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Dueling moguls: Aon vs. Near North

CEOs Ryan, Segal fight for contracts, bragging rights

By GREG HINZ and STEVE DANIELS

Officials of the Art Institute of Chicago undoubtedly were hoping for a response last year when they finalized arrangements to stage a blockbuster exhibition of works by Van Gogh and Gauguin. But they drew something beyond huge crowds.

Shortly after the museum retained Near North Insurance Brokerage Inc. to insure the priceless French Impressionist works, a top museum official received a call from Patrick Ryan, husband of Art Institute trustee Shirley Ryan and chairman and CEO of Aon Corp.—a \$7.7-billion international giant and one of the world's largest insurance brokerages.

The nature of Mr. Ryan's call: He wanted to know why Near North, rather than Aon, had won the Van Gogh/Gauguin job.

The money involved was small, about \$100,000 in commissions. But as Mr. Ryan's personal involvement suggests, there's nothing tiny about the increasingly pointed rivalry between his Aon and the much smaller but feisty Near North, headed by Michael Segal, its recently indicted CEO and owner.

The rivalry is on display in California, where the two Chicago firms fought over who would insure a new transit building and a mental hospital that are under construction. And elsewhere in Chicago, where the two battled over Board of Education work a few years ago and appear ready to butt heads over coverage for riverboat casinos.

Yet the most evident display may be in U.S. District Court here: Mr. Segal faces a fraud charge in a case in which three key witnesses began cooperating with prosecutors shortly after they left Near North and went to work for Aon, according to court records.

Mr. Segal has pleaded innocent to charges that he intentionally filed a false report with state regulators about the financial condition of Near North's brokerage client trust fund.

Defining competition

Mr. Ryan—like Mr. Segal, a self-made multimillionaire with a penchant for friendships with powerful politicians and a keen desire to win—says little about the war for hometown bragging rights.

"We compete locally with a variety of large public companies . . . as well as smaller, privately owned companies such as Near North," Aon says in a statement.

When asked about the Near North-Aon relationship, Mr. Segal responds with a rhetorical question: "What constitutes aggressive competition, and what constitutes something beyond that?"

Though some within Aon suggest that Mr. Segal is overstating the extent of his feud with that company to aid in his criminal case, a wide range of political, industry and business insiders say the competition between the pair is real and intense, even by the standards of the highly competitive insurance industry.

"Both individuals are strongly

driven," says Cook County Board Finance Committee Chairman John Daley, an insurance broker himself who places some business through Mr. Segal's firm and whose sister-in-law—Mayor Richard Daley's wife, Maggie—works for a foundation funded by the Ryans.

"There's a lot of competition between these two companies," says Ralph Maurer, chief of the Office of Risk and Insurance Management of the California Department of General Services, which last year awarded Near North a \$9-million contract for the transit building and mental health facility over a competing bid from Aon.

On paper, there would seem to be little reason for Aon to care much about Near North, a fraction of its size.

Near North is a regional firm—or a "national boutique," as it calls itself—with its 830 workers pulling in revenues of about \$113 million last year. That figure pales in comparison with Aon's nearly \$8 billion in annual revenues and 53,000 worldwide employees.

Aon offers coverage across a wide spectrum of business lines that compete with most or all of Near North's. Meanwhile, Near North focuses on industry niches, including fine arts coverage and insurance for movie productions in Hollywood, where it is a significant force.

Nonetheless, industry and other sources say the clash between these two companies is particularly sharp, partly because Aon grew by acquiring regional brokerages—like



Competitive policy: Michael Segal, top, head of Near North Insurance Brokerage Inc., and Patrick Ryan, CEO of Aon Corp., both hate to lose.

Near North—that competed with or complemented its business, and partly because both firms are based here.

There's one other reason: the personalities of Mr. Ryan, 64, the son of a Milwaukee salesman who put himself through Northwestern University on a football scholarship, and Mr. Segal, 58, the son of a North Side furrier who graduated from Chicago's Loyola and DePaul universities before going into business with former Cook County Board Chairman George Dunne.

Public relations

Insiders talk freely, though privately, about the competition.

Says one former Aon executive: "If you took a piece of business from Near North, it was three 'attaboys,' compared with just one for taking business from (someone else)."

"This is a bitter, to-the-death

struggle," says a top Chicago power broker. While Mr. Ryan's style is that of a corporate statesman and polished arts aficionado, and Mr. Segal's is that of a politically connected wheeler-dealer, they have one important trait in common: "They don't like to lose."

Head-to-head business clashes between Aon and Near North have become more public since 1996, when Mayor Daley's new management team at the Board of Education decided to rebid work then held by Near North. Aon ended up winning most of it, but not until Near North had sued the board.

At the Art Institute, business has gone back and forth between the two firms, with an Aon unit arranging insurance for the 1995 Monet exhibit, but Near North's fine arts unit winning bids for the 1997 Renoir show as well as the 2001-02 "Van Gogh and Gauguin: The Studio of the South" exhibit.

Robert Mars, the museum's recently retired executive vice-president, declines to discuss the call he received from Mr. Ryan about the recent exhibit. His only comment: "There was a competitiveness between the two" companies and their CEOs.

An Art Institute spokeswoman declined to comment on the matter. Aon stops short of a denial, saying in a statement: "Mr. Ryan naturally involves himself personally in many client relationships, as does any CEO of a major

client-focused corporation."

Illinois gaming industry sources say Aon recently has begun making inquiries about insuring riverboat casinos. Near North now covers boats in Joliet, Alton, Peoria and Elgin. And the Metropolitan Pier and Exposition Authority, the city/state agency that operates McCormick Place and Navy Pier, reports that Aon has asked about its coverage in recent weeks.

The two not only fight over business but over employees who can get that business. Near North insiders say that several dozen staffers have gone to Aon in recent years. Aon says it does not track where its workers come from, and declines to comment on existing or potential business. Near North officially has no comment.

Pending in Cook County Circuit Court is a 1997 civil suit in which Near North accuses Aon and three of its operating units of misappropriating trade secrets—namely, a software package called BondMaster, used to serve surety bond clients, according to court documents.

Near North already has settled with a second corporate defendant that had a role in the matter, but terms are under court seal.

John Harney, Near North's chief operating officer, says he is confident his firm will prevail in the matter, which tentatively is set to go to trial later this spring. Aon "believes it

has excellent legal defenses," it says.

The major court action involving the companies is another Cook County civil suit that Near North recently filed against three of its former senior employees who defected to Aon—and their role in the pending federal criminal charge against Mr. Segal.

In the federal case, Mr. Segal now faces one count of filing the false report. However, federal prosecutors have said in open court that they are preparing additional charges against him.

The Cook County civil case was filed the week before prosecutors arrested Mr. Segal. In it, Near North accuses three former "senior managerial employees" who now work for Aon of breaking a non-compete clause in their contracts. Subsequent Near North pleadings allege that the former employees engaged in "a campaign of extortion" to get Mr. Segal to sell them his firm and make other unwarranted payments to them.

The three deny that—and offer a highly interesting explanation. The truth, they allege in court filings, is that they began cooperating with federal prosecutors "promptly" after being hired by Aon, and that Mr. Segal is attempting to pressure them to keep quiet about his alleged misconduct.

'Went right over'

Eric Brandfonbrener, the attorney for the three, says Aon

"had nothing to do" with his clients' cooperating with federal prosecutors. "I've never had dealings with Pat Ryan on this. I've never vetted this with (Aon)," he says, adding that it was only logical that the three would seek employment elsewhere in the insurance industry after leaving Near North.

Mr. Brandfonbrener does confirm that the three "went right over" to Aon within a few days of leaving Near North, with their decision to talk with federal prosecutors coming in the same period.

Aon is not a defendant in this Cook County case, though Near North made and then withdrew a motion to include it, pending discovery in the case.

Asked if it wanted the three staffers to help federal prosecutors, or hired them knowing that they would, Aon replies that its employees should "cooperate by answering completely and honestly any questions put to them" by legal authorities.

The company won't comment on whether it is paying Mr. Brandfonbrener's fees in the case. Mr. Brandfonbrener says he "sends my bill to my clients. I don't know if they are reimbursed."

The spokesman for U.S. Attorney Patrick Fitzgerald declines comment on any connection between the civil and criminal cases, as does Mr. Segal.