in coverage in excess of the first $25 million of coverage. A Marsh executive wrote Mr. Bott an email explaining the situation: "KB, Please provide us with a supportive quote for the $40MM xs $25MM ([the favored insurer's] layer). They quoted $215,000. . . . Any questions, please call me. Thanks a million!" Mr. Bott initially refused to provide a supportive quote because Liberty Mutual was capable of bidding less than $215,000 for the coverage: "Sorry goldy, can't help you on this one… I'm crushing [the favored insurer's] number." Just three minutes after this initial response, however, Mr. Bott came through: "Please be advised that we can offer the following indication relative to the captioned account: $40mm x $25mm @ $325,000."

33. Liberty Mutual provided numerous other false and intentionally non-competitive quotes to Marsh when bidding on insurance contracts, and received competitive protection and other favorable treatment from Marsh in return.

B. Steering

34. In addition to bid rigging, Liberty Mutual intentionally sought to take advantage of brokers' position of trust in the insurance marketplace by offering brokers contingent commission agreements explicitly designed to increase premium levels and steer business to the highest paying insurer. Liberty Mutual paid brokers and other independent insurance agents tens of millions of dollars annually in undisclosed kickbacks in order to induce brokers and agents to steer clients to Liberty Mutual products. By paying these kickbacks, Liberty Mutual sought not only to protect both the business it already received through brokers like Marsh, Aon, Willis, and Gallagher, but also to curry favor with these and other brokers and agents to gain access to new and more profitable clients.

35. Contingent commission arrangements – variously known as "special producer agreements," "quality business incentives awards," "preferred broker compensation plans," "competitive bonus programs," "extra compensation agreements," "PSAs", and "market service agreements" ("MSAs"), – are known commonly as "overrides" or "PSAs."

36. The terms of these hidden agreements vary, but typically they reward brokers with annual payments based on (a) the total amount of insurance premium placed with the insurer for the year; (b) the "persistency rate," i.e., the rate at which a broker convinced its clients to renew or maintain their existing policies with the insurer; or (c) the profitability of the insurance placed by the broker with the insurer.

37 As insurers intended, brokers responded to these inducements and guided their clients not to the insurers that were necessarily best for their client, but rather to the insurers that paid the most lucrative kickbacks. Clients were steered to certain insurers even when that insurers' products were more expensive, or otherwise less advantageous to the customer. In many cases, the payments under these PSA agreements operated as nothing more than kick-backs for steering business to insurers like Liberty Mutual.

38. Thus, insurers like Liberty Mutual channeled brokers' greed for the insurers' own benefit. Insurers promoted PSA agreements with higher and higher contingent commission payments in return for placing more business with the insurer. By using these highly lucrative PSA agreements, insurers sought to influence, or "incent," brokers to sell their products over that of other insurers.

39. This general business scheme is graphically illustrated in two Liberty Mutual emails. On November 2, 2002, a Liberty Mutual executive wrote to his colleagues:

> back in april we said; results are strong with marsh, we want/need to diversify away from marsh, marsh needs us more than we need marsh, no need for a psa.
>
> now in november; our results with marsh are bad and getting worse, they are the biggest broker in the world, they have and control the largest book of 'main thing' business, they control most of the shared and layered business. we want/need to diversify but marsh will always be our biggest producer, placing brokers are steering business away from us, we are the market of last resort and only seeing the low priced junk, we need a psa.

40. On January 18, 2003, the same Liberty Mutual executive wrote back to his colleagues in an email titled "2003 marsh psa:"

> we agreed to a very, very attractive and lucrative plan and expect preferential treatment in return. we will be tracking monthly and talking to and/or meeting with marsh monthly to assure the psa is motivating the intended behavior and results….
>
> the price of poker has just gone up and we will demand the appropriate consideration from marsh.

41. In December 2003, a senior Gallagher executive sent a similar email to all branch and regional managers urging them to "pump" business to seven favored insurers including Wausau Insurance, a Liberty Mutual subsidiary:

> With year-end approaching, it is our last chance to pump additional premium volume into these markets so that it is included in the 2003 contingent income calculation. Some of the more lucrative incentive programs are in place with these companies
>
> 1. Crum & Forster (National)
> 2. Hartford (National)
> 3. St. Paul (Local)
> 4. CNA (Local
> 5. Chubb (Local)
> 6. Travelers (Local)
> 7. Wausau (National)
>
> Any opportunity which you or your staff have to support these markets, either through renewal retention or new business, will help generate additional revenue for [Gallagher].

42. The insurers' plan worked. "Marsh [is] definitely influenced by these arrangements," wrote one insurer. Indeed, many brokers made systematic efforts to steer business in response to these incentives. For example, a September 2003 internal report at Willis stated that "Marketing centers are reviewing contingent, bonus and override plans to maximize

all agreements during the fourth quarter. Special attention is being given to St. Paul, Chubb, Liberty Mutual, Hartford and Crum & Forster due to special [contingent commission] agreements."

43. The following month Willis put together a revenue growth strategy focused on contingent commissions. One of the "Key Objectives" in the strategy was to "Maximize premium volume flow to key carriers with the most attractive contingent income agreements." The strategy was implemented through emails and other communications from senior management exhorting Willis personnel: "Don't forget the advantages of placing as much business as possible with the carriers we have negotiated special deals with, as you look for ways to maximize revenue the last few months of this year and into 2004." A November 3, 2003 email from a senior Willis executive made it equally clear which carriers were to be favored: "feed our biggest contingency players, Hartford, St. Paul, Chubb and Liberty Mutual."

44. The cost of these steering schemes are borne by the customers who unknowingly have their insurance contracts steered to more expensive products. Liberty Mutual and other insurers also pass the cost of contingent commissions on to all their customers in the form of higher premiums. In fact, Munich American Risk Partners, a division of American Reinsurance, maintained a separate premium schedule of higher prices for insurance placed with Marsh clients because of the contingent commissions it paid. Wrote another insurer: "Every program with marsh is quoted with a cost built in to cover this [the PSA] component. It is generally .5% to > .75% of total booked premium per transaction."

45. The losers in Liberty Mutual's steering scheme are any insurance consumer who pays a premium that, unknown to them, includes an amount for a secret commission. Many consumers, including those in Connecticut, pay inflated premium prices because too often the insurer pays-off the broker or agent to sell an insurer's products to meet the premium target in the broker's PSA agreement. Finally, some consumers are fraudulently induced to purchase more expensive insurance because of the insurer's and the broker's misrepresentations.

C. Steering Based on Reinsurance Tying

46. In addition to cash payments, Liberty Mutual has also provided other benefits to brokers that, like contingent payments, also had the effect of improperly influencing broker conduct. For example, Liberty Mutual agreed to use a broker for the placement of Liberty Mutual's own reinsurance in exchange for a commitment from the same broker to steer more insurance business to Liberty Mutual.

47. Reinsurance is the insurance that insurance companies buy to reduce their risk exposure from the claims generated from the policies they sell. Many brokers are also in the business of assisting insurers in purchasing reinsurance.

48. Before 2002, Liberty Mutual used broker Aon to place its reinsurance. In 2002, however, Liberty Mutual told Aon that its fees for placing property reinsurance were too high and threatened to use another broker for its reinsurance business. To retain Liberty Mutual's business, Aon negotiated an agreement whereby Aon promised it would steer more insurance contracts to Liberty Mutual in return for Liberty Mutual's continued use of Aon for its property

reinsurance. As an added incentive, Aon's reinsurance arm, Aon Re, reduced the reinsurance brokerage fees it charged Liberty Mutual.

49. Under the same agreement, Aon was also allowed to earn back these lost brokerage fees if Aon was able to steer enough profitable retail property business to Liberty Mutual. The terms of this agreement were secret. Thus, Liberty Mutual customers getting their property insurance through Aon knew nothing of Liberty Mutual's secret deal with Aon to steer more business to Liberty Mutual in return for hidden kick-backs.

V. CAUSES OF ACTION

First Count: Breach of Connecticut Antitrust Act (Conn. Gen. Stat. §§ 35-32 et seq.)

1-49. Paragraphs 1 through 49 of the Complaint are hereby repeated and realleged as Paragraphs 1 through 49 of the First Count as if fully set forth herein.

50. Pursuant to Conn. Gen. Stat. §§ 35-32(a) and (c) and § 35-35, Richard Blumenthal, Attorney General of the State of Connecticut, brings this action on behalf of the State of Connecticut and the People of the State of Connecticut for violations of the Connecticut Antitrust Act, and as *parens patriae* on behalf of persons residing in the State of Connecticut who were damaged by the defendants' conduct as alleged above and for damages sustained by the general economy of the State of Connecticut and its political subdivisions.

51. Liberty Mutual entered into contracts and agreements and engaged in a corrupt, unfair, and anti-competitive conspiracy with various insurance companies around the United States and overseas to submit or cause to be submitted collusive, fraudulent, non-competitive,

and rigged bids for the sale and placement of insurance in Connecticut and throughout the United States.

52. Liberty Mutual entered into contracts and agreements and engaged in a corrupt, unfair, and anti-competitive conspiracy with various insurance companies around the United States and overseas to cause insurance companies to refrain from submitting genuine, competitive bids for the sale and placement of insurance in Connecticut and throughout the United States.

53. Liberty Mutual entered into contracts and agreements and engaged in a corrupt, unfair, and anti-competitive conspiracy with various insurance companies around the United States and overseas to fix and raise prices and premiums for the sale and placement of insurance in Connecticut and throughout the Unites States.

54. Liberty Mutual's actions as alleged herein violate Conn. Gen. Stat. §§ 35-26 and 35-28 because they have the purpose and/or effect of unreasonably restraining trade and commerce within the State of Connecticut and throughout the United States.

55. Liberty Mutual's actions as alleged herein have caused loss and damage, and threaten to continue to cause loss and damage, to the State of Connecticut, persons residing in the State of Connecticut, and to the general welfare and economy of the State of Connecticut and its political subdivisions.

Second Count: Breach of the Connecticut Unfair Trade Practices Act (Conn. Gen. Stat. §§ 42-110a et seq.)

1-49. Paragraphs 1 through 49 of the Complaint are hereby repeated and realleged as Paragraphs 1 through 49 of the Second Count as if fully set forth herein.

50. At all times relevant to this Complaint Liberty Mutual was engaged in the trade or commerce of insurance and insurance related services in the State of Connecticut.

51. By engaging in the acts and practices alleged herein, Liberty Mutual made or caused to be made, directly or indirectly, explicitly or by implication, representations which are material, reasonably interpreted, false and likely to mislead, including, but not limited to, the following:

a. that bids Liberty Mutual submitted for the sale of insurance contracts were valid and competitive bids when, in fact, they were not; and

b. that Liberty Mutual's quotes and bids were compiled unilaterally and genuinely and not as the result of collusion with Marsh and other insurers when, in fact, they were.

52. By engaging in the acts and practices alleged herein, Liberty Mutual omitted or caused certain material facts to be omitted that Liberty Mutual had a duty to disclose including that Liberty Mutual intentionally paid brokers hidden fees amounting to kick-backs in return for the steering of insurance contracts to Liberty Mutual.

53. Liberty Mutual's acts and practices alleged herein are oppressive or unscrupulous and violated the public policy of the State of Connecticut, including, but not limited to:

a. the public policy prohibiting conspiring to violate the trust, confidence, and duties owed within a fiduciary relationship;

b. the public policy embodied in Conn. Gen. Stat. §§ 38a-815 et seq. prohibiting misrepresentations of the terms of insurance and omissions and/or false statements in the course of the sale of insurance products;

c. rigging bids in the sale and placement of insurance to Connecticut consumers and consumers throughout the United States in violation of Connecticut and U.S. law;

d. transmitting fraudulent, non-competitive cover quotes;

e. making secret back-door payments to brokers in return for steering clients to purchase Liberty Mutual insurance;

f. artificially inflating insurance premium prices by folding their back-door payments into the premiums paid by Liberty Mutual clients and conspiring to set premium prices higher than the market would have produced in a free and open competition;

g. not providing Liberty Mutual's and other insurers' clients with genuine and bona fide quotes for insurance placements and restraining insurers from submitting such bono fide quotes;

h. commercial bribery in violation of Conn. Gen. Stat. § 53a-160.

54. Liberty Mutual's acts and practices as alleged herein have been and are unethical, oppressive and unscrupulous, and cause substantial injury.

55. Liberty Mutual entered in contracts and agreements and engaged in a deceptive and unfair conspiracy with various insurance brokers that had a purpose and effect to (a) tortiously interfering with another's business expectancy, (b) breach the broker's fiduciary duty to its clients, and (c) conceal the payment of additional compensation that was added to the insured's premium.

56. Liberty Mutual entered into contracts and agreements and engaged in deceptive and unfair acts and practices that had the purpose and effect of aiding and abetting and giving substantial assistance to brokers which resulted in a breach of the brokers' fiduciary duties to their clients.

57. Liberty Mutual knew or should have known that their conduct alleged herein violated Conn. Gen. Stat. § 42-110b.

58. Liberty Mutual's acts or practices alleged herein violate § 42-110b-18(e) of the Regulations of Connecticut State Agencies, because they misrepresented the nature, characteristics, benefits and qualities of the services provided by Liberty Mutual.

59. Liberty Mutual's acts or practices alleged herein constitute unfair or deceptive acts or practices in violation of Conn. Gen. Stat. § 42-110b.

PRAYER FOR RELIEF

WHEREFORE, the State of Connecticut requests the following relief:

As to the First Count:

1. A finding that by the acts alleged herein Liberty Mutual engaged in the unfair and unreasonable restraint of trade or commerce in violation of the Connecticut Antitrust Act;

2. Treble damages pursuant to Conn. Gen. Stat. § 35-35;

3. An injunction pursuant to Conn. Gen. Stat. §§ 35-32(a) and 35-34 enjoining Liberty Mutual from engaging in any acts that violate the Connecticut Antitrust Act, including, but not limited to, the corrupt, unfair, and anticompetitive acts alleged herein;

4. Civil penalties of $250,000 pursuant to Conn. Gen. Stat. § 35-38 for each and every violation of the Connecticut Antitrust Act;

5. Attorneys fees pursuant to Conn. Gen. Stat. § 35-35; and

6. Such other relief as the Court deems just and equitable.

As to the Second Count:

1. A finding that by the acts alleged herein Liberty Mutual engaged in unfair and deceptive acts and practices in the course of trade or commerce within the State of Connecticut in violation of the Connecticut Unfair Trade Practices Act;

2. An injunction pursuant to Conn. Gen. Stat. § 42-110m enjoining Liberty Mutual from engaging in any acts that violate the Connecticut Unfair Trade Practices Act, including, but not limited to, the unfair and deceptive acts and practices acts herein;

3. An order pursuant to Conn. Gen. Stat. § 42-110m requiring that Liberty Mutual submit to an accounting to determine:

a. the amount of improper contingent commissions paid by Liberty Mutual;

b. the amount of insurance premium improperly earned by Liberty Mutual; and

c. the amount Liberty Mutual's actions improperly inflated insurance premium charges to Liberty Mutual's and other insurers' clients.

4. An order pursuant to Conn. Gen. Stat. § 42-110o directing Liberty Mutual to pay a civil penalty of $5,000 for each and every willful violation of the Connecticut Unfair Trade Practices Act;

5. An order pursuant to Conn. Gen. Stat. § 42-110m directing Liberty Mutual to pay restitution;

6. An order pursuant to Conn. Gen. Stat. § 42-110m directing Liberty Mutual to disgorge all revenues, profits, and gains achieved in whole or in part through the unfair and/or deceptive acts or practices complained of herein;

7. An order pursuant to Conn. Gen. Stat. § 42-110m directing Liberty Mutual to pay reasonable attorneys' fees to the State;

8. Costs of suit; and

9. Such other relief as this Court deems just and equitable.

Plaintiff State of Connecticut hereby demands a trial by jury on all issues and causes of action so triable.

Dated at Hartford, Connecticut, this 5th day of May, 2006.

PLAINTIFF
STATE OF CONNECTICUT

_____
RICHARD BLUMENTHAL
ATTORNEY GENERAL

By: _____

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RETURN DATE: MAY 30, 2006

STATE OF CONNECTICUT	:	SUPERIOR COURT
	:	JUDICIAL DISTRICT OF HARTFORD
Plaintiff,	:	AT HARTFORD
v.	:	
	:	
LIBERTY MUTUAL HOLDING COMPANY, INC.,	:	
Defendant.	:	MAY 5, 2006

AMOUNT IN DEMAND

The amount, legal interest or property in demand is $15,000.00 or more, exclusive of interest and costs.

PLAINTIFF
STATE OF CONNECTICUT

BY: _____

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