RETURN DATE: SEPTEMBER 20, 2005

STATE OF CONNECTICUT	:	SUPERIOR COURT
	:	JUDICIAL DISTRICT OF HARTFORD
Plaintiff,	:	
v.	:	
	:	
HILB ROGAL & HOBBS COMPANY	:	
	:	
Defendants.	:	AUGUST 31, 2005

COMPLAINT

I. SUMMARY OF THE CASE

This action seeks redress for HRH's scheme to secretly and systematically steer its clients to select groups of insurers in return for undisclosed commission payments. In 1998, HRH quietly began restricting the number of insurers it would do business with. By reducing the number of insurers HRH steered its clients' business to, HRH increased the total amount of premium it placed with its selected insurers and thereby increased HRH's hidden commissions from those insurers. To achieve this goal, HRH signed secret "strategic partnership" and "strategic alliance" agreements with preferred insurers. HRH never disclosed its "partnerships" with the insurers to its customers. Instead thousands of consumers came to HRH looking to purchase insurance for their cars, homes, and small businesses and expecting to receive independent, unbiased advice. HRH actively promoted that mistaken expectation. Unfortunately, what consumers frequently got when they trusted their insurance business to HRH was an automatic referral to one of HRH's preferred insurers, regardless of whether that preferred insurer was best for the individual customer. Customers already with HRH frequently had their accounts moved wholesale to one of HRH's preferred insurers with no disclosure whatsoever that the sudden switch was made not for the customer's best interests, but to fulfill HRH's desire for higher and higher commissions. These business practices not only harmed those consumers who had their insurance business improperly steered, but also the dozens of insurers who were not part of HRH's preferred stable.

In pursuing these and other corrupt business practices, HRH violated the Connecticut Unfair Trade Practices Act, the Connecticut Unfair Insurance Practices Act, and its fiduciary duties of loyalty and fair dealing to its clients. Pursuant to Conn. Gen. Stat. § 42-110m, the Connecticut Attorney General, in the name of the State of Connecticut, seeks restitution, disgorgement, and civil penalties for the injuries suffered by Connecticut consumers, as well as other injunctive and equitable relief to prevent these corrupt 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 at the request of Edwin R. Rodriguez, Commissioner of the Department of Consumer Protection for the State of Connecticut, pursuant to Conn. Gen. Stat. § 42-110m of the Connecticut Unfair Trade Practices Act (CUTPA), and Susan F. Cogswell, Commissioner of the Connecticut Department of Insurance.

2. Defendant Hilb Rogal & Hobbs Company (HRH) is an approximately $600 million insurance brokerage and insurance agency firm with headquarters in Glen Allen, Virginia. HRH is the seventh largest insurance brokerage and insurance agency firm in the United States with over 120 offices nationwide. HRH has Connecticut offices in Hartford, Stamford, Danbury, Old Saybrook, Hamden, Shelton, and Greenwich. HRH sells a variety of insurance products to both individuals and small and medium sized businesses in the property and casualty, employee benefits, professional liability, and other specialized areas. At all times relevant to this Complaint, HRH transacted business in the State of Connecticut through its various local and regional offices.

3. Whenever reference is made in this Complaint to any representation, act or transaction of the defendant, such allegation shall be deemed to mean that the principals, officers, directors, employees, agents or representatives while actively engaged in the course and scope of their employment, did or authorized such representations, acts, or transactions on behalf of the defendant.

III. <u>THE DIFFERENCE BETWEEN INSURANCE BROKERS AND AGENTS</u>

4. Individuals and small businesses generally purchase insurance differently than larger businesses and the government.

5. Large businesses and government entities like towns and cities generally purchase their insurance through an insurance broker.

6. Insurance brokers have an in-depth knowledge of the complex and varied insurance needs of large businesses and governmental bodies, as well as how the many different insurance carriers might meet those needs at the best price for the best coverage. Brokers have a fiduciary duty to act exclusively in their clients' best interests. Brokers do not frequently sell -- or "place" -- insurance for individuals.

7. Nearly every adult in the United States is required to purchase personal insurance each year for either their car or their home. Similarly, no small business can operate without proper insurance.

8. Unlike large businesses and government entities, individual consumers and small businesses generally purchase insurance from one of three sources: "direct" writing insurance companies, "captive" insurance agents, or "independent" insurance agents.

9. "Direct" writing insurance companies employ salaried sales staff that sell only that company's insurance products. Such companies are called "direct writers" because they sell insurance directly to the consumer, without the aide of an agent or broker.

10. "Captive" insurance agents sell insurance exclusively for one insurance company, but are not directly employed by that insurance company. Captive agents typically sell personal insurance to individuals; for example, homeowner's insurance, or car insurance. Captive agents sell about 20% of the personal auto and home insurance in the United States.

11. An "independent" insurance agent sells insurance for more than one insurance company. An independent agent is supposed to offer customers the best choice of price and

coverage from among a wide variety of different insurance companies, not just one. Thus, the agent is referred to as "independent" because he is not beholden to just one insurance company. Independent agents typically sell personal insurance to individuals and basic commercial insurance to small businesses. Independent agents sell about 40% of the personal auto and home insurance in the United States.

12. Independent insurance agents generally do not represent the customer. Instead, independent agents represent insurance companies under written contracts whereby the agents are paid by the insurers for the policies they sell. An "independent" insurance agent is not independent of the insurance companies. Indeed, independent agents have strong incentives to act in the best interests of insurance companies instead of the agent's clients because independent agents are generally paid entirely by the insurance company based on the amount of premium paid by the client. Thus, the higher the premium a client pays, the higher the commission money the independent agent receives from the insurance company.

13. Despite these facts, independent agents actively and intentionally market themselves as acting on behalf of their customers. Independent agents promote the misconception that their status as "independent" agents means that they act only in the best interests of their customers and do not represent the interests of insurance companies. For example, the Independent Insurance Agents & Brokers of America (IIABA) tells consumers under its internet webpage heading "Why Chose an Independent Agent?" that "[y]our independent insurance agent … is a value hunter who looks after your pocketbook in finding the

best combination of price, coverage and service…. So, serving you is your independent agent's most important concern." Additionally, an independent agent "gives you excellent service and competitive prices," "is your consultant, working with you as you determine your needs," and "offers you a choice of insurance plans and programs."

14. Compounding these misperceptions about the role of an independent insurance agent is the fact that purchasing insurance is confusing to most consumers. Insurance policies are notoriously dense and complex legal documents that even skilled attorneys have little expertise in deciphering. Indeed, it is a basic tenet of Connecticut law that any ambiguity in an insurance contract is interpreted in favor of the consumer for the very reason that insurance contracts are extremely difficult for consumers to understand. This complexity makes it difficult for consumers to comparison shop for their insurance because differing terms and coverages, and how these factors effect price, are difficult, if not impossible, to understand. Thus, many consumers depend heavily on the honesty and integrity of their independent agent to make an unbiased and uncompromised recommendation of which policy is best for a particular customer. Both independent brokers and insurance carriers rely on this consumer dependence to attract customers and sell policies.

15. When dealing with their customers, many agents and brokers like HRH are purposely vague about whether they are acting as a broker or an agent. For example, HRH's internet websites for 2000, 2001, 2002 and 2003 refer to HRH only as an insurance "intermediary," without saying anything about what that term may mean. HRH provided no

information clients could use to determine when HRH was acting in its client's best interest and when HRH was acting in the insurer's best interest. Nevertheless, HRH clearly wanted its clients to think it was acting in their best interest. HRH's 2000 and 2001 webpage tells HRH clients that "[w]e find or create the best products and services for your insurance needs, and we negotiate with insurers to secure the most favorable terms for you." The personal lines section of HRH's webpage from the same time period tells clients that "you can take comfort knowing that the people at **HRH** are looking after you and your important investment." (Emphasis in original).

16. Today, approximately 85% of HRH's business is written as an independent agent and a substantial portion of that business is placed for individual consumers buying personal insurance for their cars, homes, or small businesses. Still, HRH makes little distinction between its roles as a broker or an agent and actively promotes the misconception that its sometimes status as an "independent" agent means that it acts only in the best interests of its customers.

17. HRH's 2005 "Our Values" section of their internet webpage states: "**Integrity**: An insurance relationship, more than any other business relationship, is built on trust. You either have it or you don't…. **Passion**: Clients feel it. From the first meeting, they know we have passion for their business, their welfare, and their success." HRH's "Our Services" internet webpage states: "**Specialist Knowledge**: we use our knowledge to solve problems for the benefit of our clients…. At HRH we provide tailor-made risk management solutions based on expert advice and customized risk assessments…. **Competitive Pricing**: … our strong

relationships with carriers and large volume of business results in cost savings to our clients." HRH's Employee Benefits Consulting webpage states: "We'll also negotiate with insurance carriers and other vendors to secure the most favorable terms for you."

18. What HRH never disclosed, however, is that from at least 1998 HRH had secret, back-door agreements with insurance companies that paid HRH millions of dollars annually for the insurance HRH recommended to its clients. Indeed, many of these agreements included provisions specifically prohibiting disclosure of their terms to anyone.

19. These arrangements – variously known as "Strategic Partnership Agreements," "Strategic Alliance Agreements," "National Override Agreements," "Commission Override Agreements," "Commission and Growth Incentive Agreements," and "Production Incentive Bonus Agreements" – are known commonly as "overrides," or "contingent commissions." In many cases, the payments under these agreements operated as nothing more than kick backs for steering business to a particular insurer.

20. HRH relied heavily on these hidden contingent commission arrangements because they were a significant source of income, comprising some 6% of HRH's total revenue. From 1998 through 2004, HRH made approximately $180 million in undisclosed contingent commissions, the large majority of that amount ($128 million) from 2001 through 2004.

21. All of this revenue from hidden agreements was essentially profit flowing right to HRH's bottom line. As HRH's own company documents state: "[contingent] commissions are

an integral part of our revenue stream, and shape the way we do our business, our growth strategies, and our internal incentives . . . .”

22. The clear purpose and effect of HRH’s hidden commission agreements was to secretly and improperly shift HRH’s loyalty from its clients to the insurer, or even to HRH itself, in the pursuit of more and more hidden commission revenue. Instead of recommending the insurance that was best for its client, HRH frequently recommended the insurance policy that brought HRH the biggest override payment. What was best for HRH’s client was incidental, or ignored altogether.

IV. <u>HRH PARTNERS WITH SELECTED INSURERS AGAINST ITS CLIENTS</u>

a. The Hartford, Travelers, and CNA: “The Big 3”

23. In 1997 HRH initiated a “Carrier Consolidation Initiative.” The Carrier Consolidation Initiative was designed to “leverage” the amount of insurance premiums paid by HRH’s clients into higher override payments for HRH. By offering to steer all HRH’s clients’ business to a small number of carriers -- rather than spreading that business out over a large number of carriers -- HRH planned to increase the amount of business it had with an insurer and therefore increase the amount of commissions paid by that insurer.

24. Because insurers pay higher and higher commission percentages as an agent steers more and more business to the insurer, HRH could count on ever increasing profits as it steered new clients to its chosen stable of insurers. As HRH increased the amount of business it was bringing to any one insurer, it might also demand still more commissions under the implicit

threat that HRH might shift its valuable business to other insurers if sufficiently lucrative overrides were not paid.

25. The insurers were receptive to HRH's plan. The insurers knew that overrides incentivized brokers to steer business to those insurers who paid the highest overrides. As early as 1998, MetLife noted that "80% of the business comes from 20% of the brokers" and that "from the broker perspective, some of the brokers are paring down their insurance company lists to achieve efficiency and leverage with the insurers of choice." Once HRH became used to receiving high overrides, insurers knew that they could demand that more and more business be steered to them or the override payments HRH relied on would end.

26. HRH initially approached six insurers – AIG, Fireman's Fund, St. Paul, The Hartford, Travelers, and CNA -- with their carrier consolidation scheme. Nevertheless, in part due to the need to maintain the secrecy of the plan, HRH quickly focused its attention on a smaller set of insurers that eventually became known as the "Big 3"– The Hartford, Travelers, and CNA.

27. In July of 1998, an HRH team flew up to Connecticut to negotiate the terms of the carrier consolidation agreements. HRH met with the president of The Hartford one day and the president of Travelers the next.

28. Traveler's insisted on a small number of preferred carriers. Wrote a Travelers Senior Vice President: "I am pleased to share our expression of interest to build a strategic partnership. I have summarized below the key items from our perspective: …. Travelers & HRH

agree terms and conditions will be handled with **ABSOLUTE CONFIDENTIALITY**…. HRH will limit participation to a maximum of 3 national carriers with 'similar' programs." (Emphasis in original). The Senior Vice President then ended his letter by saying "we look forward to building on our already strong relationship. These terms and conditions assume a similarity of intent with the strategic partners."

29. HRH's negotiations with the Big 3 progressed quickly and by July 22, 1998, then HRH Chief Executive Officer Andrew Rogal was able to announce in a "**CONFIDENTIAL**" memo that HRH had reached an "agreement in principle" with the Big 3 to enter into national override agreements to steer selected personal lines and small business insurance to those insurers.

30. The express purpose of HRH's national override deals with the Big 3 was "to leverage our premium volume for enhanced revenues." To achieve that goal, Mr. Rogal was crystal clear about what HRH local agency presidents had to do. "In order to maximize our benefits under these arrangements, it is crucial that we approach the movement of business to these partners in an aggressive, orderly, and disciplined manner, and in a fairly short time frame." In order to ensure that the process was carried out as efficiently as possible, Mr. Rogal appointed a task force of four HRH senior executives -- Steven Deal, Michael Janes, Jack McGrath, and Erin Scott -- to oversee and enforce the consolidation of HRH's personal lines and small commercial business to the Big 3. Mr. Deal, Mr. Janes, Mr. McGrath, and Ms. Scott were known as the "Carrier Consolidation Implementation Task Force."

31. According to Mr. Rogal, the Implementation Task Force's job was to: "Review current production with regional and agency personnel and identify entire books of business to roll to these carriers" and to "establish a target premium volume, for each profit center, to move to these carriers and a timetable." This implementation process was to "begin immediately" and Mr. Rogal urged all HRH employees to "continue to aggressively implement our strategic plan."

32. Lest there be any doubt as to exactly what HRH's "strategic plan" was, Mr. Rogal attached a detailed set of "Carrier Consolidation Guidelines" to his July 26th confidential memo expressly setting out how HRH's supposedly "independent" insurance agents were to allocate their personal line and small business customers among the Big 3 insurers.

33. For personal lines, $20 million in premium was to be shifted to the Big 3 in the Mid-Atlantic Region, $5 million in the New Haven area alone, $8 million in other regions, for a total goal of 50% of HRH's total eligible business.

34. HRH's small business customers generating less than $500 in commissions for HRH were to be steered wholesale to The Hartford, even if those customers currently had their insurance with Travelers or CNA. As Mr. Rogal's confidential memo stated, "This decision has been communicated to both CNA and Travelers."

35. Small business customers generating between $500 and $1,000 in commissions for HRH would again be given over to The Hartford, but those customers who already had their insurance with Travelers or CNA would be permitted to keep that insurance. HRH and The Hartford later agreed to increase the $1,000 ceiling to $2,000.

36. Small business customers who had their insurance steered to The Hartford would not have their accounts serviced by HRH. Instead, these customers would have their accounts serviced by The Hartford's Select Customer Insurance Centers (SCIC) in either Charlotte, North Carolina and San Antonio, Texas. Nevertheless, when these personal lines and small business customers called into the service center, The Hartford personal answering the phones were instructed to tell callers they worked for HRH. Thus, when a consumer called with a question on their policy coverage or to report a claim and thought they were speaking to their supposedly "independent" insurance agent, they were actually speaking to the insurance company.

37. For small business customers generating between $1,000 and $5,000 in commissions for HRH, some 80% of those accounts would be steered to one of the Big 3 carriers.

38. To kick off the program, The Hartford even advanced HRH $709,000 against commissions on 1997 and 1998 premiums that HRH had agreed to steer toward The Hartford. Needing to make sure they brought enough business to The Hartford to justify such a large advance payment only furthered compromised HRH's already tenuous loyalty to its clients.

39. In total, the overall goal of HRH's Carrier Consolidation Initiative was to steer a total of $100 million in premium to the Big 3 insurers -- $63 million in personal lines customers, and $27 million in small commercial customers.

b. Putting the Plan Into Operation

40. Even before HRH's "partnership" agreements with the Big 3 were signed, HRH was identifying accounts that could be steered to their favored insurers. On April 22, 1998, HRH's North Haven, Connecticut office sent a memorandum to HRH's Steve Deal and The Hartford identifying approximately $3.2 million of premium that should be considered for movement to The Hartford.

41. Once the agreements were signed, HRH began to systematically identify customers whose business could be switched to HRH's selected insurers. On July 26, 1998, the HRH Carrier Consolidation Implementation Team again wrote all HRH local presidents: "In order to capitalize on this revenue generating opportunity for HRH, we must keep this process moving with all deliberate speed. The incentive agreements have been signed and it is now incumbent upon all of us to prove that our trading partners have chosen the right partner. This endeavor requires commitment on everyone's part." The Implementation Team then attached a detailed form requiring each HRH office to list what existing customer account, by line of business (personal, small and medium commercial), they would move to the Big 3. The form ended with the question: "What % of your book [of business] could be moved to each of our trading partners? C.N.A ____%, Travelers ____ %; Hartford ____ %." Two days later, the Carrier Consolidation Implementation Team followed-up with a list of 29 insurers from which business should be steered. In fact, if a local office's consolidation plan was going to result in

HRH terminating its relationship with a non-Big 3 insurer, the local office was to "communicate that to the Big 3 representative– Better opportunity for them to take the Entire Book." (emphasis in original).

42. All HRH local agency presidents were instructed to submit their written consolidation plans to the Carrier Consolidation Implementation Team by September 30, 1998.

43. HRH's local offices responded to the Carrier Consolidation Implementation Team's requirement and moved ahead with switching accounts to the Big 3. HRH's Washington, DC office responded that they "had already spoken to the local representatives of the Big Three" and were in the process of "moving the vast majority of accounts that are under $2,000 and lower in revenue to the Hartford Service Center. Of course, any accounts currently with Travelers or CNA will remain where they are." The office stated they had already "identified a total book of business generating $14,838,163 in annualized premiums which consists of accounts over $2,000 in revenue that are currently not with the Hartford, Travelers, or CNA."

44. Other HRH offices filled out detailed charts and reports that showed which business they had identified for steering to one of the Big 3 carriers. Some HRH offices included an assessment of what opposition HRH might encounter from the client when HRH switched their business to one of the Big 3. This "moveability score," as HRH referred to it, included a scale from 1 to 5, 1 being the score if the account was "moveable," and 5 being the score when

the client might be expected to make moving the business “very difficult.” Other accounts were listed by HRH as “Forced Bookings.”

45. Sales representatives from the Big 3 visited each HRH office to help smooth implementation of the plan. HRH offices were instructed “to be prepared when they (the Big 3 representative) arrive in our offices” and that customer files “need to be pulled in advance” of the insurers’ arrival to ensure that things went smoothly. Travelers even dedicated a full time employee solely to consolidating HRH’s small business insurance customers.

46. HRH’s local offices took their instructions seriously. HRH’s Northern California office wrote “we have … reached the zenith of any account roll-overs into the [The Hartford Service Center], they have literally looked at every single account we have in [small commercial], and written every one that they could.”

47. To make sure HRH employees were properly motivated to move business, HRH implemented a compensation policy designed to reward HRH employees who steered business and withhold compensation from those who did not. “The only way for this to work is to give handsome financial incentives to the appropriate people,” wrote one CNA executive of the Carrier Consolidation plan. HRH agreed and soon established an incentive pool funded by commissions gained by moving business to the Big 3. 50% of that pool went to individual HRH local office presidents. The remaining 50% went to “those [local office] employees that have a direct impact on moving business to the preferred carriers.” But before a local agency president

or his sales staff were eligible to participate in the bonus pool, "the president must meet the established target of [the] office … in order for him to receive his payment."

48. By 2000, evaluation of an agency president's compliance with the Carrier Consolidation Initiative was included in the annual "President's Incentive Plan," expressly grading local agency president's on their ability to move business to the Big 3. Under the President's Incentive Plan, fully 30% of a president's "grade," upon which the president's bonus compensation was based, depended on steering business to the Big 3. Presidents were graded on achieving the objective of: **"Carrier Consolidation (Big Three)**: It is in the <u>best interest of HRH</u> for agencies to move property, casualty and employee benefit business to the preferred carriers as designated by the Company." (emphasis added). The 2001 President's Incentive Plan added as an objective "to take advantage of the increased overrides and increased revenues generated by these relationships." In 2001, the "Meets Objective" description for Carrier Consolidation stated "preferred carriers experience substantial growth of 15% or more."

49. HRH's Big 3 partners were fully aware of and actively supported HRH's attempts to steer its clients to one of the Big 3 insurers. In a September 25, 1998 letter to all of The Hartford's Regional Vice Presidents, The Hartford's Director of Broker Strategy and Management, wrote: "We are pleased to announce that The Hartford has been selected as one of the three National partner Carriers in conjunction with HRH Insurance's now strategic direction for Commercial and Property Lines business. The Agreement culminates a series of negotiations…. In exchange for a significant premium commitment over the next several years,

an enhanced Incentive Bonus Agreement has been developed to reward [HRH]." HRH's "focus on the movement of business to their trading partners will commence immediately." "We are positioned to be the lead market for Select (small commercial) Customer Business. [HRH's] agencies have been instructed to begin moving all accounts generating $1,000 in revenue and below to our Charlotte and San Antonio SCIC's. In various locations, this threshold may be increased to the $2,000 revenue level, and this should be validated on a local basis. It has been communicated that the only exceptions to this rule are accounts generating between $500-$1,000 in revenue that are currently placed with Travelers or CNA. Their agencies are fully aware of the increased limit and their Regional Coordinators will be responsible for the movement of this business."

50. The Carrier Consolidation Initiative started well for HRH. Wrote Jack McGrath of the Carrier Consolidation Implementation Team on November 5, 1998 to all HRH presidents: "The first month of this initiative has been mostly very positive. We have moved a significant volume of business in a very short period of time." Then Mr. McGrath included further instructions on avoiding disputes among the big three carriers. "We need to avoid situations where we move accounts from one of our three partners to another…. No select customer business currently written by C.N.A. or the Travelers is to be moved to the Hartford service center…. When offering up blocks of business, those blocks should not be sent to more than one of the three partners for review at a time. If after the chosen company declines a significant enough share of the accounts, then we can offer the same block to another of the partners….

Please note that the movement of all select business needs to be coordinated through Steve Deal, without exception." Then Mr. McGrath made it clear that HRH's consolidation policy was not subject to debate. "For those of you who have embraced this concept and helped get the ball rolling we thank you, for those of you who have not, please understand that we are going to make this happen at all HRH locations." Across the top of Mr. McGrath's memo, HRH CEO Andrew Rogal placed a handwritten note, "JACK/ERIN. NICE! A."

51. HRH clients were told nothing about the true reasons behind the switch to a Big 3 carrier. In fact, HRH's so-called "Best Practices" manual for Personal Lines insurance that HRH distributed to all of its local offices included suggested letters for HRH agents to send to clients having their accounts switched. This "Best Practices" letter were affirmatively and intentionally misleading to consumers. The recommended letter to Personal Lines "Roll Over" policyholders tells HRH clients: "Your decision to select HRH … as your agent is a trust we value greatly. We are sensitive to your desire to receive the best available product for a fair and competitive price. Pricing consistency along with providing our customers with top-notch customer service is our objective. In an effort to accomplish this, we would like to offer you renewal coverage for your personal insurance with [new company]. We have a longstanding relationship with [new company] who is known both nationally and locally…. We would like you to feel comfortable with this change and are confident that is it in your best interest."

52. Nowhere in HRH's "Best Practices" letter does HRH inform its client that HRH is making this change because it has a secret commission agreement with the Big 3 carriers or that

HRH is making its recommendation because it is in HRH's "best interest" to earn higher and higher fees. Indeed, HRH undertook a duty to act solely in its clients' best interests by affirmatively stating that HRH is "confident that it is in your best interest" to switch carriers.

53. Nowhere in the "Best Practices" letter is there a request from HRH that the client actually consent to the recommended switch. HRH merely informs the client that the switch will take place and leaves it up to the client to take the affirmative step of preventing HRH from steering their account to a preferred insurer. Moreover, once a client's account was switched to a Big 3 service center, HRH frequently forwarded all of the client's underwriting information to the insurer. Without underwriting information, it was impossible for HRH to market the account in future years to other insurers. Essentially, HRH handed its client over to a Big 3 insurer and then simply waited for the commission check to come in each year.

54. HRH agents were influenced by contingent commission arrangements. Wrote one HRH agent in one of HRH's Connecticut offices, "we are not far away from the next level with Peerless which means more $$$. Please make sure everyone sends apps for quotes well in advance.… They need to get on it now so they will have Peerless quotes …. My paranoia about our numbers is driving me these days." The same broker wrote the previous year about moving a book of flood insurance business to the Travelers that HRH had previously refused Travelers because "they were not willing to pay enough commission." The HRH Connecticut agent asked: "Can I move my Omaha stuff to them? With the $10 fee, 20% comm[ission] and the added

incentive opportunity they created for HRH of CT, I could really make some bucks…. Do I have to stay with the national deal on this?"

55. Similarly, HRH Northeast Regional Director Kim McGillicuddy wrote in September 2004 commenting on projections that HRH would just miss their end of year bonus targets, "[w]e talked about how close we are to the Hartford PL bonus arrangement nationally at our President's meeting last week. Please find your agency on this list and make every effort to steer some business to the Hartford between now and the end of the year so we can meet that goal."

c. The Plan Succeeds

56. After its initial implementation, the Carrier Consolidation plan continued to be profitable for HRH. In an August 1999 memo to all HRH Regional Directors, Steve Deal said of the premium volume with Travelers "we have a positive 8.5% growth 1999 YTD vs. 1998 and our retention ration is 84.1%." Mr. Deal described HRH's loss ratio with Travelers as "truly outstanding." Overall, Mr. Deal described HRH's deals with the Big 3 as "extremely lucrative to HRH and … we should not voluntarily be moving any business out of the Travelers (Hartford and CNA as well)."

57. The Big 3 agreements remained very profitable to HRH through 2000. Wrote current HRH CEO Martin Vaughan in December 2000: "During 2000, these deals produced approximately $7,500,000 in overrides to our company. These monies went straight to the bottom line and are a primary driver in our financial success. It is difficult to imagine where we

would be without the inclusion of these dollars in our consolidated numbers." Mr. Vaughn then cautioned again that the agreements were confidential.

58. At the exact same time Mr. Vaughan was touting the success of HRH's secret consolidation scheme, HRH's internet webpage was telling consumers the following: "At Hilb, Rogal and Hamilton, our personal lines clients are provided with choices and services second to none…. At HRH we know that having all of the answers does not *simply* mean having access to lots of products…. **At HRH, the way we think about you is *not* policies and premiums** …" (emphasis in original). When clients turned to the Automobile section of HRH's internet posting, HRH represented: "HRH offers … major insurance carriers such as Travelers … The Hartford, and CNA Insurance, to name a few. Our personal lines clients are provided with choices and services second to none. We recognize that people are looking for simplicity and cost control …" When clients turned to the Homeowners section of HRH's internet posting, HRH represented: "In the world of uncertainties, you can take comfort in knowing that the people at HRH are looking after you." In fact, HRH was almost exclusively looking after itself, its clients were offered few, if any, choices beyond the Big 3, and premium amount was exactly how HRH thought about its customers.

59. Not surprisingly, the insurers were happy with the consolidation plan. Wrote Consolidation Implementation Team Member Jack McGrath in September 1999, "All three companies are very pleased with the results that they see from HRH." Mr. McGrath's comments were echoed that same month by the Travelers: "The HRH-Travelers strategic partnership has

been very successful. You have demonstrated an acute ability to initiate and execute a business plan that has produced tremendous results." In recognition of these "tremendous results," Travelers gave HRH's Connecticut office an advance $25,000 "good faith" payment in anticipation of successfully steering premiums in 2000.

60. HRH, however, wanted even more. The Big 3 wanted HRH to give the insurers profitable business, i.e., customers with few losses and low administrative expenses. HRH just wanted to move premium volume to the Big 3 in order to maximize their undisclosed commissions. Unfortunately, the insurers' profitability approach was "making it more difficult for [HRH] to move the volumes of business that we originally thought possible."

61. Thus in order "to maximize the financial benefits to HRH," Jack McGrath of HRH tried a new policy for medium sized business whereby HRH would "have a block of business presented to the Hartford in masse and underwritten on an overall basis." Such policies would be for businesses "that can be moved at current pricing levels" – meaning at no cost benefit to the client -- and from "a list of classes of business and preferred states that [the Hartford] would like to see the business generated from." Mr. McGrath continued that "once an account is submitted and the Hartford has accepted the pricing, the account must move to them." This process penalized those HRH customers who did not want to move to The Hartford, or who wanted to have their risks underwritten individually because they had low loss records. Mr. McGrath asked all HRH agency presidents to submit a list within one week of all accounts to be moved. HRH planned to move $10 million in premium under the plan.

62. Finally, in 2000, Allmerica Financial Corporation was added to the Big 3 list and the Big 3 became the "Big 3 Plus 1." HRH's goal under its deal with Allmerica was to place $15 million of new business premium with Allmerica in 2001 and 2002. For that additional premium, HRH would receive an additional 3% commission on the first $5 million of growth, an additional 5% on the second $5 million in growth, and an additional 7% commission on all new business over $10 million. HRH never disclosed any of these commission arrangements to its clients.

d. The Big 3 Comes To An End

63. After hidden contingent commission agreements became the subject of regulatory investigations in November 2004, HRH decided to terminate its Big 3 agreements. In terminating its agreement with The Hartford in December 2004, HRH wrote that "we were prepared to renew our current deal" and "certainly liked the arrangement," but given the ongoing investigations "we do not need exceptions to the standard profit-sharing plans that we have in place with most carriers." HRH Vice President Steven Deal nevertheless asked for "immediate payment for the months of October and November, 2004 under the current override agreement" before officially terminating the agreement.

64. Similarly, HRH terminated its agreement with Travelers at the end of 2004. In informing all HRH agency presidents of the termination, former HRH President Bob Lockhart wrote that "HRH and the Travelers [had] forged a partnership which has enabled us to grow profitably with this carrier and at the same time enjoy the overrides that have been distributed to

our offices." Nevertheless, Travelers 2005 override proposal "clearly won't reward us for our efforts" and so HRH switched to a standard Travelers profit sharing plan retroactive to January 1, 2004. HRH's Personal lines agreement with Travelers remained in effect until the end of 2004.

e. HRH's Other Undisclosed Override Agreements

65. In addition to its secret override deals with the Big 3 and Allmerica, HRH also had override deals with many other insurers. For example, HRH had what amounted to undisclosed exclusive dealing relationships with Omaha Property and Casualty for flood insurance, with Progressive Insurance for non-standard auto insurance, and with Chubb for high value homes and cars. Under HRH's deal with Omaha, fully 25% of the premium paid by consumers went for commissions paid to HRH.

66. HRH's deal with Chubb designated "Chubb Personal Lines as your 'trading partner' for your upper end personal lines business." HRH's "Best Practices" manual directed HRH agents to use Chubb as the exclusive carrier for "High-valued" homes worth more than $350,000, or cars worth more than $25,000. To promote the deal, on January 1, 1999, HRH's Steve Deal and a Chubb representative sent out a joint memo to all HRH and Chubb Personal Line Coordinators stating: "We have agreed that Chubb will be the market of choice for personal lines clients with significant assets to insure…." "In order to facilitate the consolidation of business from non-preferred markets, Chubb has established a process to accomplish this with minimal effort. A group of individuals in Chubb's Personal Lines Service Branch have been designated as "HRH Business Consolidation Specialists."

67. As a reward for all the business HRH generated, in 1999 Chubb ignored a $1 million loss by an HRH client. This loss would have all but eliminated the bonus HRH was to have received on its Chubb profitability based incentives which reward HRH for steering profitable business— i.e., minimal claims – to Chubb. By ignoring the $1 million claim, HRH was able to capture an additional $41,000 profitability bonus for HRH's Hartford office. In 2000, Chubb advanced HRH $240,000 in hidden commissions in exchange for HRH agreeing to significantly increase its book of business with Chubb.

68. HRH also participated in "captive" insurer arrangements whereby HRH clients had their insurance policies placed with insurers that, unknown to HRH's clients, were partly owned by HRH. For example, HRH participated in Chubb's Mountain View Indemnity, Ltd., which, unknown to its insureds, was actually owned by a list of brokers and agents, including at least four of HRH's local offices.

69. Additionally, in 2000, HRH set up a captive insurer in Bermuda with CNA called Essenale, Ltd. HRH's goal was to shift some $2 million in premium into Essenale in the first year and $5 million in 2002. By 2001, steering business to Essenale was included in the Agency President's Incentive Plan evaluation ("it is in the best interest of HRH that offices provide quality volume to CNA to include in HRH captive to ensure its future strength."). HRH never told clients whose accounts were steered to Essenale that HRH was recommending that particular insurer because HRH owned it.

70. HRH's contingent commission arrangements were very lucrative to HRH. From 1998 through 2004, HRH made some $180 million in contingent commission revenue. In 2002, HRH received $2.5 million from the Hartford alone under the Big 3 program, an increase of 32% over 2001. In 2003, HRH earned an additional $1.2 million from Allmerica as HRH's Big 3 Plus 1 bonus payment.

V. HEALTHCARE: HRH'S STRATEGIC ALLIANCES

a. MetLife

71. While initially based on property and casualty lines, HRH copied the basic elements of its Big 3 Carrier Consolidation Initiative for use in group health benefits through a system of "Strategic Alliances." As with the Big 3, HRH had Strategic Alliances with three health benefit insurers: MetLife, UnumProvident ("Unum"), and CNA.

72. HRH wrote MetLife seeking a relationship whereby MetLife would "reward" HRH for transferring business to the carrier. "We at Hilb, Rogal and Hamilton Company (HRH) are very pleased with the interest shown by MetLife in becoming a strategic trading partner with our firm. We are especially excited about the prospects of developing a system that rewards HRH over and above normal compensation levels for a definitive commitment to transfer and place premium with MetLife."

73. HRH spelled out its proposal: "Over a 24 month period beginning June 1, 1999 HRH will commit to move and place $15,000,000 of premium with MetLife. In exchange for

that commitment, MetLife would advance HRH $500,000 to help fund our effort." In addition, "HRH would expect a 3% override . . . ."

74. MetLife quickly responded and put together an override agreement for HRH, not just to gain new business from HRH, but to avoid losing what business MetLife already had. As one MetLife account executive warned: "I do have a concern in that if we do not strike a deal of some sort, my ability to sell business and retain the book we have developed with HRH, will be in jeopardy."

75. MetLife executives were "extremely pleased" that HRH was committing to place new business with MetLife and noted that "[t]his [would] be accomplished by requiring each of their 5 regions to place **$1,000,000** in premium with us by year-end." (emphasis in original). HRH was evidently serious about requiring the placement of business with MetLife because HRH asked MetLife to "provide them with a monthly production report showing . . . progress . . . toward the $5,000,000 goal . . . ." In the event of "any resistance / push-back," MetLife executives were instructed to contact a senior official who would "in turn bring it to the attention of HRH."

76. During the course of evaluating the HRH proposal, an internal MetLife memo noted: "**Why this Option Should be Explored –** HRH has [made] a concerted effort to reduce its stable of carriers to a select few who will provide them extra assistance and compensation."

77. MetLife responded to HRH: "Dan, as we discussed, we have a tentative proposal for you . . . Part I: Corporate Component. Over a 24 month period to be determined, HRH will

move and place $15,000,000 of premium with MetLife. In exchange, MetLife will advance HRH $225,000 in expectation of the first $7,000,000 [sic]. This represents a 3% <u>non-disclosed</u> bonus. We would then pay a 3% bonus payment on the next $7,000,000. [sic]" (emphasis added). HRH and MetLife agreed to call the upfront payment a "loan" to avoid having to disclose the payment as what it really was—an advance override.

78. In addition, the proposal included a second set of New Sales Bonus commissions by which an HRH office that sold in excess of six coverage groupings in a year would be given standard commission and additional bonus compensation ranging from 20% to 35% additional to standard commission. MetLife did not hide the point of its proposal, specifically noting "that this arrangement provides a strong incentive for HRH to move business to MetLife . . . ."

79. Even after making its proposal, MetLife worried over some of the details, wanting to make sure that HRH would have sufficient incentive to move business. Consequently, in two internal notes, MetLife executives added, regarding the up-front payment: "If the projections are not met, HRH will have to pay back, with interest, a level based on the shortfall."

80. MetLife was particularly concerned that "[f]rom the start, HRH has approached this matter as if MetLife should just give them the money because they will get the business to us." However, MetLife was concerned that HRH's new business growth would be insufficient because "[w]e won't rely on [HRH's] existing business" which was "not that transportable due to other overrides." Ultimately, a "[k]ey factor[]" that MetLife was concerned with was "[t]hat

HRH's producers see a benefit to this arrangement and are willing to steer more business to MetLife."

81. HRH also arranged to receive portions of its contingent compensation in the form of advances. HRH called these advances "loans," but no loan documents were ever signed. No effort was made to memorialize the 'loan' in any form of promissory note, or to secure the loan with any collateral. In some cases, these 'loans' were forgiven if HRH did not meet its premium targets.

82. In the end, HRH signed the override agreement and MetLife fronted the "non-disclosed bonus" to HRH in order to have HRH "steer" business to the carrier.

b. HRH Signs Another Strategic Alliance with CNA

83. MetLife was not alone in seeking to work with HRH. In a letter dated March 12, 1999, a CNA group benefits executive gushed: "It is with great pleasure and excitement that I am writing this letter. CNA Group Benefits is glad to extend to you and your organization an exclusive national production program. The agreement will contain two components. First compensation will be provided to HRH at the corporate level for facilitating the transfer and placement of a significant premium block to CNA. The second component will be the individual HRH producer compensation." CNA provided an eye-catching brochure to HRH detailing the terms of the second part of this program, including a none too subtle illustration of a pile of money to encourage the individual brokers and agents.

84. At the producer level, CNA provided incentive payments to individual brokers and agents. At the corporate level, CNA agreed to give $450,000 to HRH in exchange for HRH moving new and existing blocks of business to CNA. The agreement went even further. The initial $210,000 payable to HRH would be an "advance," in other words, a pre-paid, non-disclosed contingent commission.

c. The Third Strategic Alliance – UnumProvident

85. Six months after signing the MetLife deal, HRH entered into the last Strategic Alliance with Unum. While structured differently than its previous deals in that it included no premium commitment by HRH, the agreement generously rewarded HRH for moving business. So important did HRH consider this last agreement, which HRH valued as "a key component" of its employee benefits business, that senior management sent a memo informing managers of its "intention . . . to conduct a series of meetings in each Region" in order "[t]o properly communicate our new strategic alliance. . . ."

86. Similarly, as time went on, HRH managers expressed concern about "mak[ing[sure we are getting all the $ that are coming to us" and directed that "an appropriate individual" send "all producer numbers for benefits with each of these 3 carriers." In a description of HRH's Five Year Strategic Plan, the company underlined the need to "[i]ncrease bonus commission revenue from health carriers National Override Arrangements" and the need to "clean up accounting under current agreements with UnumProvident, CNA and MetLife."

87. Like HRH's other national override deals, the HRH/Unum Strategic Alliance worked. Wrote Unum: "As you know, our strategic partnership with HRH has yielded significant results. We have increased new case revenue from $6 [million] in 1998 to $31 [million] through 8/2000."

VI. <u>HRH Receives Undisclosed Contingent Commissions For Physicians Group</u>

88. Physicians for Women's Health (PWH) is located in Connecticut and is the largest group of OB/GYN doctors in the United States. PWH has over 150 doctors in 25 practitioner groups around Connecticut.

89. In 2000, HRH was PWH's broker for the placement of its medical malpractice insurance and thus owed PWH a fiduciary duty to act exclusively in PWH's best interest. HRH had been PWH's broker since 1998. At that time, PWH's insurer paid HRH a fee of $750 per covered PWH doctor. When PWH's malpractice insurance came up for renewal in the summer of 2000, HRH switched to a commission from PWH's new insurer, The Doctors Company (TDC), based on a percentage of premium paid by PWH.

90. What HRH did not tell PWH, however, was that when PWH switched to TDC, HRH began receiving large undisclosed commissions from TDC that were included in the insurance premium paid by PWH. Wrote HRH's Connecticut office: "The commission level … was $150,000 and [PWH] did not have a problem with that amount. We accomplished this by requesting TDC to show a commission rate of 5% and an [undisclosed commission] of 8.5%. Actual commission on the account was 13.5% ($411,378)." HRH took this undisclosed

commission paid for by PWH through its premium payment for the 2000-2001 and 2001-2002 coverage years.

91. In the summer of 2002, PWH again hired HRH to place its malpractice insurance. The management company overseeing the insurance renewal on behalf of PWH, Women's Health USA, Inc. (WHUSA), asked HRH how much it was making on the placement. HRH stalled giving an honest answer: "[T]he client will challenge the amount of commission and we will need [two HRH brokers'] help on the issue….. they both have presumably been involved in situations similar and may have some insight as to how we can manage this situation. [The HRH brokers] should know that both the management company … and the physicians … have requested specific knowledge of our income on the account…. The last amount the client was aware of was approximately $150,000 (two years ago)…. So though we are seeking to keep our income steady at $420,000 there will be some sticker shock."

92. WHUSA pushed to see documents from TDC that would disclose HRH's commission. HRH continued to stall. Advised an HRH broker on July 9, 2002: "Undoubtedly Mark and Pat [at WHUSA] will want to see the original communication from TDC. BE SURE TO ELIMINATE THE FEE INFORMATION BEFORE ANYTHING IS SENT TO THE CLIENT." (Emphasis in original).

93. On July 11, 2002, the same HRH broker followed-up with another email: "When asked for the $ amount of commission our response has been that it is substantially below our normal commission agreement with TDC and that we could not disclose the actual $ amount

without HRH management approval. That response did not satisfy them and they are still pushing for the number."

94. On July 22, 2002, the same HRH broker opened negotiations with WHUSA over HRH's fee with a misleading email: "TDC normally pays us 10% of the premium as a commission (and this is the common rate of compensation). The proposed premium is in the range of $7,272,162 to $9,519,546 depending on the limits selected …. As your premium is nearing the fully developed level it is a good time to determine the appropriate amount of compensation. Although we believe we deliver far greater value to PWH than we are expected to provide other groups, we are willing to work at a reduced commission rate from our normal arrangements …." The HRH broker then asked WHUSA to propose a commission they thought "fair and reasonable."

95. In fact, what HRH had been receiving from TDC for the past two years was a 5% commission on premium, plus an undisclosed 8.5% override. What HRH was actually doing was setting out a negotiating position against its client, to whom it owed a fiduciary duty of honesty and fair dealing, that would result in the same fee HRH had already requested be built into PWH's premium a month before and which HRH had been taking, unbeknownst to PWH, for the past two years. The pretense of seemingly soliciting a "fair and reasonable" offer from PWH was completely illusory.

96. Wrote an HRH broker on June 27, 2002 to TDC, "OOPS – forgot the most important item – HRH Commission. Please build in $420,000 of commission on [PWH's]

primary layer only. The [excess coverage] should [be] quoted net of commission. Deb, what we are trying to do is assure our revenue on this account. Since MDs will be given an option to purchase the excess or not, we want to make sure that we are not restricted by their purchasing decision. Therefore, we want to build in our total revenue in the primary layer." Indeed, in HRH's July 22nd "proposal" email to WHUSA, the HRH broker jotted down a handwritten calculation setting out the average premium being considered ($8,400,000) then applying a 5% commission rate and reaching the fee amount HRH had already decided on a month before -- $420,000.

a. HRH Agrees to Improper Insurance Rebates.

97. On July 26, 2002, WHUSA agreed that HRH could receive a 420,000 commission on the renewal of PWH's 2002 malpractice insurance. WHUSA's support for HRH's fee was contingent, however, on HRH agreeing to give $50,000 of that fee annually to WHUSA. Agreeing to pay or receive any amount of money not specified in the policy as an inducement to purchase insurance is a violation of Section 38a-825 of the Connecticut General Statutes and of the Connecticut Unfair Insurance Practices Act (CUIPA).

98. This was not the first time HRH had been aware of or agreed to improper rebates for WHUSA in order to secure PWH's business. To help win PWH's business in 1998-2000, HRH facilitated a similar annual "grant" of $78,000 paid to WHUSA by PWH's then insurer Medical Inter-Insurance Exchange (MIIX). During PWH's 2000 renewal, HRH agreed to pay

WHUSA $90,000 annually for alleged "risk management" services. The total fee was to be paid in three installments of $30,000.

99. When the HRH accounts department was notified of the proposed 2000 payment, they had some questions. Wrote an HRH employee on October 17, 2000: [The HRH broker] mentioned that he wanted to send the $30K to Women's Health, and I can get that done, but I'm a little uncertain as to how you intended to handle this. I'm assuming we are to cut a check … charging Sales Expense, which will be deducted from [the HRH broker's] production at end of yr. That would be the typical scenario, although giving money to Women's Health isnt exactly typical and I'm not sure what the auditors will think of that."

100. The HRH broker responded the same day: "I'd suggest that we proceed as … described … (in fact I would like to hand deliver [the payment] so we are sure it ends up in the right hands and in the proper manner)…. If it would be helpful I can put together a services agreement relating to credentialing, applications, etc. we will be seek[ing] and expect from Womens Health USA to justify the payment."

101. On December 11, 2000, some two months after the initial $30,000 was paid to WHUSA, an agreement was finally drafted to "justify" HRH's rebate payment. The agreement required no real work on behalf of WHUSA, stating only that WHUSA would "from time to time … furnish consultative services and assistance in developing marketing and distribution information to assist [HRH] in rendering its services to third parties in the healthcare field." An

unsigned copy of the agreement was put in HRH's files along with a handwritten note from the HRH broker: "No action required on any of this – it just needs to go into file."

VII. CAUSES OF ACTION

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

1-101. Paragraphs 1 through 101 of the Complaint are hereby repeated and realleged as Paragraphs 1 through 101 of the First Count as if fully set forth herein.

102. At all times relevant to this Complaint HRH was engaged in the trade or commerce of an insurance producer, and more specifically an insurance brokerage, insurance agency, and insurance consulting service, within the State of Connecticut.

103. By engaging in the acts and practices alleged herein, HRH made or caused to be made to Connecticut consumers, 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 HRH offered its clients a wide range of insurance carriers from which to purchase their insurance when, in fact, HRH did not;

b. that switching HRH clients' insurance to Big 3 and other insurance carriers was in the best interest of HRH clients when, in fact, it was not;

c. that HRH personnel would answer questions from HRH clients calling Big 3 client service centers when, in fact, HRH would not;

d. that HRH would act in the best interest of its clients in placing their insurance when, in fact, HRH did not;

e. that as an "independent" insurance agent, HRH was independent of insurance companies when, in fact, HRH was not;

f. that HRH was not motivated by higher and higher contingent commission revenue when deciding what insurance to recommend to HRH's clients when, in fact, HRH was so motivated; and

g. that HRH had disclosed all material terms to their clients regarding the placement of their insurance and HRH's compensation for the same when, in fact, HRH hid those material terms.

104. By engaging in the acts and practices alleged herein, HRH made omissions to Connecticut consumers that they had a duty to disclose by virtue of HRH's fiduciary and/or contractual obligation to Connecticut consumers and their statements to Connecticut consumers.

105. HRH's acts and practices regarding their clients and Connecticut consumers as alleged herein are oppressive or unscrupulous and violated the public policy of the State of Connecticut, including, but not limited to the public policy against:

a. violations of the trust, confidence, and duties owed within a fiduciary relationship;

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

c. the receipt or payment of any special favor or other valuable consideration not specifically stated in the policy as an inducement to purchase insurance as embodied in Conn. Gen. Stat. § 38a-825;

d. steering clients to favored insurance carriers to qualify for larger bonuses and contingent commissions;

e. moving blocks of clients to favored insurers to qualify for larger bonuses and contingent commissions;

f. implementing a “carrier consolidation” program expressly designed to steer clients to a select group of insurers to qualify for larger bonuses and contingent commissions;

g. placing clients in “producer captive” insurance carriers which HRH owned all or part of without disclosing that ownership interest to its clients;

h. entering into undisclosed fee arrangements whereby insurers paid undisclosed compensation to HRH for the placement of insurance;

i. paying improper premium rebates to clients in return for that client retaining HRH as its broker;

j. agreeing to steer costumers generating less than $500 and $1,000 in revenue to preferred insurers; and

k. providing preferred insurers with first looks on books of business HRH wished to move to preferred carriers in order to increase HRH's bonus and contingent compensation.

106. HRH's acts and practices as alleged herein have been and are unethical, oppressive and unscrupulous, and cause substantial injury.

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

108. HRH'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 HRH.

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

Second Count: Breach of the Connecticut Unfair Insurance Practices Act (Conn. Gen. Stat. § 38a-815 et. seq.)

1-108. Paragraphs 1 through 108 of the First Count of the Complaint are hereby repeated and realleged as Paragraphs 1 through 108 of the Second Count of the Complaint as if fully set forth herein.

109. The above alleged facts constitute a violation of the Connecticut Unfair Insurance Practices Act.

PRAYER FOR RELIEF

WHEREFORE, the State of Connecticut requests the following relief:

1. A finding that by the acts alleged herein, HRH engaged in unfair and deceptive acts and practices in the course of trade or commerce of an insurance producer within the State of Connecticut in violation of the Connecticut Unfair Trade Practices Act and the Connecticut Unfair Insurance Practices Act;

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

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

    a. the amount of improper bonuses and commissions paid to HRH;

    b. the amount HRH improperly inflated insurance premium charges to its clients.

4. An order pursuant to Conn. Gen. Stat. § 42-110o directing HRH 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 HRH to pay restitution;

6. An order pursuant to Conn. Gen. Stat. § 42-110m directing HRH 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 HRH 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 ___ day of August, 2005.

PLAINTIFF
STATE OF CONNECTICUT

____
RICHARD BLUMENTHAL
ATTORNEY GENERAL

By: ____________________________

Matthew J. Budzik, Juris #423926
Robert D. Snook
Michael E. Cole
Mark F. Kohler
Dinah J. Bee
Assistant Attorneys General
Antitrust Department
55 Elm Street, P.O. Box 120
Hartford, CT 06141-0120
Tel: (860) 808-5040
Fax: (860) 808-5033

RETURN DATE: SEPTEMBER 20, 2005

STATE OF CONNECTICUT	:	SUPERIOR COURT
	:	JUDICIAL DISTRICT OF HARTFORD
Plaintiff,	:	
v.	:	
	:	
HILB ROGAL & HOBBS COMPANY	:	
	:	
Defendants.	:	AUGUST __ , 2005

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: ______________________________

Matthew J. Budzik, Juris #423926
Robert D. Snook
Michael E. Cole
Mark F. Kohler
Dinah J. Bee
Assistants Attorneys General
Antitrust Department
55 Elm Street, P.O. Box 120
Hartford, CT 06141-0120
Tel: (860) 808-5040
Fax: (860) 808-5033