#050119 7/11/05

Lawyers and Settlements

Search

submitted by Lomm Braddy

Arthur J. Gallagher

A class action lawsuit has been filed against Illinois insurance broker Arthur J. Gallagher in response to the firm's controversial 'contingency fees.' The suit was filed on behalf of lawfirm SimmonsCooper, LLC and purchasers of Gallagher's health and life insurance. The suit alleges that Gallagher violated the Illinois Consumer Fraud and Deceptive Business Practices Act and charges "breach of fiduciary duty and disgorgement."

If you feel you qualify for damages or remedies that might be awarded in this class action please fill out the form below.

If your injustice does not match the complaint described above, please use this form to register your complaint. Thank you.

Posted on Nov-2-04

Your Case

Fields marked * are required.

Defendant:
(who caused the harm?) ***Arthur J. Gallagher (insurance)**

* Title:
(describe the nature of your complaint in one short sentence)

* Details of complaint:
(briefly describe the damages you have suffered)

Your Information

Fields marked * are required.

* First name:
* Last name:
* Email address:
* Confirm Email address:
* Day time phone:

Evening phone:

Mobile phone:

- Home
- Free Case Evaluation
- Status
- Newsletters
- Forums
- Email this page a friend
- Resources
- Law Firm Directory
- Services for Lawyers

RSS

BestWire

April 28, 2005

577 words

ARTHUR J. GALLAGHER INCURS $78 MILLION LOSS IN FIRST-QUARTER EARNINGS

ITASCA, Ill. (BestWire) - Plagued with litigation and government investigations, international insurance brokerage and risk management services firm Arthur J. Gallagher & Co. posted a $74 million net loss, or 80 cents a share. Gallagher (NYSE:AJG) a year ago posted a $38.9 million profit, or 41 cents a share. The company said in a statement that it incurred a pretax charge of $35 million as a result of state insurance investigations.

In addition to New York state Attorney General Eliot Spitzer's probe, a mix of 14 other state attorneys general and state departments of insurance have issued subpoenas to Gallagher or initiated investigations relating to the company's handling of contingent commissions and other business practices (BestWire, March 29, 2005).

Gallagher, among the four largest global insurance brokers, stopped entering new volume-based or profit-based contingent commission agreements as a retail broker as of Jan. 1. While the company expects future contingent commissions to be substantially reduced as a result, it posted a slight surge in contingent commissions, which amounted to $20.7 million. The commissions realized this year, the company explained, relate to agreements that were in force last year.

Gallagher's net income also was affected by an agreement to pay Headwaters Inc. $50 million to settle a dispute over a synthetic coal technology licensing agreement. In addition, Gallagher will be allowed to utilize Headwaters' technology in exchange for $70 million payable on or before Jan. 6, 2006, the company said in a statement.

In February, a state district jury verdict in Utah found that Gallagher failed to pay royalties from four alternative fuel lines in South Carolina, in violation of an agreement, and ordered the insurance broker to pay $175 million in damages to Headwaters (BestWire, Feb. 14, 2005).

In its earnings statement, Gallagher said it recorded a pretax charge of $131 million related to the Headwaters settlement.

According to Jay Gelb, senior vice president at Lehman Bros. Equity Research, Gallagher's earnings should suffer from lost contingent commissions and softening market conditions. However, Gelb said he believed the company has less exposure to regulatory issues involving bid rigging and steering of commercial property/casualty business than its competitors based, in part, on its focus on middle market customers.

First-quarter compensation ratio in the brokerage segment was 3.2% higher than last year, an increase resulting from new hires in the retail operations, one-time charges related to staffing changes in the company's London and reinsurance operations, and pension and group medical inflation.

Gallagher reported some good news:

Total revenue, boosted by the sale of two medical claim management subsidiaries, rose 4% to $348.9 million, from $332.9 in the first quarter of 2004.

The company also completed the sale of its Florida community development investment, and reaped a one-time gain of approximately $12 million.

Changes it made in employee benefits will result in a one time gain of $10 to $12 million in the second quarter.

In the risk management segment, the company said it experienced diluted earnings per share growth of 27% over the 2004 first quarter.

(By David Dankwa, associate editor, BestWeek: David.Dankwa@ambest.com)

April 28, 2005

Gallagher served with subpoena

3rd-party unit is Spitzer's subject

By Ameet Sachdev
Chicago Tribune Staff Reporter
December 3, 2004

Itasca-based insurance broker Arthur J. Gallagher & Co. said it was subpoenaed Thursday by New York Atty. Gen. Eliot Spitzer, a move that could indicate a new area of interest in his investigation of the business-insurance industry.

Gallagher is the second local company to be served with court-ordered requests for information. Chicago-based Aon Corp., the world's second-largest insurance brokerage, has been under investigation since April.

The latest subpoena was served on a Gallagher unit known as a third-party administrator, and not its brokerage operations.

Third-party administrators process claims but do not carry any insurance risk. A number of commercial brokers own third-party administrators that manage claims for worker's compensation, disability and other employee benefits programs.

Executives in the insurance industry said that Spitzer may be looking at whether insurance brokers receive financial incentives to refer business to third party administrators owned by their companies and whether those fees were disclosed to corporate insurance buyers.

A spokesman for Spitzer's office said the attorney general does not comment on subpoenas. Calls to Gallagher were not returned.

Spitzer has drawn Gallagher into his probe seven months after he subpoenaed the world's three largest brokers, Marsh & McLennan Cos., Aon and Willis Group Holdings Ltd. Corporate insurance buyers go to brokers for help in placing their insurance.

In a civil lawsuit filed in October, Spitzer accused Marsh & McLennan of rigging bids to steer business to insurers from whom it received lucrative special commissions for hitting volume and other targets.

Spitzer has sharply criticized the commissions, saying they can create a conflict and raise fees for customers. After Marsh was sued, Aon and Gallagher, the fourth-largest broker, said they would stop accepting the commissions.

The suit has sparked investigations by regulators in at least 25 other states who are also questioning how individual lines of insurance are sold. Gallagher has received subpoenas and requests for information from state attorneys general and insurance officials regarding its brokerage operations. The company said it is cooperating with all inquiries.

Gallagher also announced that it hired independent legal counsel to perform an internal review of its operations. As of the end of October, the company said it had not identified any improper practices.

Gallagher was one of the first brokers to form a third-party administrator when it started Gallagher Bassett Services in 1962. Today it is ranked as the largest property/casualty third-party administrator in terms of 2003 revenues by Business Insurance magazine.

Click here to return to our homepage

Sun-Sentinel.com

http://www.sun-sentinel.com/news/local/broward/sfl-cworkcomp22jun22,0,2330958.story

Broward School District did not monitor workers' comp program, study claims

By Bill Hirschman
Education Writer

June 22, 2005

The Broward School District's $34 million-a-year system for handling workers' compensation claims is fraught with waste and a lack of oversight that costs taxpayers at least $600,000 and maybe millions of dollars, an internal audit charges.

The handling of employees injured on the job and payment of lost wages "show[s] a fundamental breakdown in process and accountability," and has "substantive problems in nearly every process that was examined," according to an audit produced this month.

Examples of waste or botched oversight range from using a pediatrician to treat adults to paying a claims investigator for working more than 24 hours a day, three times in one month.

"It shows you what happens when you don't look at things over time," School Superintendent Frank Till said.

With 39,000 full-time and part-time teachers and other workers, the district is the second largest employer in the state

The district administration does a "woefully inadequate" job overseeing Gallagher Bassett Services Inc., the private firm hired to manage most of the program, the auditors wrote in a report that examines operations from 2002 through 2004

A consultant hired by the auditors said the potential savings are "conservatively in the millions" if changes are made, said auditor Ken Shaw.

Auditors are also sharply critical that Itasca, Ill.-based Gallagher Bassett subcontracts medical duties, such as selecting doctors and assigning patients, to another firm, CorVel Inc. of Irvine, Calif., but will not give the district a copy of the agreement to evaluate.

"It's our money that they're paying [CorVel]," said Patrick Reilly, the school district's executive director of Management/Facility Audits, which began the study in October as part of a regularly scheduled review of the district's departments.

The district hired Gallagher Bassett 17 years ago for the day-to-day management of employee claims.

It's current five-year-contract for nearly $11 million runs through July 2006, with each year's fees paid up front.

Gallagher Bassett hired CorVel, which reaps a percentage from whatever firms it hires. It also gets a "case management fee" for every patient. Its fees in 2003-2004 were $2.7 million.

Gallagher Bassett and CorVel officials did not return calls for comment.

While district officials disagree with some findings, they agree the audit brings up serious concerns and that a consultant should be hired to analyze problems.

"We agree that there are most likely opportunities to revise practices and hopefully save money," said Donnie Carter, the deputy superintendent who inherited the department about a year ago.

Jeff Moquin, director of the risk management department overseeing the operation, emphasized that the problems "are not unique to Broward" and that the county's system mirrors those of many other large employers.

"I think [the problems] are endemic of a workers' comp system that is struggling both statewide and nationwide," he said Wednesday.

The 200-page report contains scores of criticisms and 27 recommendations. It will be examined Thursday by the district's audit committee of volunteer parents and business leaders. If they concur, the School Board would discuss the report July 26.

Incomplete records, questionable accounting and a lack of medical expertise on the part of the auditors makes it almost impossible to gauge the money wasted, the report said.

But a major overhaul of the entire system, the primary recommendation of the report, would save at least $600,000, auditors contend. Many other savings would likely results just from closer oversight, they said.

"It appears the district has taken a casual interest in the operations, resulting in higher direct costs including excessive medical, indemnity [lost time], litigation, monetary settlements, permanent impairment ratings and personnel costs associated with replacement or substitution for injured workers," auditors wrote.

In one example cited, the firms spends $2 million a year to assign a field case manager to supervise nearly every case no matter how minor, a service that usually includes escorting patients to a doctor's office. Other workers' compensation companies usually reserve that level of service for catastrophic cases, said Reilly and Shaw. In one case, the district paid a case manager $2,800 to accompany an asthma patient at the doctor's office.

The report focuses on the workers' compensation system, a creature of federal and state laws that requires employers to pay for the treatment of injured workers and salaries while employees are off work and future earnings if they are permanently disabled.

During 2003-2004, the district addressed 3,716 claims, meaning nearly one in 10 employees filed a claim.

Paid with tax dollars to a self-insured fund, the system provides medical services and hires lawyers to fight what it considers unreasonable claims.

A major issue is the medical professionals hired to treat employees. One doctor, certified in internal medicine and pediatrics, turned in claims totaling $220,786, but most of the treatment provided related to orthopedic issues.

Auditors chose five doctors at random from CorVel's list. One had four malpractice settlements since 1992. CorVel has only rejected two out of 1,200 doctors it uses, one for questionable service and one for demanding payment up front.

Additionally, referrals for physical therapy for specific patients were based not on a therapist's track record, location near the patient or expertise. Instead, therapists were chosen alphabetically, based on which firm was next on an approved list, auditors said.

CorVel also referred some patients to general practitioners rather than specialists who might have solved problems more quickly. Eventually, some patients' problems worsened until they needed much more serious and expensive treatments, such as surgery, the report contends.

The report questions the judgment of some doctors.

In three of 100 cases chosen at random, employees asked doctors to send them back to work because they were financially struggling to live under the school system's benefits program, which grants injured workers two-thirds of their salary off the job. Two of the employees hurt themselves even worse when they returned to work, missing more time from the job. Auditors called it "professionally irresponsible."

The district might have to pay more for better-quality doctors, but it could save millions "because we won't be visiting them 20 times," Shaw said.

Overall, Superintendent Till said he wasn't surprised by the audit, but characterized results as "nothing bad, nothing criminal, but certainly some things you need to tighten up."

Staff Writer Chris Kahn contributed to this report.

Bill Hirschman can be reached at bhirschman@sun-sentinel.com or 954-356-4513

INSIDE:

AUDIT: Key review findings listed.

CHARTER: Board OKs

16 charter schools.

RUNDOWN: Nine charter schools open

in August.

PAGE 4B

Business Insurance

Close Window

Gallagher settles compensation probe for $27 million

By Sally Roberts
May 18 17:25:00, 2005

ITASCA, Ill.—Arthur J. Gallagher & Co. will pay $27 million in restitution to policyholders and reform its business practices to settle investigations by the Illinois attorney general and the director of insurance of Illinois related to its compensation practices, the Itasca, Ill.-based brokerage announced Wednesday.

No lawsuit was filed by the state authorities, and Gallagher admitted no wrongdoing or liability and is not required to issue an apology.

Under the terms of the settlement, Gallagher, the world's fourth largest brokerage, agreed to create a $27 million fund for certain retail clients; to cease collecting contingent commissions on retail business; to disclose compensation for services; to provide enhanced business ethics training for employees; and to create a compliance committee of the board of directors.

In a statement, Illinois Attorney General Lisa Madigan said her investigation into Gallagher's compensation practices revealed that the brokerage accepted millions of dollars of contingent commissions from insurers in exchange for steering clients their way.

"Gallagher sought and obtained huge payments from insurers in return for steering them enough business to meet secret threshold targets," Ms. Madigan said in the statement. "Gallagher never should have accepted these payments without fully and clearly disclosing that these targets and payments created a potential conflict of interest between Gallagher and its clients."

Citing interoffice memos and internal e-mails, Ms. Madigan said her investigation found that Gallagher managers received personal bonuses when their branch offices helped hit contingent commission targets and that the brokerage accepted "hiring subsidies" from certain insurers. Under these undisclosed arrangements, some insurers would pay for the salaries of some Gallagher brokers in return for insurance business.

Last month, Gallagher set aside $35 million to settle investigations related to its use of contingent commissions (*BI*, May 2). "We are pleased to have concluded this matter with both the Illinois attorney general and the Illinois director of insurance and we appreciate their professionalism," J. Patrick Gallagher, president and chief executive officer, said in a statement.

Gallagher's agreement follows similar settlements made by the world's three largest brokerages: Marsh & McLennan Cos. Inc., Aon Corp. and Willis Group Holdings Ltd.

Lawyers and Settlements

Search

Settlements and Verdicts

Arthur J. Gallagher & Co.

A $27 million fund to compensate Gallagher clients has been set up by the Illinois Attorney General Lisa Madigan and the Illinois Department of Financial and Professional Regulation's Division of Insurance. State regulators alleged Gallagher's contingent commissions forced workers to push clients toward policies that would bring larger fees instead of looking out for the clients' best interest. (May-19-05) [SUN TIMES] ✓

Register your Case

If you have a similar problem and would like to be contacted by a lawyer at no obligation, please fill out the form below.

Posted on May-23-05

Your Case

Fields marked * are required.

* Defendant:
(who are you accusing?)

* Date of injustice:

* Title:
(describe the nature of your complaint in one short sentence)

* Details of complaint:
(briefly describe the damages you have suffered)

Which category does your complaint best fit into? Please choose one

Your Information

Fields marked * are required.

* First name:

* Last name:

* Email address:

* Confirm Email address:

- Home
- Free Case Evaluation
- Status
- Newsletters
- Forums
- Email this page a friend
- Resources
- Law Firm Directory
- Services for Lawyers

RSS

Gladys Pozner #040798 7/11/05

COSMOS

INTERNATIONAL FILM & VIDEO GAME FESTIVAL

2124 NW 55th Blvd B3 ~ Gainesville, Florida 32653 ~ 352.375.6125 ~ COSMOSIFF@YAHOO.COM

"BECAUSE IMAGES ARE MESSAGES"