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Hard Choices: Joe Plumeri

The chairman and CEO of insurance brokerage giant Willis Group on shunning contingent commissions and forgoing millions

As told to Diane Brady

As an insurance broker, you're supposed to represent the client who's buying insurance. The practice of contingent commissions—when insurers give brokers cash incentives to bring them business—never made me comfortable. Real growth doesn't come from bringing an insurance company more business or profits.

Six years ago, when (then-New York Attorney General) Eliot Spitzer was looking for causes, he picked contingent commissions. When Spitzer raised the issue, I thought we could do away with them. Spitzer targeted the three big brokers: Marsh (MMC), Aon (AON), and us. Before we were investigated, I went to see Spitzer and told him I happened to agree that these payments were conflicts of interest. He listened and, later, he went after us. I had expected that. But I assumed he would continue the process and ban all brokers licensed in New York from doing this. After he pursued the three of us, though, he stopped and moved on.

That created an un-level playing field. When it became legal to accept contingent commissions again, Marsh and Aon resumed. Besides an acquired company's program that we're shutting down, Willis is the only one that doesn't take them worldwide. I made this decision in 2004, and I'm sticking to it. At the time, we were taking in about \$80 million a year in those fees. I thought our leadership might stimulate others not to take them. Or it might stimulate clients not to allow their brokers to take them. None of that occurred. In fact, when my contract was extended as CEO about six months ago, one analyst said it was bad news for Willis because of my stance on this.

There are analysts who think we're giving up revenue and leaving money on the table. Of course I want to get paid. I'm just not going to be paid based on how profitable the business is for the insurer. I don't think it's the right thing to do. If an agent represents an insurance company, they should be paid by that company. But when you're representing the client who's looking for insurance, that's the person whose interests you uphold. You can't serve two masters.