CMYK
ID NAME: NYTx,2004-10-24,BU,001,Bs-4C,E1_+
YELO MAG CYAN BLK
3 7 15 25 50 75 85 93 97

The New York Times
Sunday, October 24, 2004
SundayBusiness
Section 3

GRETCHEN MORGENSON

Who Loses The Most At Marsh? Its Workers

CERTAIN things in life never change, of course, and one of the more unfortunate constants is that when corporations behave badly, their rank-and-file workers are hit hardest. Executives always seem to vanish from the accident scene, toting their munificent pay packages; ordinary workers are left with little or nothing.

Nowhere is this clearer than at **Marsh & McLennan**, the world's largest insurance brokerage concern and the subject of a lawsuit from Eliot Spitzer, the New York attorney general, that accuses the company of rigging bids to keep insurance costs high. The company's stock has cratered as investors have tried to assess the long-term implications of the investigation.

Looking Elsewhere

The percentage of 401(k) plan sponsors in fund groups affected by scandal — Putnam, Invesco and Strong — that are shopping for new plan providers.

Source: 401(k) Exchange

To be sure, Marsh executives have been hurt by the stock's descent: their options are for the moment unexercisable and the value of their bounteous stock awards has plummeted. But don't cry for Jeffrey W. Greenberg, Marsh's chief executive. Since he took that job in 1999, he has received $5.8 million in salary and $14.6 million in bonuses.

The biggest losers by far are the company's 60,000 workers around the world, many of whom were essentially pushed by the company to load up on Marsh shares. Most of these people, whose retirement accounts have been eviscerated, are probably guilty of nothing more than trying to do their jobs.

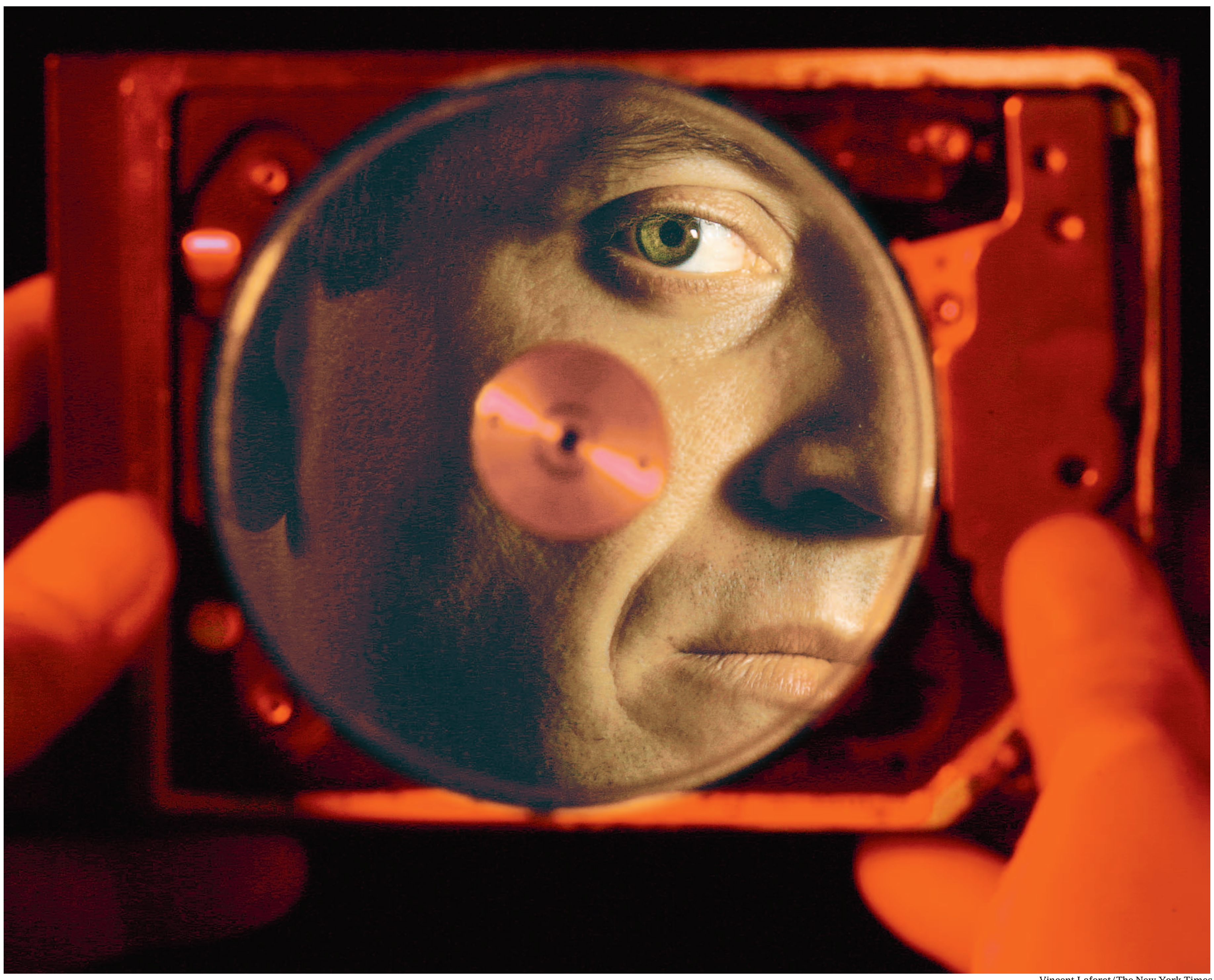
Through three investment plans, employees of Marsh and its subsidiaries, like Putnam Investments, held an enormous stake in the company — 32.3 million shares, or about 6 percent of the stock as of last December. Most of these holdings — 27 million shares — are in Marsh's stock investment plan, a retirement vehicle set up by the company in 1966. An additional five million shares were acquired in a stock purchase plan last year by company workers, and at the end of the year, Putnam employees' 401(k) plan held 344,000 Marsh shares.

All told, the stock investment plan had $2.24 billion in assets at the beginning of this year, 60 percent of which were held in Marsh shares. The remaining 40 percent was in mutual funds, most of which are managed by Putnam Investments, another Marsh subsidiary that is reeling.

Why did workers put so many eggs in their

Continued on Page 9

INSIDE



Vincent Laforet/The New York Times

Kevin Barrows, a former F.B.I. agent, is reflected in a computer's hard drive. Mr. Barrows helped solve one of the country's biggest identity theft schemes.

Gone in 60 Seconds

Identity Theft Is Epidemic. Can It Be Stopped?

By TIMOTHY L. O'BRIEN

PAUSING in the foyer of a comfortable suburban home two days before Halloween in 2002, Kevin Barrows, a special agent with the F.B.I., could not bring himself to open the front door. He and a team of agents had just spent several hours searching every room in the house, in New Rochelle, N.Y., but they were leaving empty-handed. Months of investigating had led Mr. Barrows to believe that someone was orchestrating a huge fraud from the house, yet he had not found a single scrap of evidence.

Still, something bothered him about the furniture in one of the bedrooms. It seemed oddly oversized. So he headed back upstairs for a second look, and his attention focused on an expansive canopy over the bed. When he pushed at the draping, he found that it was weighed down with files. They contained reams of confidential financial information about hundreds of individuals whose identities had been pilfered in an intricate scheme that illicitly netted more than $50 million.

Two years later, the New Rochelle home has emerged as a linchpin in what federal law enforcement authorities describe as the biggest case of identity theft ever uncovered in the United States. The scheme was essentially masterminded by just two people: Linus Baptiste, who lived in the house and had contacts with a sprawling ring of Nigerian street criminals, and Philip A. Cummings, his former brother-in-law, who worked as a help-desk clerk at a Long Island software company. At least 30,000 people nationwide were victimized, according to law enforcement authorities and court documents.

"In a lot of ways it could have been the perfect crime," Mr. Barrows, who now works as a private investigator, recalled in a recent interview. "The execution was seamless, and if they had been smart enough not to use a phone line that traced back to that house we probably never would have found them."

The Baptiste case and others like it are at the forefront of one of the fastest-growing white-collar crimes in the country. Identity theft involves the most intimate, the most stealthy and perhaps the most intrusive of frauds — the wholesale lifting of someone's financial persona to secure bank loans, credit cards and mortgages in that person's name. Even when the crimes are discovered early, it can take months, sometimes years, for innocent people to restore tattered credit histories. While most consumers usually do not have to pay for illicit pur-

Continued on Page 4

The Wonderful World of Succession

By LAURA M. HOLSON

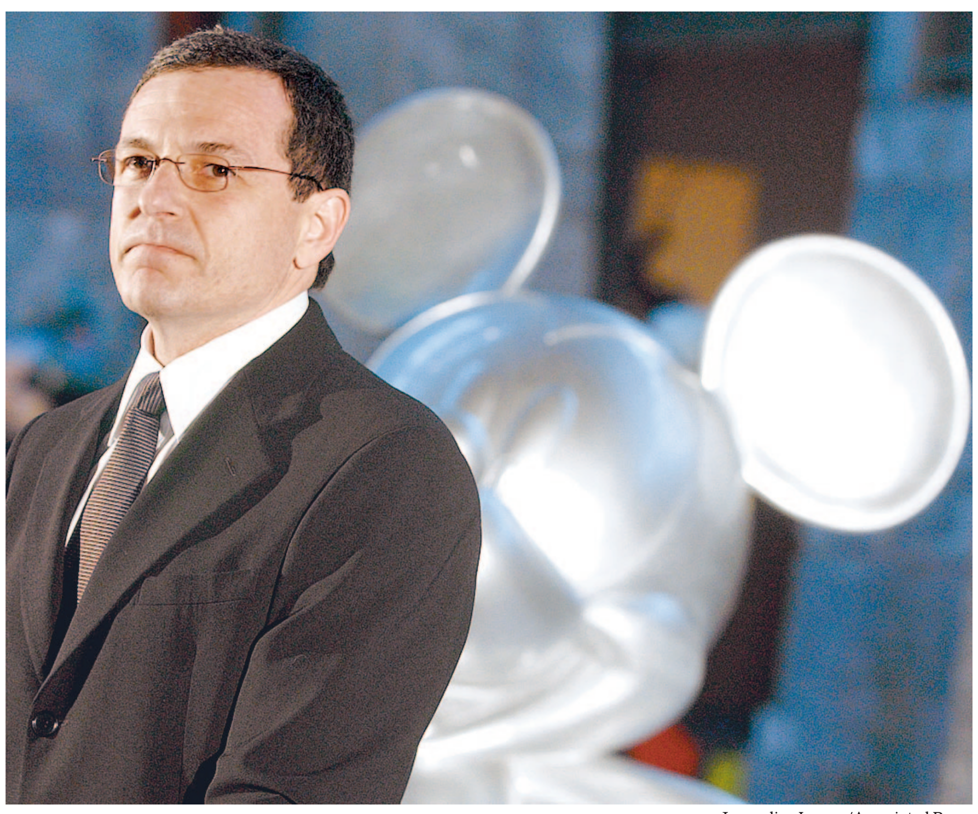
AT an investor conference in Orlando, Fla., in February, about 100 analysts and investors eagerly awaited the arrival of the **Walt Disney** Company's chief executive, Michael D. Eisner. The ballroom at Disney's Contemporary Resort was buzzing with news that Mr. Eisner had received a $54 billion takeover bid from **Comcast**, which contended that it could manage the company better.

Mr. Eisner, his face ruddy and eyes bloodshot, eschewed pleasantries as he entered and made a beeline for the podium as a group of Disney executives trailed behind. Among them was Disney's president, Robert A. Iger, who calmly greeted the guests, shaking hands and laughing at awkward jokes. "Can't you call Steve's dad?" sniped an analyst, referring to Mr. Iger's former mentor and boss, Daniel B. Burke, whose son, Stephen B. Burke, was one of the Comcast executives behind the hostile offer.

Mr. Iger, 53, shrugged his shoulders and smiled. It was the same calm under fire that colleagues say he exhibited during the 1988 Winter Olympic Games in Calgary, when, as a young executive at ABC Sports, he deftly rejiggered the schedule of events after an unusual warm snap halted some competition.

But as much as Comcast's unsolicited bid for Disney was a strike against Mr. Eisner, it was also a slap to Mr. Iger. For four years as Mr. Eisner's No. 2, he had labored quietly in the shadow of his larger-than-life boss and thus had a significant stake in how he was perceived. But if there was anyone in the room that morning arguing that Mr. Iger should be given the keys to the kingdom, he wasn't making himself known.

And that is his quandary: Mr. Iger is clearly the second-in-command at Disney and the closest thing to an heir apparent, but he still has to fight for the top job. Some directors support him, but the full board nonetheless met on Friday to discuss which executive search firm to hire in its quest to line up a successor to Mr. Eisner, who said last month that he would retire in 2006.



Jacqueline Larma/Associated Press

Robert A. Iger, president of Walt Disney, is as close as the company gets to an heir apparent. "You go to work every morning, you do your job, you work to be as productive as possible, and in the end you're judged on your output, Mr. Iger said. "It's not about perception. It's not about other people's speculation. It's not about any of that."

Mr. Iger may be hurt by his performance when he was overseeing the ABC network, where he had his ups and downs. But more important, friends, analysts and associates say, is whether he has differentiated himself enough from his boss, who has become a lightning rod for many of Disney's troubles. It is a tricky situation. He cannot be seen as disloyal to Mr. Eisner, but at the same time he does not want to be too closely associated with him, either, since disgruntled investors voted 45 percent

Continued on Page 6