

Outfront

CONNECTIONS

Insurance Noir

Private eyes Jules Kroll and Mike Cherkasky made a fortune off others' misfortunes. Never more so than in selling their firm to—and then taking over—Marsh & McLennan.

By Neil Weinberg and Michael Maiello

IT WAS A NICE PRESENT. AFTER MORE THAN A DECADE OF futile attempts to cash out of his namesake investigative firm, Kroll Inc., Jules Kroll got what he wanted on his 63rd birthday, May 18. Marsh & McLennan announced it was swooping in with \$1.9 billion in cash.

The buyout represented a 33% premium on Kroll's shares. It also meant a \$117 million payday for Chairman Jules Kroll and family, plus another \$15 million for Chief Executive Michael Cherkasky.

The partners touted the deal as a snug strategic fit. But

behind the buyout is a mysterious subplot worthy of a private-eye novel: Did Marsh Mac buy Kroll thinking it was an insurance policy against an impending crackdown by New York Attorney General Eliot Spitzer?

By early this year Marsh Mac was under the regulatory gun. Its Putnam Investments unit had been nabbed for wrongful mutual fund trading by Spitzer. Its Mercer Consulting unit was under Securities & Exchange Commission scrutiny for possible conflicts of interest in its pension advisory arm.

On Feb. 2 Jeffrey Greenberg, then running Marsh Mac,

rang up Jules Kroll and proposed a buyout. Kroll, who did not respond to requests for comment, was the godfather of crisis managers; his storied firm had handled everything from monitoring the cleanup of the Los Angeles Police Department to uncovering Saddam Hussein's stolen Kuwaiti riches. Marsh Mac and Kroll already had long-standing business ties. Kroll had done many investigative assignments for Marsh Mac over the previous two years. Kroll, in turn, had transferred its employees' 401(k) plans to Putnam in 2001 and had recently hired Mercer to do an executive compensation study.

Kroll also had Cherkasky, a former prosecutor in New York with professional and personal ties to many regulators and law enforcement authorities—including Spitzer. Cherkasky is Spitzer's tennis pal and former boss in the Manhattan district attorney's office.

Eliot's (Small) World

Many people from New York Attorney General Eliot Spitzer's past are playing big roles in his prosecution of Marsh & McLennan. Insurance, it seems, is not the only place where clubby ties matter.

MIKE CHERKASKY

Kroll chief promoted to run Marsh Mac. He's Spitzer's buddy, a political donor and his former boss in Manhattan D.A. office.

CAREY DUNNE

Davis Polk & Wardwell partner investigating wrongdoing for Marsh Mac. Attended Harvard Law with Spitzer and introduced classmate David Brown (below).

LLOYD CONSTANTINE

Attorney helping insurance broker Aon Corp. respond to Spitzer's subpoenas. He's Spitzer's former law partner, who once hired him as intern in New York attorney general's office.

DAVID BROWN

Heads Spitzer's investment protection unit. Harvard Law pal Carey Dunne introduced him to fellow classmate Spitzer.

JULES KROLL

Former boss of Spitzer's former boss, Cherkasky. Once hosted Spitzer at conference. Now vice chairs Spitzer target, insurance broker Marsh Inc.

PETER POPE

Heads the Spitzer criminal unit that handled cases involving Marsh & McLennan. Worked with Spitzer and Cherkasky in D.A.'s office.

