

News



New Jersey
Office of the Attorney General

NEW JERSEY DEPARTMENT OF LAW & PUBLIC SAFETY

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MARSH & McLENNAN SETTLES PENSION FUND SUIT FOR \$400 MILLION

Suit alleged investors misled by Marsh business practices

TRENTON – Marsh & McLennan Companies Inc. has tentatively settled a class action lawsuit filed by state pension funds in New Jersey and Ohio for \$400 million. The original complaint had charged the insurance company with making false and misleading statements to investors related to contingent commissions from insurers.

Marsh & McLennan admitted no wrongdoing or liability in settling the suit, which had originally been filed in October 2004 in U.S. District Court in the Southern District of New York on behalf of shareholders who held stock in the company between October 14, 1999 and October 13, 2004. The lead plaintiffs in the legal action were the New Jersey Division of Investment in the Department of Treasury, the Public Employees Retirement System of Ohio, the State Teachers Retirement System of Ohio and the Ohio Bureau of Workers' Compensation.

The settlement, which was mediated by retired Judge Daniel Weinstein, received preliminary approval on Tuesday from U.S. District Court Judge Colleen McMahon. A final approval hearing is scheduled for December 23. Members of the class will have until December 14 to opt out of the settlement. New Jersey's share of the settlement is yet to be determined because the amount of recovery depends on when shares were purchased or sold and because the exact number of claims to be filed is not yet known. The estimated average recovery is 77 cents per share. Subject to court approval, New Jersey and Ohio will also each receive expenses as lead co-plaintiffs in connection with the filing.

"This is a substantial agreement that settles the claims we raised against Marsh in our suit to recover investment funds lost by our pension fund," Attorney General Milgram said. "We also believe the settlement best serves the interests of class members."

"This settlement marks another successful outcome of joint efforts by the Attorney General's Office and the Division of Investment to safeguard the interests of taxpayers and pension fund members and beneficiaries," said Treasurer David Rousseau.

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The class action lawsuit charged that Marsh & McLennan made false and misleading statements in its public filing and other public communications in connection with an insurance brokerage industry practice of brokers charging and collecting “contingent commissions” from insurers.

The plaintiffs alleged that Marsh & McLennan violated federal securities laws by misrepresenting the nature of its contingent commission revenue and the price of Marsh & McLennan stock dropped significantly when information was disclosed correcting the alleged misrepresentations and omissions.

Marsh & McLennan denied that it made any false or misleading statements or otherwise violated federal securities laws, denied liability and denied that plaintiffs were damaged.

The case was supervised for New Jersey by Assistant Attorney General Carol Jacobson and Deputy Attorney General Samuel Cornish. Lead counsels in the class action suit are Bernstein Liebhard and Grant & Eisenhofer, two New York law firms.

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