

Major Insurance Fraud Settlement Exposes Brokerage Tactics

Tell Me How Someone Is Being Paid and I Will Be Able To Predict Their Behavior

Think about it: ask a commissions-based salesperson or a trusted advisor for an opinion and what guidance do you really expect to get?

That is why Marsh Consulting Group (MCG) has always advocated “full commission carve-out” or “full commission disclosure” approaches to paying for health and welfare benefit consulting services, so you know exactly what you’re paying for the advice you’re getting -- and what brokers stand to gain when they sell their clients the equivalent of an ill-fitting over supply of that proverbial “costly suit of clothes.”

MCG’s position is born out of experience dealing with the insurer, brokerage house, and fee-for-service actuarial consulting sides of the business. We’ve seen first-hand how objectivity and integrity can be compromised through commission-based arrangements.

On January 31, 2005, New York Attorney General Eliot Spitzer underscored – in astounding fashion – the relevance of this point as he saw his lawsuit against America’s largest insurance broker, Marsh & McLennan (NO relation whatsoever to MCG, despite the name), settled for \$850 million; to date, it is the largest restitution in history paid by a single entity.

Employing tactics not unlike those of the master hucksters in “The Emperor’s New Clothes,” six Marsh & McLennan managers were instead exposed, pleading guilty to felonies. More of the firm’s employees are expected to be similarly charged with unacceptable business practices that date back to the 1990s and include bid-rigging, price-fixing, and hidden incentive fees. In addition to unnecessary increases to insurance premiums for approximately 100,000 of their clients the unfortunate results point to the company’s utter lack of honesty, respect and concern for those they serve.

Although we wish we could say otherwise, these kinds of business practices are not isolated events; they are carried out every day across the United States by commission-based brokers whose incentives are to benefit from higher premiums, not from strategies to effectively control clients’ costs.

MCG is different, both in name and practice. We thrive on helping our clients become more efficient with their benefit budgets. Unlike a broker, our background is not sales; our business is professionally anchored in actuarial science, human resources management, the mathematics of finance and risk management, labor law and regulatory compliance. Instead of selling products, we solve problems, like the bona fide master tailor the emperor needed all along.

To ensure a happy ending to this story for your organization, remember that Marsh & McLennan's practices typify the behaviors of brokerage houses that will not change. In order to optimize your organization's coverage, you need to change the way you do business: rethink what you're spending and compare it to what you're really getting. Once you spy the ruse, we are confident that you will be ready to demand change, and we hope that when you do you will further demand services from MCG or some other fee-for-service or full-fee-disclosure actuarial consulting firm.

Give us a call to learn more about how you can experience the difference – and the definite competitive advantage -- that comes with working with MCG.

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